



MKS PAMP  
GROUP

## Daily Asia Wrap - 25th March 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1632.95/4.45	14.30/33	703/13	1890/40
HIGH	1641.60/3.10	14.70/73	730/40	1947/97
LOW	1608.20/9.70	14.20/23	703/13	1890/40
LAST	1613.80/5.30	14.33/36	720/30	1913/63

### MARKETS/MACRO

Despite dire PMI data, US equities came roaring back in what was quite an impressive relief rally as investors took solace in congress' progress to push forward a 2 trillion stimulus package. Among other factors, we've seen some value funds become more vocal as the White House continues to tout its intent to reopen the economy by Easter and central banks pledge the 'whatever it takes' mantra to stem the selling pressure. Globally, we have seen enormous stimulus unleashed and while it cannot stop the economic slump, it does provide a safety net going forward. Germany, which has freed up close to 35% of GDP in terms of stimulus, is considering a post COVID-19 spending spree. The US no doubt will do the same as will other countries, and central banks seem willing to finance it. The more positive mood boosted equities, the S&P500 piling on +209.93 pts (+9.38%) to 2,447.33, the DJIA surging +2,112.98 pts (11.37%) to 20,704.91 and the NASDAQ Composite rallying +557.18 pts (+8.12%) to 7,417.86. European investors breathed a sigh of relief as their markets were buoyed also, the German DAX soaring +10.98% to 9,700.57, the FTSE100 climbing 9.05% to 5,446.01, French

CAC40 advancing +8.39% to 4,242.70 and the EuroStoxx 600 lifting +8.4% to 304.00. Bond yields edged higher, with the US 10Y up +5bps to 84bps, and bunds up +5.3bps to -33.1bps. WTI rose 0.1% to USD24.1/bbl.

PMIs in the UK, France, Germany and across the euro area more broadly plunged firmly into contractionary territory in March. Markit said the rest of the euro area reported an even steeper decline than seen in France and Germany, led by comfortably the sharpest fall in service sector activity ever recorded (52.6 prior to 28.4). It was the same story for the US, where services PMI fell to a record low. The composite employment index fell 3.1pts to 47.6, new orders fell 9.1pts to 40.7 and output fell 9.1pts to 40.5. The composite future output fell 8.4pts to 50.5. There isn't much to add to the headline numbers – they are extremely weak, the underlying details are weak, and there's probably more to come as lockdown measures continue.

India's Prime Minister Modi has announced a three-week nationwide lockdown, while New Zealand enters its four-week lockdown from midnight tonight. Conversely, China is preparing to lift lockdown measures in Hubei (ex-Wuhan) province and Wuhan city effective 25 March and 8 April respectively – exactly 20 days after they reported no new infections.

## PRECIOUS

Gold regained its safe-haven appeal with renewed investment demand yesterday. The softer US dollar also supported prices, gold rallying more than +3% and pushing back through the USD \$1600/oz level. Expanding central bank balance sheets and easy money are a boon for the yellow metal, with price action during this COVID-19 so far playing out similar to the start of the 2008 GFC – Gold initially slumping and then moving into a period of multi-year gains. What has been interesting was the spread of futures and spot widening to an eye-watering USD60/oz on occasion yesterday - the highest since 1980. With many countries going into lockdowns, major refineries closing down and the movement of metal being restricted across borders as the aviation industry grinds to a halt, we saw an extreme rise in the premium of gold futures yesterday, the EFP moving out as far as \$30. One of the central issues with respect to the mechanical workings of the gold market recently has been the issue of scarcity of Comex spec bullion availability. In a move to combat this, the CME announced overnight that it will be introducing a new gold futures contract with expanded delivery options which include 100-troy ounce, 400-troy oz and 1-kilobar gold. This contract is expected to launch in April (pending regulatory approval) and should bring a bit of confidence back to this very critical market for gold. See the full release here: [https://www.cmegroup.com/media-room/press-releases/2020/3/24/cme\\_group\\_to\\_launchnewgoldfuturescontractwithexpandedflexibleedel.html](https://www.cmegroup.com/media-room/press-releases/2020/3/24/cme_group_to_launchnewgoldfuturescontractwithexpandedflexibleedel.html)

Other metals in the complex rebounded too, silver trading back through \$14.00 after some very wild swings in Asia, while the gains for PGMs were more related to supply curtailments due to closure of mines in South Africa for a period of 21 days.

Gold continued to trade on exceptionally wide spreads today in Asia and has so far held on to its \$16 handle. We ticked up to the high for gold briefly after the open and then traded swiftly lower as we saw a bit of spec profit taking wash through the market from those holding overnight longs. Interestingly, it was the first day in recent memory where spot gold actually spiked on the SGE open rallying back some \$20. Since then the spot market has oscillated in about a \$10 range from the lows. Silver continued to push higher from the open, grinding up to \$14.70, before some eager selling from Chinese banks pre-SGE and profit taking brought us back to just above opening levels. Wish you a great day ahead.

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