MKS PAMP GROUP
Daily Asia Wrap
17th June 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1341.40/80	14.86/88	803/05	1466/70
HIGH	1343.30/70	14.87/89	804/06	1468/72
LOW	1336.10/50	14.79/81	799/01	1447/51
LAST	1339.90/30	14.85/87	801/03	1453/57

MARKETS/MACRO

Financial markets were mixed on Friday, and if anything, retained a defensive tone ahead of this week's FOMC meeting. US equity markets after a morning swoon managed to recover and close narrowly lower on the day. The Dow dipped -17.16 points (-0.07%) to 26,089.61, the S&P500 inched down -4.66 points (-0.16%), while losses were greater for the Nasdaq Composite down -40.471 points (-0.52%) on the day to 7,796.659. European stocks suffered a similar fate, with most major indices recording modest losses for the day. The DAX shed -0.6% to 12,096.40, the FTSE100 dipped -0.31% to 7,345.78, the CAC40 was off -0.15% to 5,367.62 and finally the Euro Stoxx 600 decreased -0.4% to 378.81. Long end US treasury yields were dragged lower by bunds on Friday, while the front end sold off slightly following strong retail sales data. 2y US yields ended up +0.5 bps to 1.84%, while the 10y yield fell -1bps to 2.082%.

President Trump continued to raise the stakes for the upcoming G20 leaders' meeting (28–29 June). Despite talks with China being on hiatus, Trump believes the cost of the tariffs will force China's hand in agreeing a deal with the US. Trump continues to threaten to increase tariffs if President Xi fails to meet with him during the summit. Xi has recently spent time in Russia with President Putin. Analysts are expecting China's trade with Russia to increase substantially over the coming years as both leaders signed a joint statement on the development of comprehensive partnership and strategic cooperation recently.

On the data calendar US retail sales impressed in May, rising 0.5% MoM at both a headline and control measure. April data was also revised up by +0.5% MoM and both sets of data will help to stabilise anxiety about the outlook for the consumer during these turbulent times. US May industrial production rose +0.4% MoM, reversing April's slide. Manufacturing output rose +0.2% MoM. The rise in May industrial production and capacity utilisation, which edged higher to 78.1% (from 77.9% in the month prior) helped to stabilise sentiment around the real economy. Still in the US, the University of Michigan's consumer sentiment index fell to 97.9 in June (from 100.0 in May). After a raft of negative headlines plaguing consumers over the past month, the drop was largely expected. The current conditions index was up (at 112.5 for June, from 110.0 in May), whilst expectations fell to 88.6 in June (from 93.5 in the month prior). One-year inflation expectations also fell to 2.6% this month, from 2.9% in May. Similarly, five-ten year inflation expectations fell to 2.2%. In China, Industrial production cooled to +5.0% YoY in May (+5.4% prior, 5.5% expected), representing the weakest yearly growth in factory output since 2002 and a consequence of the ongoing trade war.

PRECIOUS

Dollar strength and a positive retail sales figure out of the US helped to cap what was otherwise an attempt by gold to break out of the range Friday. It was all one-way again in Asia, with good buying interest witnessed throughout the morning from the usual suspects (HF's, macros, models). Despite this though, gold failed to push through the 2019 highs at $1348.40. There was a strong push in the afternoon session however which forced the metal through that level and tripped stops all the way up to $1354. Early European traders jumped aboard the strength and prompted another leg higher to $1348 although it backed off from there fairly quickly. There was a bit of work done throughout the remainder of the European day, with the metal remaining bid and retaining the $1350 handle. When early NYK traders joined the action the USD began to turn higher and the gold lost a little of its shine moving back through $1350. This was then exacerbated later by the strong retail sales figure and some systematic profit taking took us as low as $1338.35, before rebounding slightly into the close ($1341.50). Non-commercial net length according to the CFTC rose again last week, consistent with the higher pricing, to now take bullish exposure on COMEX to a 14-month high. This may potentially constrain any further short-term advance, especially considering the average price entered into last week sits at $1337.50 - ie those late to the party on Thursday/Friday will be having their convictions tested on downturns. Volatility has risen accordingly for gold 1-week sitting around 13.50% consistent with the FOMC time-frame and we have also seen 1-month rise to 11.0%, the highest since January. Silver failed to hold above $15, dragged lower in-line with base metals Friday and platinum continues to struggle holding any topside momentum – now back towards $800-805. Palladium was the one shining light Friday, the metal advancing with gold to the highs, dropping back off into the NYK morning but quickly advancing back to the highs (~$1465). Just to note the EFP is on the move again for Pd, plunging further into negative territory which may suggest we are seeing some tightness creep back in.

The metals consolidated today in Asia, all currently slightly lower with decent volumes exchanging hands via COMEX and SGE. Gold traded heavy as some weak longs continued to stop out in early trade. We slowly meandered lower and tested Friday's lows before some bids began to emerge. From there we inched higher into the afternoon but continued to see layered sell orders on ECOMEX as we moved further into the $1340's. Palladium has not managed to hold onto Friday's gains and is currently trading back down around $1450 after starting the day either side of $1470 (-0.8%). There is not a great deal of data out today, US Empire Manufacturing the only thing of note, as investors eagerly await Wednesday's FOMC. Have a good day ahead.