



MKS PAMP  
GROUP

## Daily Asia Wrap - 1st August 2019



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1416.50/70	16.27/29	865/67	1520/22
HIGH	1416.50/70	16.27/29	865/67	1521/23
LOW	1405.70/90	16.05/07	854/56	1512/14
LAST	1407.20/40	16.07/09	854/56	1513/15

### MARKETS/MACRO

The U.S. Federal Reserve cut benchmark interest rates by 25bp on Wednesday, bringing the fed funds rate to a range of 2% to 2.25%. While the cut was widely expected by the market, the FOMC saw two dissenters, seeing the rate cut pass 8-2 votes as Boston Fed President Eric Rosengren and Kansas City Fed President Esther George both voted against a cut. Rather than entering a prolonged period of easing, the Fed noted the cut is intended more so as a 'mid-cycle adjustment to policy' aimed at offsetting external downside risks. Fed Chair Powell did however note that although this is not the start of a long series of rate cuts, it does not mean that there will not be more than one cut. The Fed also said that it would end the scheduled drawdown in its balance sheet in August, two months early.

The 'hawkish' Fed saw equities sold sharply lower and the greenback stretch no new highs. The DJIA booked its largest decline since late May, falling 333.75 points or -1.23% to 26,864.27 points, falls to technology (-1.47%) and consumer staples (-1.99%) sent the

S&P 500 down 32.80 points or -1.09% to 2,980.38 points and the Nasdaq Composite declined 98.196 points or -1.19% to 8,175.418 points. The greenback ripped higher following the rates announcement and Fed Chair Powell's press conference, extending recent gains to see the DXY index end +0.55% higher. Month end flows dominated early session currency moves, with the pound initially +0.8% higher to a 1.2246 high, before sharply reversing and finishing flat on the session around 1.2150. The euro fell -0.7% to move underneath 1.11, while the yen slipped -0.16% as USD/JPY briefly tested a move above 109.00. Treasury yields saw volatile pricing around the Fed decision, notably the short dated two-year, spiking 15bps off the low to a 1.95% high, before settling 3bps higher at 1.87%. The 10-year yield meanwhile also saw volatility around the FOMC announcement, initially spiking higher before retracing the move to finish down 5bps to 2.005%.

On the data front, U.S. ADP employment saw 156k jobs added during July (exp: 150k) from 112k the month prior. Professional and business services led the way, adding 44k jobs, while healthcare added 35k and transportation gained 27k. The services sector was responsible for 146k jobs, while the goods producing sector tacked on 9k jobs. The MNI Chicago PMI sunk during July, falling to 44.4 (exp: 51.0) from a 49.7 previously, a 10-year low for the index as new orders contracted further.

#### **PRECIOUS**

The precious complex extended weakness during Asian trade today, as market participants continued to digest the 'hawkish' cut by the U.S. Federal Reserve on Wednesday. The greenback opened firmer as did U.S. treasuries to further weigh upon gold during Asian hours, driving bullion underneath USD \$1,410 in early session flows. We saw modest interest out of China at an on-shore premium toward USD \$12 provide a brief period of respite to the yellow metal, however late afternoon offers out of Europe crept in to once again weigh upon pricing. Key supportive interest for the metal sits broadly through USD \$1,400 - \$1,395, while any extension underneath this would indicate the metal is correcting, with down-side targets through to USD \$1,350 - \$1,335. Silver tested back toward USD \$16.05 in late Asian trade, however interest has remained buoyant through USD \$16.15 - \$16.00 thus far and this supportive band is the short-term key to restrict a test back toward USD \$15.50. Platinum continues to trade heavily and looks likely to test underneath USD \$850, while palladium is extending weakness toward support at USD \$1,500. Data today includes the BOE decision, Markit manufacturing PMI prints from Italy, France, Germany, the Eurozone, the U.K. and the U.S. We also see U.S. initial jobless claims, Bloomberg U.S. consumer confidence, ISM U.S. manufacturing, ISM U.S. prices paid and U.S. construction spending.

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