



MKS PAMP
GROUP

Daily Asia Wrap - 13th November 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1456.10/50	16.76/78	867/69	1701/04
HIGH	1461.00/40	16.89/91	872/74	1705/08
LOW	1455.60/00	16.75/77	867/69	1695/98
LAST	1460.70/10	16.87/89	871/73	1704/07

MARKETS/MACRO

Risk markets traded positively for most of the day Tuesday as surveys of business and investor sentiment in Europe and the US pointed to an improving economic outlook ahead. Later in the day the market was focused on President Trump's speech to the Economic Club of NY. In his speech, Trump took credit for economic growth, low unemployment and the stock market sitting at record highs, before again sticking the boot into the Fed. What wall street really wanted to hear however was whether there was any real progress on a trade deal with China. The market had rallied in anticipation of some 'good' news but all they got was told that a deal was 'close', to which most of the gains unwound. The Dow closed flat at 27,691.49, the S&P500 crept up +0.16% to 3,091.84 and the Nasdaq Composite rose +0.26% to 8,486.09. Gains were more pronounced in Europe with the DAX rallying +0.65% to 13,283.51, FTSE100 advancing +0.5% to 7,356.44 and Euro Stoxx 600 up +0.38% to 406.90. US treasury yields ended the session slightly lower on the lack of detail from Trump, the 10y falling -2.1 bps to 1.909%, while the 2y slipped -1.4 bps to 1.65% and 30y shed -3 bps to 2.385%. The dollar did finish slightly higher against most G10 pairs, though conviction from the franchise remains rather

thin with the market relatively content with sticking to familiar ranges for now.

On the data front, the November ZEW survey showed a dramatic improvement in the expectations outlook. In Germany, expectations rose to -2.1 from -22.8 and for the euro area they rose to -1.0 from -23.5. It was the best reading for both measures since April when there was optimism about a US-China trade deal, showing how sensitive sentiment is to the trade climate. In the US, the NFIB October survey rose +0.8 to 102.4, indicating a stabilisation in business confidence. Plans to hire and to increase capex rose slightly. That better outlook was partly offset by a rise in those expecting earnings to deteriorate to -8.0% from -3.0%. The sentiment reading is consistent with stability from the Fed for now. Finally, the UK unemployment rate fell back to 3.8% in September from 3.9%. However, wage and employment growth were weak. Earnings growth eased to 3.6% y/y from 3.8% in August, and jobs growth fell 58k in the three months to September. The labour market data failed to dispel the growing evidence that the best of the improvement in job gains is over for now, with Brexit and trade uncertainty weighing and skilled labour shortages apparent.

PRECIOUS

Gold remained under pressure for the most part yesterday, sinking beneath \$1450 in Asia/Europe but managed to rebound following Donald Trump's address to the NY Economic Club, where he basically re-hashed old sound bites on the US/China trade deal. Trump reiterated that a deal was 'close' to being wrapped up, yet did sound a little ominous at times, warning that his administration is prepared to substantially raise tariffs again if no agreement is reached. This gave gold the shot in the arm it needed to claw back the losses and actually close slightly higher on the day at \$1456.50 after reaching a low of \$1446.20. The recent decline in gold has caught a lot of investor attention, but an interesting point to note is that the moves lower are accompanied by increasing open interest – suggesting fresh shorts are being opened as opposed to unwinds of longs. Positioning remains elevated amongst macros, CTA's and ETF's, whilst weak Eastern physical demand remains a headwind for the metal in the short term. Elsewhere, platinum had a tough session yesterday as strike action for South African producers was averted. South Africa's mine workers union said its members had agreed a wage deal with producers. Platinum

It was a slow day in Asia today, with some modest retail demand finally stepping in and chipping in with some support. That said, gold certainly didn't run away, instead gradually ticking higher throughout up to \$1460. SE Asian names were quick to buy on the open this morning and push us up towards \$1460 by the time China opened for business. The premium remained soft for onshore traders on the SGE ~\$3, so there was limited demand seen on that front. Spot gold did some work beneath \$1460 throughout the afternoon and has just breached that level as I write on light volume and is holding. Silver has had a strong session so far rising back towards \$16.90 and platinum and palladium have bounced also. Looking ahead on the data calendar for today, look out for German CPI, UK CPI and PPI, Eurozone industrial production and US CPI and MBA mortgage applications. Have a good day ahead.

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