



## MKS PAMP GROUP

### Daily Asia Wrap

10<sup>th</sup> June 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1339.00/40	14.99/01	807/09	1357/61
<b>HIGH</b>	1339.00/40	15.00/02	811/13	1361/65
<b>LOW</b>	1325.90/30	14.75/77	804/06	1353/57
<b>LAST</b>	1325.90/30	14.75/77	805/07	1353/57

#### MARKETS/MACRO

Markets took the disappointing non-farm payrolls (and downward revisions to boot) as good news on Friday, in that it was seen as cementing Fed easing in the coming half. The Dow Jones rallied +263.28 points (+1.02%) to 25,983.94 as a result, along with a higher S&P500 and Nasdaq Composite rallying +29.85 points (+1.05%) to 2,873.34 and +126.55 points (+1.66%) to 7,742.101 respectively. European stocks were equally buoyant, the Euro Stoxx 600 rose +0.93%, the FTSE100 advanced +0.99%, DAX jumped +0.77% and the CAC40 performed well up +1.62% on the day. Elsewhere, the Dollar Index fell -0.5% to 96.54 and traded down -1.2% for the week. It has opened higher in early Asian hours, up nearly +0.2% to 96.72. EURUSD rose +0.5% last Friday to 1.1330 and +1.5% for the week. The US 10Y bond yield fell nearly 4bp to 2.08% and down over -4bp for the week in what was a textbook move following the disappointing NFP's. The 2Y yield fell -3bp to 1.85% last Friday and down over -7bp for the week. NYMEX crude oil prices rose +2.7% to USD53.99 and up nearly 1% for the week.

On the data front May non-farm payrolls in the US were the primary focus. These May payrolls rose an underwhelming +75k (+175k expected), echoing the weakness seen in the ADP report earlier in the week. Jobs growth softened in most sectors with manufacturing jobs – a key focus of the Trump administration – adding just +3k. To make matters worse the April figures were revised down to +224k from a prior figure of +263k. The unemployment rate held steady at 3.6%, labour force participation was also unchanged at 62.8%, and average hourly earnings were slightly softer at 3.1% YoY (3.2% expected) from 3.2% previously. In Europe, German industrial production fell -1.9% MoM in April. The weakness in the data was again concentrated in the manufacturing sector where output fell -2.5% in the month. Capital goods output fell -2.2% and consumer durables (which include autos) fell -3.7%. Germany accounts for 44% of euro area manufacturing. These data will help keep the market guessing about possible future easing from the ECB. In contrast to Germany, French industrial production rose +0.4% MoM and was up +1.1% YoY. However, the manufacturing sector was weaker, with output unchanged on the month and up +0.5% YoY.



## **PRECIOUS**

The soft NFP figure last Friday put added pressure on an already weakening dollar, as US yields continue to dwindle on the back of increasingly likely Fed cuts within the year, with some analysts calling a cut as early as June. Gold dipped initially in Asia last Friday and traded mostly sideways then throughout the Asia day, with liquidity lighter than usual with China and HK out for the dragon-boat festival holiday. There was a bounce during the European morning to take the metal briefly above \$1335. Gold continued to angle higher into the NYK morning popping eventually once the employment data was released. Gold sharply ran to \$1345 and then to \$1348 in a second push an hour after the release. Some profit taking into the backend of the session did see the yellow metal soften but still managed to close above \$1340 to end the week. CFTC data released on Friday shows that finally, gold is back into its role as a safe-haven. The CoT report presents an increasing Net Length from Non-Commercial actors, with this bullish trend confirmed by ETF holdings of gold on the rise again after a recent pickup in volumes earlier last week. Collapsing US Yields have driven gold swap rates much lower last week, though this morning sees a little bit of a pickup in the rates. Silver traversed \$15.00 on Friday punching as high as \$15.14 post-NFP with strong Chinese based flows seen on the break of \$15.00. Like gold, silver softened a little towards the backend of NYK, yet again, it held onto the psychological \$15 big figure to round out the week. PGM's remained fairly range-bound on the day.

News over the weekend that President Trump "indefinitely suspended" tariffs on Mexico was received well by markets with risk trading firmer throughout the morning. While details of the underlying deal remain unclear, investors took it as a positive in the trade-war saga. The USD/MXN closed at 19.6273 and reopened at 19.305, a -1.6% gap on the open and is currently sitting at 19.2060 (-2.15% intra-day). Equities also opened on positive footing in Asia with major regional indices sitting between +1.0-2.0%. Unfortunately for gold, which has reverted to trading as a safe-haven asset of late, this was not great news and after opening just south of \$1340 fell sharply to \$1335. Selling pressure remained throughout the morning and after slowly grinding higher into the Shanghai open, Chinese investors were sellers of spot gold and the market quickly shot lower again. Chinese trade data came out more positive than expected and didn't help matters, spot gold dipping through \$1330. As I write the metal remains under pressure and on the lows of the day. Silver has had a decent pullback too opening proceedings above \$15.00, but is currently trading on the lows of the days under \$14.80. Have a good day ahead.

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