



MKS PAMP
GROUP

Daily Asia Wrap - 15th April 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1727.90/9.90	15.65/68	784/87	2200/30
HIGH	1730.10/2.10	15.76/79	790/93	2215/45
LOW	1719.90/1.90	15.61/64	781/84	2190/20
LAST	1724.90/6.90	15.68/71	789/92	2215/45

MARKETS/MACRO

US earnings season kicked off, and a risk-on tone prevailed on a quiet data day. We saw earnings from some of the large US consumer banks last night where significant provisions were made against consumer and oil related loans in anticipation of a looming recession. Combined, Wells Fargo and JP Morgan set aside more than USD12bn for bad loans – the largest such provisions for each bank since the GFC. Regardless, all major US Indices ended sharply in the green again with the S&P500 now just a touch over 5% away from the 3,000 level. In the end the DOW ended up adding +558.99 pts (+2.39%) to 23,949.76, the S&P500 tacked on 84.43 pts (+3.06%) to 2,846.06 and the NASDAQ Composite rallied 323.32 pts (+3.95%) to 8,515.74. It was a mixed affair across the Atlantic with the FTSE100 down -0.88% to 5,791.31, the German DAX climbing +1.25% to 10,696.56, the French CAC40 up +0.38% to 4,523.91 and the Euro Stoxx 600 advancing +0.64% to 333.91. Crude oil prices fell sharply on mounting concerns about weaker demand, which offset the goodwill achieved from the weekend's unprecedented production agreement. Those concerns were sparked by the IMF, which warned that global gross domestic production will fall by 3% this year. A rebound in fuel demand remains elusive, with many countries indicating international travel will be curtailed

for the foreseeable future, even as the virus eases. Reality set in as the market contemplated the OPEC+ agreement. While the 9.7mb/d cut was one of the biggest coordinated cuts in history, it still falls short of the monstrous hit to demand. WTI shrugged off -9.0% to \$20.40 as a result. Elsewhere, the dollar lost some of its strength, falling against most of its G10 peers last night while gold continued its advance. Aussie continues to be one of the better performers in the G10 space with discretionary names seen chasing this move north especially in the options space. UST yields were lower with 10y down -1.4bps to 0.75%.

France and India extended their COVID-19 response lockdowns yesterday. It also seems highly likely that the UK will officially do so by the end of the week, based on comments by Dominic Raab, Boris Johnson's stand-in. The harrowing forecasts continue in with the UK's Office of Budget Responsibility, estimating that UK GDP could drop by as much as -35% by the end of Q2 and -13% for 2020 as a whole.

The IMF's April World Economic outlook makes for sobering reading: You can find it at the following address (<https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>). The monetary fund forecasts that the global economy will contract -3% in 2020, much worse than the -0.1% decline in 2009 and a -6.3% downgrade since January. Its base assumption, that the pandemic fades in H2 2020 and containment can be gradually unwound, is expected to see global growth rebound 5.8% in 2021.

PRECIOUS

Gold prices rose to their highest level in more than seven years overnight as the spectre of a deepening global recession continues to support safe-haven buying. Spreads between futures and spot prices also remain wide, suggesting liquidity remains tight. The latest wave of buying was sparked by the announcement last week that the Fed will invest up to USD2.3trn in loans to aid small and medium sized business. Gold pared some gains late in the session as the equity market rallied into the close amid hopes of a peak in the COVID-19 crisis.

It was an inside day today for gold today with the metal consolidating between \$1720-1730 for majority of the session. Flows were moderate and the spreads remain wide across the metals in Asia though it definitely feels there is good demand underpinning the market at present. Gold opened this morning and popped through \$1730 briefly before some early Chinese based selling began to emerge. We popped back to \$1730 again just prior to the SGE open, but quickly were smacked back lower as a result of ongoing Chinese selling. The onshore discount remains very heavy at around USD \$60-65 below the current spot price, due to a glut of supply in China, and we have seen continual selling over the past few weeks. Today was no different, which has prompted the spot price to test \$1720 on a few occasions yet has so far held. Silver followed gold's trajectory today coming off initially then spiking quite aggressively prior to the China open to the day's highs. Some liquidation from Chinese banks cooled the rally after the SGE open however and spot dropped off a quick \$0.10. Good luck and good day ahead.

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