MKS PAMP GROUP
Daily Asia Wrap
13th June 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1333.60/00	14.76/78	810/12	1407/11
HIGH	1337.50/90	14.80/82	813/15	1413/17
LOW	1332.00/40	14.73/75	809/11	1404/08
LAST	1335.30/70	14.79/81	812/14	1413/17

MARKETS/MACRO

Trade woes linger, but focus overnight was directed at the US CPI print, which missed slightly to the downside. Markets remained broadly within established ranges from the past few days, suggesting any appetite to establish new risk positions ahead of next week's FOMC may be diminishing. The Fed has clearly indicated that it will adjust policy to underpin any downturn if necessary, while simultaneously conducting a review of the monetary policy framework in the aftermath of last week's conference in Chicago. This pragmatic reaction function was again echoed by the ECB, with executive council member Coeure reiterating that the ECB will act swiftly if it needs to. The slightly softer CPI overnight gently lifted expectations of July Fed rate cut with the market pricing in an 82% probability now according to Deutsche Bank. US equities traded in fairly tight ranges with the major indices down slightly on the day. The Dow closed down -0.17% to 26,004.83, the S&P500 declined -0.2% to 2,879.84 and the Nasdaq composite dipped -0.38% to 7,792.719. European equities also took stock, exhibiting minor losses on the day, the Euro Stoxx 600 off -0.3% to 379.74, the DAX dropped -0.33% to 12,115.68, the FTSE100 fell -0.42% to 7,367.62 and the CAC40 slid -0.62% to 5,374.92. Elsewhere, despite the softer inflation data, the Greenback continued to gain against its G10 peers overnight with the Euro finding some decent supply above the 1.1320 area from macro and model names and Aussie drawing some fresh selling given positioning has been on a more neutral footing of late. Meanwhile, in the Brexit domain, Sterling ended the session back below 1.27 again after UK lawmakers voted against the Labour motion to block a no deal Brexit.

The data focus yesterday was squarely on US CPI which was a touch softer than expected, with the headline rate easing to 1.8% YoY (2.0% prior, 1.9% expected) and core ticking down to 2.0% YoY (2.1% prior, 2.1% expected). It was the usual mix of weakness in goods prices offsetting firmer services prices. Used car prices continued to drag as strength from late last year unwinds. The undershoot in inflation and the drag it transmits to inflation expectations is at the heart of the Fed's review and debate of optimising the monetary policy framework.

PRECIOUS

Gold continued its upward march yesterday following Tuesday's flush of weak longs back down to $1320. Speculative and retail names were seen on the bid once again, particularly throughout Asia. We opened the session at $1327 and after dipping briefly to $1326.20 just after Shanghai open, the metal soared over the am session to just shy of $1334, pushed along by spec and ETF demand. Another leg higher came when early London traders arrived for the day, the metal pushing up towards $1338 but running into a bit of intra-day spec profit taking there. We eased throughout London and early NYK yet managed to hold above $1330, before the softer CPI was released and gold spiked back to $1337. In the end the we rounded out the day at $1333.50. Interest has been piqued in the yellow metal of late due to heightened expectations of Fed policy easing, ongoing trade jitters and a rapidly falling bond yield. This has been evidenced by the largest single week rise in gold backed ETF holdings in nearly 2 years as well as a spike in non-commercial net longs in the futures market. Next topside resistance for gold sits between $1346-49 representing a sequence of peaks over the 2019 calendar year, if this breaks, we think a quick rise to $1360-66 would be on the cards, where a number of peaks from the 2018 calendar year sit. On the downside, we believe there will be macro and physical support between $1305-1320, which we view as a good buying opportunity. Elsewhere, silver piggy-backed golds performance throughout the Asia morning although couldn't hold onto the gains during the European and NYK sessions, trading sideways thereafter. The fall in industrial metals over the past few weeks has staved any real advance by silver. That said we feel a test of $15.00 again is likely over the short term. Palladium managed to push through $1400 yesterday, hitting a peak of $1415, while platinum remains sluggish sitting around $815.

It was range-bound albeit choppy day for gold in Asia today the metal rising sharply during the China morning, but turning back in the afternoon as yields reversed morning losses. Gold held around $1332.50-1333.00 and ran a bit higher into the Shanghai open on the expectation Chinese investors would be on the bid. The market may have got a little ahead of itself though and on the open fast money type traders liquidated and prompted a move to the days lows. From there though fixed income yields ripped lower which spurred on the yellow metal to trade up towards $1337.50. Around the same time, some poor Aussie employment data was released which prompted AUDUSD to fall 30 pips to 0.6905. XAUAUD as a result traded to fresh all-time highs of $1935 and there was some producer forward selling as a result. Silver is a touch higher on the day as is platinum, while palladium has currently slipped back beneath $1410. On the data calendar today look out for: German CPI, Euro zone industrial production and US jobless claims. Have a good day ahead.