



MKS PAMP
GROUP

Daily Asia Wrap - 22nd July 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1427.30/70	16.23/25	851/53	1508/11
HIGH	1429.70/10	16.42/44	849/51	1518/21
LOW	1422.20/60	16.17/19	844/46	1506/09
LAST	1425.90/30	16.33/35	849/51	1516/19

MARKETS/MACRO

Markets were quick to ratchet up the odds for a 50bp cut to policy after the Fed's Williams created the impression of a strong easing bias early last week. But participants were forced to swiftly unwind these expectations on Friday following a statement issued by Fed officials which stated that "Williams wasn't sending specific policy signal in speech". The follow-up statement mitigated expectations that only a 25bp rate cut is likely, with the sell-off in US Treasury yields reflecting the change in rate cut expectations on Friday. As is normal, the Fed is now in a blackout period ahead of its FOMC meeting. Equities as a result struggled to hold onto gains at the end of the week, finally relenting after news hit that a British oil-tanker was seized by Iran in the Strait of Hormuz. The Dow slipped -68.77 points (-0.25%) to 27,154.20, the S&P500 retreated -18.50 points (-0.62%) to 2,976.61 and the Nasdaq Composite fell -60.753 points (-0.74%) on the day to close at 8,146.489. European equities fared slightly better, closing before the Iran news. The Euro Stoxx 600 crept up +0.12% to 387.25, the FTSE100 gained +0.21% to 7,508.70, the DAX was elevated +0.26% to 12,260.07 and CAC40 was flattish up +0.03% to 5,552.34. Crude oil prices rose Friday (WTI +1.66% to \$56.22, Brent +1.95% to \$63.14), as tensions in the middle East rose with the aforementioned capture of a British oil tanker by the Iranian military. While there has been no actual disruption to supply, the market is clearly starting

to worry about what further escalation in tension could do in one of the most important trade routes in the oil market. Prices had been under pressure earlier in the week as the ongoing trade war raised concerns about demand, which was exacerbated by a larger than expected rise in fuel stockpiles in the US.

On the data front the preliminary release of the University of Michigan's US consumer sentiment index remained near its cyclical highs in July, coming in at 98.4 (just shy of the 98.8 expectation), up from 98.2 in the month prior. The data depicted a US economy where consumers are optimistic and confident, with sentiment buoyed by a strong labour market, rising house prices and the prospects of lower interest rates. That said, escalating trade tensions continued to have a negative impact on sentiment, albeit transitory. The current conditions index fell to 111.1 (from 111.9 in June) but expectations rose marginally to 90.1 in July.

PRECIOUS

Gold prices cooled on Friday after weak economic data had bolstered its appeal earlier in the week, in line with a rising US dollar. The reversal in fortunes for the dollar were driven by comments from New York Fed president John Williams, who backtracked on dovish comments earlier in the week. During Asia on Friday morning the gold hit a fresh cycle high above \$1450 for a very brief instant. On traversing that level there was a decent amount of speculative profit taking seen which smashed the metal back below \$1440, and then continue to stabilize between \$1435-1445 for the remainder of Asia and Europe. The dollar began to pick up steam throughout the NYK morning and gold as a result was sold off in sympathy, with a number of specs happy to liquidate after \$1450 was rejected earlier in the day. That said, there were decent bids towards the lows (\$1420-25) from specs happy to reintroduce or build longs at the lower level. Gold closed off -\$25.00 from the highs at \$1425, yet still closed in positive territory for the week (+1.0%). Silver was the best performer of the week, breaking a number of key technical levels on the way and touching a peak of \$16.58 by Friday. As gold began to capitulate during NYK on the stronger dollar Friday, silver followed suit, although fared better managing to hold onto \$16.20 and round out the week up +6.5%. ETF holdings and Non-Commercial Comex length continues to rise for silver, with plenty of legroom still compared to historical levels, which is a positive factor. Chinese traders who have been aggressively selling silver for months have also appeared to fade away, suggesting there is more upside potential for the white metal. Elsewhere, platinum had a decent week up +1.7%, while palladium is under-performing after failing to break \$1600.

A quieter start to the week than the previous few Monday's with gold edging it's way a few dollars lower over the opening hour and a half. We hit the low shortly after the SGE opened, yet similar to last week, there was very little in the way of flows seen from Chinese participants. Silver again was the interesting metal over the day (so far), opening around \$16.25 and testing \$16.20 throughout the am. Since then though the white metal caught a bid and pushed through \$16.30 and has just pushed through \$16.40 to the daily high as I write and continues to look strong. PGM's have climbed higher so far today also. In terms of focus this week, the market will be keenly eying Thursday's ECB meeting. Post Draghi's address at the ECB's Sintra conference a few weeks ago, markets are now pricing in ~12bps of rate cuts by September, though any rate cut is likely to be accompanied by tweaks to deposit tiering as well. Deutsche bank analysts believe that there remains scope for the ECB to upgrade its forward guidance to underline its 'absolute commitment' to price stability – thereby embedding a symmetrical inflation target into its guidance to support inflationary expectations. Wish you a good day ahead.

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