



MKS PAMP  
GROUP

## Daily Asia Wrap - 8th October 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1886.90/40	23.80/83	865/70	2344/74
HIGH	1890.00/50	23.89/92	866/71	2352/82
LOW	1883.30/80	23.71/74	860/65	2340/70
LAST	1889.80/30	23.88/91	864/69	2350/80

### MARKETS/MACRO

In what was another interesting development on the topic of stimulus talks, President Trump walked back some of his rhetoric yesterday during the Asia session, signaling that he would be open to resuming stimulus talks, albeit in a more piecemeal fashion – with a particular emphasis on individual stimulus checks. Trump came out saying he favours immediate spending on paycheck protection (\$135bn), airlines (\$25bn) and a standalone bill of \$1200 stimulus checks for individuals. The Democrats are unlikely to play ball however, saying they are looking for a comprehensive package over a piecemeal approach. The baseline scenario of no new stimulus ahead of the 3 November election is playing out. The question is: will there be any stimulus implemented before the new president's inauguration on 20 January? If not, the situation could lead to extended erosion of fiscal support in coming months, persistent gaps for households and firms in need, and a renewed focus on potential Fed easing options - like increased QE. The market however glimpsed the change in tone of Trump on stimulus as a positive with equities higher as a result. The S&P500 on the day rallied +1.74% to 3,419.45, the DOW climbed +1.91% to 28,303.46 and the NASDAQ gained +1.88% to 11,364.598. In Europe,

equities were narrowly mixed as corona virus cases continue to mount across the EU and leaders contemplate further restrictions. The FTSE100 inched down -0.06% to 5,946.25, the DAX advanced +0.17% to 12,928.57, the CAC40 dipped -0.27% to 4,882.00 and the Euro Stoxx 600 gave up -0.12% to 365.45. In FX, the dollar remained fairly anchored around current levels, down slightly with the DXY easing -0.24% to 93.61. US treasury yields were higher, the 2y yield adding +0.8 bps to 0.155% and the 10y yield firmed +3.8 bps to 0.79%. Crude prices ticked higher with the Brent gaining +0.2% to \$42.08 and WTI up +0.2% to \$39.99, while base metals were mostly higher with copper leading the gains (+2.3%).

On the data front, minutes from the September FOMC provided few new insights, simply documenting the discussion around adjusted forward guidance and suggesting that plans for asset purchases might be discussed at future meetings. The November 5<sup>th</sup> meeting comes just after the US election, which implies that the December 16<sup>th</sup> FOMC meeting is the next meeting where any policy developments are possible. The minutes made clear however that there is no urgency to make changes to asset purchases immediately, with only “some” suggesting that changes be “considered” at “future meetings”.

## **PRECIOUS**

Gold continues to be driven by moves in the currency market, with a softer USD overnight helping gold prices recover after a very soft prior session following Trump’s remarks on stimulus. The dollar weakness overnight was sparked by reports that President Trump was willing to discuss a more targeted virus relief package. In Asia yesterday gold remained heavy after the Globex open, following on from the late weakness in NYK. The metal struggled to hold above \$1880 initially, with some macro players seen in covering upside option exposure early on. The metal pushed above that level briefly before being pushed down to \$1875 and then oscillating in a \$5 range between \$1875-80. Further weakness in the early afternoon saw the yellow metal touch the daily low (\$1873), though quickly rebounded to trade through \$1880. The metal continued higher throughout Europe gaining pace in line with a firmer EUR and GBP up to a peak of \$1897.60. Throughout NYK, some of the gains were given back in more measured conditions, the metal trading a \$10 range between \$1880-90. There is still support at these lower levels for gold, with Gold backed ETF’s still seeing strong inflows. There have now been 6 straight days of inflows for ETF’s and holdings have increased an amazing +34% for the year. Silver rebounded strongly off the 38.2% retracement line (\$22.87), threatened late in NY on Tuesday. It opened in Asia above \$23 and pushed north throughout Asia to trade as high as \$23.80. In NYK it traded just shy of \$24.00 and closed strongly on the day at \$23.81 (+3.3% intra-day). PGM’s remained rangebound on the day, yet did finish ahead.

The market was much quieter today in Asia, gold holding in \$5-6 range throughout on light volumes. The yellow metal opened at \$1887 and initially moved higher. There was moderate two way interest on Globex which prompted gold to trade between \$1884-89 throughout the morning. As I write we are still sitting right in the middle of the daily range. Silver walked a tight range of \$23.75-23.90 with significantly lower volume trading than yesterday and PGM’s traded sideways. Ahead today on the data front look out for US jobless claims and housing starts. Have a good day ahead.

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