



MKS PAMP  
GROUP

## Daily Asia Wrap - 15th July 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1809.50/80	19.28/31	828/33	1970/90
HIGH	1811.10/40	19.33/36	832/37	1984/04
LOW	1805.80/10	19.20/23	827/32	1970/90
LAST	1806.70/00	19.20/23	827/32	1975/95

### MARKETS/MACRO

Risk remained buoyant overnight as earnings season kicked off in the US, with some of the larger consumer banks reporting. Results were mixed, though all guided for larger potential losses on their loan books as the pandemic deepens into the year. Rising virus case numbers and geopolitical tensions were weighed off against some better-than-expected US data on the day. The Dow advanced +2.13% to 26,642.59, the S&P500 climbed +1.34% to 3,197.52 and the NASDAQ Composite gained +0.94% to 10,488.58. In Europe, stock indices were generally lower on day, the DAX dipped -0.8% to 12,697.36, the EuroStoxx 600 declined -0.84% to 367.40, the CAC40 retreated -0.96% to 5,007.46, while the FTSE100 inched higher +0.06% to 6,179.75. The dollar was generally well offered on the back of the buoyant risk tone with the Euro and Aussie, some of the better beneficiaries, though both pairs are likely to run into some near-term resistance around these levels, which have served as recent ceilings. Base metals prices slid lower, as US-China tension outweighed stronger Chinese imports. Sentiment was hit by the Trump administration rejecting China's expansive maritime claims in the South China Sea. But pandemic related supply losses in Chile and Peru, along with strong demand from China, protected the downside. Labour strike risks are rising in Chile with workers rejecting the wage

offer at Centinela mine following a vote to strike at Zalvidar on Friday. Imports of copper hit a record monthly high of 660kt in June, underscoring the strength of the Chinese economic recovery.

On the data front, both the US June NFIB index and CPI report beat market expectations. Headline June CPI rose +0.6% m/m (+0.6% y/y), while core CPI rose +0.2% m/m (+1.2% y/y). Both measures were +0.1% m/m stronger than expected. The data provided some hope to markets that disinflationary pressures are starting to abate. The June NFIB index rose +6.2 points to 100.6, which is the highest reading in five months and above the long run 20-year average. European data however was disappointing. Germany's ZEW expectations were weaker than expected, falling back to 59.3 from 63.4, while the current situation improved to -80.9 from -83.1. This highlights the fragility of the recent rebound in confidence globally, particularly as virus cases continue to rise. For Europe as a whole, ZEW expectations ticked up 58.6 to 59.3. Meanwhile in the UK, weakness in GDP in the three months to May weighed on market sentiment. May GDP rose a modest +1.8% m/m as the economy began to emerge from lockdown. That left the 3m/3m reading at -19.1%, highlighting the huge degree of stress the economy has been under. Services have been slow to emerge from the crisis, weighing significantly on activity, especially given their weight in the GDP reading (~80%). Other sectors fared better as they got back to work quicker - May manufacturing rose +8.4% m/m and construction output rose 8.2% m/m. The May GDP data is likely to represent the low point for the crisis.

## **PRECIOUS**

Gold and silver traded on stronger footing yesterday amidst the rising geopolitical tension between the US and China as well as the worsening pandemic in the US and emerging markets, which are motivating investors to direct capital into safe-haven assets as a risk diversifier. Gold opened the session yesterday on softer footing with Chinese investors on the offer earlier in their session, which prompted gold to fall through \$1800 and then maintain a \$1796-1801 range for the afternoon. Further downside was seen during European hours, the metal hitting a low of \$1791.30, although there was good demand seen between \$1790-94 which restricted declines. Record 24-hour COVID death and infection rates in Florida prompted fresh buying at the US open and gold spiked sharply back through \$1800 and continued on to a peak of \$1810.40 before closing either side of \$1809. Silver had a strong session also, looking weak throughout Asia and falling back through \$19.00 and then to \$18.90 during Europe. Similar to gold this was quickly reversed by continual bids from a number of sources, the white metal hitting a peak just short of \$19.30 then falling back off over the final hour and settle around \$19.20. ETF demand for both gold and silver continues during the current environment and looks set to maintain this course in the near term.

Both gold and silver were well bid on the open in Asia this morning, silver in particular, which managed to push briefly through the overnight high, but stall around \$19.30 once again. Gold managed to hit a high of \$1811.10 pre-China open but began to meander lower from there into the afternoon on moderate volumes. Gold is currently sitting just off the lows as is silver. I continue to look positively at the precious sector, with geopolitical tensions and COVID cases likely to increase in the near term and I like to buy dips towards \$1780-95 and \$18.70-95 respectively. Ahead on the data calendar today we have UK CPI and US industrial production, import prices, MBA mortgage applications and the Fed's beige book. Have a good day ahead.

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