

Daily Asia Wrap - 9th December 2020

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|------------|----------|----------|-----------|
| OPEN | 1870.00/50 | 24.55/57 | 1028/31 | 2310/30 |
| HIGH | 1870.30/80 | 24.55/57 | 1032/35 | 2311/31 |
| LOW | 1859.60/10 | 24.24/26 | 1025/28 | 2302/22 |
| LAST | 1859.60/10 | 24.27/30 | 1027/30 | 2306/26 |

MARKETS/MACRO

Markets were mixed overnight waiting for news on both the US stimulus package and the Brexit negotiations. While hopes are still alive that a fresh stimulus package for the US will be agreed soon, it is looking less likely that a Brexit deal will be made with negotiators from both sides acknowledging a deal may not be achieved. The next 24 hours will be critical and is likely to cause market volatility depending on what is or isn't agreed. Nonetheless, US equity markets continued to grind higher on the day, the Dow rising +0.35% to 30,173.88, the S&P500 advanced +0.28% to 3,702.25 and the NASDAQ ticked up +0.5% to 12,582.77. European stocks were narrowly mixed yesterday, the FTSE100 inched up +0.05% to 6,558.82, the DAX crept up +0.06% to 13,278.49, the EuroStoxx 600 rose +0.2% to 393.64 while the CAC40 dipped -0.23% to 5,560.67. In FX, the USD was firmer across the board overnight, with the EURUSD easing towards 1.2100 and the USDJPY gaining about 20 pips to 104.20. US treasury yields were mixed with the 2y yield gaining +0.4 bps to 0.147% and the 10 year yield easing -2.3 bps to 0.910%. Crude oil rose, with the WTI gaining +0.5% to \$45.66 and Brent rose +1.0% to \$48.88.

EU Chief Negotiator Barnier has advised that the chances of a Brexit deal are "very slim". With things again coming down to the wire, he admits talks will not go beyond Wednesday. In a last ditch effort to get a deal done, Prime Minister Johnson has conceded removing the clauses relating to the UK Internal Market Bill which would have given UK ministers the power to override the Brexit divorce treaty. Johnson has also warned a Brexit deal may not be achieved. A no-deal is expected to wipe ~2% off the UK economy in 2021. We expect a bumpy ride for GBP over the next 24 hours.

On the data front, Small businesses optimism in the US fell in November, while Q3 non-farm productivity levels eased and unit labour costs fell. While the movements were not drastic, these data all point to a slightly weaker US economy. If wages continue to fall, that will be deflationary, however the small business survey showed selling prices were increasing and this data does tend to align with consumer prices. In Europe, the ZEW Economic Sentiment index for both Germany and the whole of the EU surprised to the upside. Meanwhile the current conditions measure for Germany was a tad weaker than expected. The brighter outlook was driven by recent vaccine news, but that does not change current economic conditions that are still extremely challenging. Still in Europe, Employment levels in the EC increased 1% during Q3, but there is still 2.3% fewer people in jobs than a year ago. GDP data for Europe was a smidgen under forecast, lifting +12.5% in Q3, but is still down -4.3% y/y. A rebound in consumer spending following the initial lockdowns was the significant driver of economic growth in Q3.

PRECIOUS

Gold had a quieter session on Tuesday, trading a \$13 range after the significant gains and interest seen during New York on Monday. The yellow metal remained well bid throughout Asia yesterday and slowly pushed higher throughout the morning to eventually hit \$1871 later in the afternoon. It ticked back lower over the European session, but ran into some decent retail demand at \$1860, which held well. Gold continued onto the daily high not long after the NYK open (\$1874.90) but encountered some stiff supply around the \$1875 and quickly dipped back off. In the end it closed around \$1870, the highest level since March 23rd. Silver rose +\$0.25 during Asia to trade up to \$24.75 and erased those gains throughout the European morning in muted trade. It spiked sharply in NYK to the daily high of \$24.86 but ran out of puff just as quickly and reversed back through \$24.50

eventually settling around \$24.65 before closing at \$24.55. Platinum tested down toward \$1015 and bounced back to close at \$1030. It importantly remains above the critical support at \$1000.

It was a slow day in Asia for the most part with gold and silver gradually sliding lower throughout the session. Gold opened above \$1870 and held steady for the opening few hours trading very light volumes. Leading into the China open some selling began to emerge and the metal pushed down toward \$1865 and remained between \$1865-67 into the afternoon. Some producer selling was seen into the afternoon and gold continued to fall into the low \$1860's where we currently remain. So far we are holding the \$1860 level, which held well yesterday. Silver was much the same in terms of price action, holding steady above \$24.50 during the morning. It broke through that level at the SGE open and has continued down towards the lows through the afternoon as I write and looks soft. Ahead today on the data calendar look out for German trade data, Bank of Canada rate decision and US mortgage applications and wholesale inventories. Have a good day ahead.

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