



MKS PAMP
GROUP

Daily Asia Wrap - 21st August 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1507.60/00	17.14/16	848/50	1489/92
HIGH	1507.80/20	17.14/16	848/50	1490/93
LOW	1501.30/70	17.03/05	843/45	1482/85
LAST	1501.30/70	17.03/05	843/45	1482/85

MARKETS/MACRO

Risk assets gave back some of their gains last night with US equities ending the session moderately lower while UST yields slipped another -4 to -6bps as markets struggle for new direction amid a lull in trade related headlines, even after President Trump told reporters that his administration was considering various tax reductions to support growth. The Dow retraced -0.66% to 25,962.44, the S&P500 fell -0.79% to 2,900.51 and the Nasdaq Composite slid -0.68% to 7,948.563. It was a similar scenario in Europe with most major regional indices lower on the day – Euro Stoxx 600 -0.68% to 371.30, FTSE100 -0.90% to 7,125.00, DAX -0.55% to 11,651.18 and the CAC40 -0.5% to 5,344.64. In the G10 space, we did see the dollar pare back some of its gains against other G10 pairs with real money names noticeable sellers of dollars, though most pairs had a tendency to remain confined to their recent ranges. There was a bit of a move in Sterling after the EU unequivocally rejected UK PM Boris Johnson's demand for the removal of the Irish backstop from the Withdrawal Agreement. Some macro interest continue to pay up front end GBP vols with 1m up 0.2 or so to 9.4v, though the back end remains largely unchanged – this comes ahead of Johnson's scheduled meetings with Merkel and Macron this week. The US 10-year yield was down 6bps to 1.56% and the 2-year was down 4bps to 1.51%, with the sell off yesterday helping to avoid the curve inversion for now. Yields were also lower across Europe, with Italian bonds boosted by news that the Prime Minister Conte would resign.

Market traded on little news flow as investors await guidance from central bankers into the end of the week. The FOMC minutes for July, due today, will provide details leading to the first Fed rate cut in a decade. ECB minutes are due the next day. But the big event is the annual Jackson Hole symposium, which will focus on “Challenges for Monetary Policy”. Powell will speak on Friday and his remarks will be closely monitored for hints that more policy easing is in store, against the backdrop of ongoing trade tension. The next Fed meeting on 18 September is more than fully priced for a 25bp rate cut. Looking ahead, markets are pricing in sizable rate cuts over the next year; 75bp of cuts by early next year and 100bp of cuts by mid-2020.

PRECIOUS

It was a muted session for gold ahead of the FOMC minutes today, ECB minutes tomorrow and the Jackson Hole conference this Friday and Saturday – which is expected to shed more light on what’s in store for rates into 2020. Gold opened the day in Asia on softer footing yesterday immediately pushing to the days low in the opening hour of trade but running into some decent bids on Comex around \$1493-1495 (cash equivalent). Gold recovered gradually through the TOCOM and SGE opens, the spot price picking back up to \$1499.50 before Chinese sellers pushed the market back to \$1495 on the back of a lower onshore premium. Comex demand however remained around that level and as the London came in equity markets began to slide and bonds began to push higher which saw gold accelerate to the daily high of \$1508.70 around the NYK open. The metal traded in a fairly tight range for the remainder of the session either side of \$1505 and closed a few dollars off the daily high at \$1507. Fresh ETF inflows overnight helped support the gold price throughout NYK, with the SPDR adding an additional 1.76 tons (56.5k oz) to total holdings which now stands at 845.17 tons (\$40.874 billion). Silver had little momentum of its own yesterday, edging higher solely on the back of gold. There was little to report in way of flow and the SGE premium continued to soften.

Fairly dull day today in Asia with markets focused on today's Fed minutes to gain more clarity on their rationale for easing for the first time in a decade. Gold opened and dipped a few dollars from the onset pushing down toward \$1505 then snapping back to the opening levels an hour later. That was the only real push for the metal, thereafter slowly meandering its way down to the days low on modest flows. Silver again tracked gold as did the PGM's. Have a good day ahead.

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