



MKS PAMP  
GROUP

## Daily Asia Wrap - 9th April 2020



### Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1643.00/5.00	14.95/98	732/37	2147/67
HIGH	1655.50/7.50	15.12/14	738/42	2189/09
LOW	1643.00/5.00	14.91/94	730/34	2141/61
LAST	1655.50/7.50	15.12/14	738.42	2182/02

### MARKETS/MACRO

Risk sentiment in US markets continued to improve overnight against a backdrop of tentative signs suggesting that the worst of the outbreaks in Europe and North America may have passed. Markets are looking at when the economy might re-open and are optimistic that more fiscal stimulus may be in the pipeline. Fed minutes reaffirmed the commitment to keep rates low and use purchases to support market functioning. President Trump reiterated his desire that the economy restarts sooner rather than later, beginning in smaller cities and towns in states that haven't been so badly hit. The S&P500 rallied +3.41% to 2,749.98, the DJIA gained +3.44% to 23,433.57 and the NASDAQ Composite advanced +2.58% to 8,090.90. European markets had a more defensive tone, with finance ministers still yet to agree on a united fiscal support. The DAX as a result slipped -0.23% to 10,332.89, the FTSE100 drifted off -0.47% to 5,677.73, the Euro Stoxx 600 was more or less flat +0.02% at 326.67 and the CAC40 ticked up +0.1% to 4,442.75. Crude oil prices rallied (WTI +7.6% to \$26.14/bbl) as hopes of a production cut agreement rose. As producers prepare for a meeting to discuss potential curbs, news emerged that Russia was willing to cut oil production by as much as 1.6mb/d, which amounts to approximately 14% of its total production. However, it continues to place a caveat on this cut - it must be part of a global agreement to curb output. The US remains the key, with most producers expecting the world's biggest producers to be part of the agreement, however, doubts remain. President Trump said "nobody has asked me", when probed about the discussions, adding "if

they ask I will make a decision". Traders continue to disregard the weakening physical market. Some landlocked US crude fell below USD10/bbl, while West Canadian Select was being sold as much as USD20/bbl below WTI. The EIA also reported a 15.2mbbl rise in US inventories, the biggest gain in data since 1982. Elsewhere, US 10y treasury yields rose 5bps to 0.76%, while Italian short term yields surged 10 bps on European divisions.

European finance ministers failed to agree on a fiscal support package for the bloc, with another call scheduled for today. The ECB has said that fiscal stimulus of EUR1.5trn is needed, but discussions are around the EUR500bn mark. Traditional points of contention were barriers. Italy and the Netherlands are at loggerheads over the use of the bloc's emergency fund, which is limited to 2% of GDP and comes with other conditions. This is insufficient to help economic recovery in Italy. Italy's preference is to issue bonds that would be purchased by the ECB's pandemic emergency purchase program. These disagreements hamper urgently needed unity that could channel funds to battling the crisis. It is reminiscent of the European sovereign debt crisis, with divisions exacerbating the economic blow.

## **PRECIOUS**

Gold remained relatively unchanged overnight with mixed messages from policy makers. EU finance ministers failed to agree on a EUR500bn package to mitigate the economic impact of COVID-19 and in the US, lawmakers are expected to push through a USD500bn stimulus package this week – which given the uncertainty still bodes well for gold prices. Spreads between spot prices and futures eased somewhat, but remain elevated in historical terms at around USD25/oz. Demand for gold-backed ETFs remains strong at present with global holdings rising for a 12<sup>th</sup> straight day to a record 2,852.6t, according to Bloomberg data.

Markets today were extremely quiet to round out the week, gold holding close to \$1650 with little volatility. EFP's held around \$30, surprisingly with little volatility today after a week of huge fluctuations. Gold opened more or less on the lows before ticking higher in early trade to just below \$1650 where it tracked quietly in to the afternoon – pushing higher as I write. What was encouraging to see was the spreads narrowing for the yellow metal, sitting between \$1.00-2.50 throughout the session. Silver managed to push back through \$15 after closing on soft footing in NYK. The white metal punched through \$15.00 (spot) right on the China open and has drifted sideways around \$15.10 ever since. Wish you all a great Easter – all the best.

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