



Market Update: Gold Futures unable to hold 1700

Comex Gold Futures on Tuesday settled below 1700 after breaking through the resistance during early Asian hours. It gave up the early gains on profit taking after touching a high of \$1742.6 an ounce, an intraday level not seen since 2012. The benchmark June GC contract closed down -\$13.4 at \$1683.7

The \$1700 mark had been difficult level for gold to break through. It has failed to break past the level on three attempts recently. Tuesday's peak at \$1742.6 was the highest for COMEX gold since the \$1,750 peak set in November 2012. Gold Futures had been rallying from the low of 1580 set on April 1st gaining more than \$100.

Gold Futures gave up early gains yesterday as equity markets rallied on hopes that the virus peak is nearing. Gold had surged earlier on fears of another physical supply squeeze but eased off after three major gold refining plants in Switzerland, Europe's biggest gold refining hub, reopened on a limited basis after having been shut down for two weeks because of the pandemic. The shutdown had caused a squeeze for physical gold as gold dealers struggled to find supplies to secure deliveries of gold.

Gold as a safe-haven has gain traction as currencies are being devalued by massive stimulus programs introduced by central banks and governments around the world to alleviate the worst of the Covid-19 outbreak. This has also increased physical demand of gold to hedge against the debasement of fiat currencies thereby triggering a huge demand for gold ingots, bars and coins. There has also been an increase of funds buying long positions in gold ETFs which rose for an eleventh consecutive session Monday, a record 2,845.47 MT, the highest since the data series began in 2002.

Monday's global economic data was mostly better-than-expected and was bearish for gold. U.S. Feb JOLTS job openings fell -130,000 to 6.882 million, which showed a stronger labor market than expectations for a larger decline to 6.500 million. Also, German Feb industrial production unexpectedly rose +0.3% m/m, stronger than expectations of -0.8% m/m. In addition, Japan Feb household spending fell -0.3% y/y, stronger than expectations of -3.4% y/y.

The Washington Post reported that U.S. lawmakers are working on a fourth rescue package adding another \$1 trillion to the fiscal deficit, to help prop up the economy and assist workers and small companies. That package comes just after a roughly \$2.3 trillion recovery program known as the CARES Act was passed in late March. Such stimulus programs added to the bullish fundamental backdrop for Gold.

Written By: Avtar Sandu
Rep No.: ASX100038851
Phone: (65) 65311509
Email: avtar@phillip.com.sg
pfpl_commentaries@phillip.com.sg

Please carefully read the important disclosures at the end of this publication.

Although the spread of the coronavirus had been bullish for Gold and the precious metals market saw decent gains in the previous month when central banks introduced massive monetary measures to stabilize markets. However, some analysts' have started commenting that the flush of liquidity in financial markets may be a double edge sword for gold as central banks may sell some of their massive hoard of gold reserves to raise cash. The Russian Central Bank, Kazakhstan and Uzbekistan have reportedly stopped purchases of gold.

A daily chart of June Comex Gold Futures.

Tuesday's breakout appears to be some sort of a bull trap. The long term trend is still intact after the recent rally had placed some life into gold bulls. Daily technical indicators are positive. The June Comex contract is supported at 1640 and 1580.



(Courtesy of Phillip Nova)

Structural Gold Drivers

Covid-19 has been supportive for Gold as a safe-haven asset as the number of unknowns about the spread of the epidemic remains large.

Financial uncertainty combined by low interest rates are bolstering Gold investment demand.

Fiscal and Monetary stimulus measures by Governments and Central Banks are underpinning Gold.

Net Gold purchases by Central Banks remain robust but cracks are appearing as some traditional net buyers of gold have stopped or reduce purchases.

On the other hand, expectations of weaker economic growth in large consumers India and China may result in weaker demand and act as a damper on prices

Market View: Fundamental bullish

With Central Banks increasing liquidity in financial markets, low interest rates and rising money supply are all factors that are bullish for Gold in the longer term.

However, the short-term view is very sentiment driven with traders reacting to news.

The coronavirus spread has not been totally managed and is intensifying in countries like the US and India where measures to contain the Virus have not been very effective.

Uncertainty continue to weigh on risk sentiment, which is positive for gold in the longer term.

GENERAL DISCLAIMER / DISCLOSURE

This publication is prepared by Phillip Futures Pte Ltd., 250 North Bridge Road, #07-01, Raffles City Tower, Singapore 179101 (Registration Number: 198305695G), which is regulated by the Monetary Authority of Singapore ("Phillip Futures"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Futures shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Futures has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Futures has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Futures shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Futures or persons associated with or connected to Phillip Futures, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision including but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and

worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments as may be mentioned in this publication.

Phillip Futures or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold a interest, whether material or not, in respect of companies and investments or related investments which may be mentioned in this publication. Accordingly, information may be available to Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Futures, or persons associated with or connected to Phillip Futures, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Futures to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Futures at [65 65338017] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.