



MKS PAMP  
GROUP

## Daily Asia Wrap - 31st August 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1965.50/6.50	27.54/59	928/38	2193/23
HIGH	1975.60/6.60	28.12/16	937/47	2210/40
LOW	1965.10/6.10	27.54/59	928/38	2191/21
LAST	1966.30/7.30	27.96/00	934/44	2209/39

### MARKETS/MACRO

It was quite a week across global markets last week, with plenty of action to drive position rebalancing following Powell's Jackson Hole address and Japanese PM Shinzo Abe's surprise resignation to name a few. In the end it was largely old themes prevailing – Dollar weaker, Gold stronger and US equities higher, while rates remained the outlier with 'reflation' trades stepping back in. Equities continued to push higher Friday with the Dow moving back into positive territory for 2020. On the day the Dow climbed +0.57% to 28,653.87, the S&P500 rose +0.67% to 3,508.01 and the Nasdaq gained +0.6% to 11,695.63. European indices were lower though, the FTSE100 sliding -0.61% to 5,963.57, the DAX retreating -0.48% to 13,033.20, the CAC40 losing -0.26% to 5,002.94 and the Euro Stoxx 600 dialing back -0.52% to 368.80. In FX, following the bout of mid-week whiplash around the Jackson Hole event, dollar bears were out in force again on Friday, pushing Euro back above 1.19, while some of the higher beta currencies remained some of the bigger beneficiaries among the 'risk on' close to the week. Aussie trading a touch away from 74c now, and we do of course have the RBA's monetary policy meeting tomorrow to look out for. The DXY capitulated sagging -0.62% on Friday to

close out the week softly at 92.37. Crude oil prices were mixed on Friday with Brent firming +1.6% to \$45.81 and WTI off -0.1% to \$42.97 – both however managed to lock in a fourth consecutive week of gains.

On the data front, the US July PCE deflator - a measure of prices of personal consumption - rose +0.3% m/m in July, which was less than the previous month and below expectations of +0.4% with the annual rate now +1.0% as expected (+0.8% prior). The core component of the deflator undershot expectations, coming in at 0.3% m/m vs an expected 0.5% m/m gain. The annual core rate was 1.3% well below the Fed's 2% average inflation target. Elsewhere, The University of Michigan measure of consumer sentiment for August lifted to 74.1 from 72.8 a month earlier. Both current conditions and expectations improved, which incidentally is at odds with the Conference Board's confidence data for August, meaning it is not clear how consumers really are, but it is clear the economic impact of COVID-19 is affecting people differently. The Chicago Purchasing Managers Index fell short of expectations declining to 51.2 in August from a strong read of 51.9 the previous month. The market expected the index to lift again in August, but this did not play out adding to the currently topsy-turvy economic data.

### **PRECIOUS**

Gold prices rebounded strongly on Friday as investors reacted warmly to the Fed's new inflation target strategy. After initially appearing sceptical about whether anything had changed - gold consequently plunging late Thursday - the new day saw renewed appreciation that policy makers would keep policy accommodative for longer. With the Fed Chair saying the central bank would target an inflation average of 2% over time, there is likely to be periods of overshoot. Higher inflation and low interest rates should see real yields continue to weaken and cement gold's place as a safe, alternative investment. Following some morning jitters and a quick flush towards \$1925 last Friday, gold began to push consistently higher over the rest of the morning. The metal continued to tick higher during the European morning, reclaiming \$1950 and still looking strong. By early afternoon in NYK we hit a peak in the mid \$1970's, where some fast money profit taking capped the rally. In the end we closed out the session at \$1965. Silver saw some decent bids resurface and it ticked higher along with gold. The onshore discount in China also narrowed into about -\$0.20/oz compared to spot, a vast improvement from earlier in the week when we traded just short of a -\$1.00/oz discount.

There was decent buying around early this morning in both gold and silver, which prompted both metals to rally shortly after the GLOBEX open. Gold opened where it closed last week and quickly shot \$5 higher to trade through \$1970. It continued to push up towards \$1975-76 area, where we saw last Thursday's post Jackson Hole reversal and there was some decent supply around there for the time being. The yellow metal then gradually eased back lower to sit comfortably and quietly above \$1970 into the afternoon and remains at time of writing. Silver was bid strongly on the open and pushed higher more aggressively than gold. After opening at \$17.55, it swiftly traded up toward \$28.00, encountering a little resistance at \$27.90 (Thursday's high). It broke through there though and some light stops took us all the way up to the days high before reversing back to \$28.00. We sat there for the majority of the session, trading modest volumes only inching slowly lower as I type. Ahead on the data calendar look out for German and Italian CPI figures, Canadian Industrial production and US Dallas Fed manufacturing index. Have a good day ahead all.

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