



MKS PAMP
GROUP

Daily Asia Wrap - 29th October 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1492.30/70	17.85/87	918/20	1800/03
HIGH	1492.70/10	17.84/86	918/20	1802/05
LOW	1490.20/60	17.73/75	912/14	1798/01
LAST	1492.00/40	17.78/80	912/14	1799/02

MARKETS/MACRO

Markets had a solid risk on tone yesterday, with investors eyeing off a probable Fed 25 bps cut later this week and were encouraged by the EU's decision to grant the UK a 3-month Brexit extension to 31 January. Major US equities were all in the green, aided by the aforementioned factors as well as M&A headlines. The Dow advanced +0.49% (132.66 pts) to 27,090.72, the S&P500 gained +0.56% (+16.87 pts) to 3,039.42 and the NASDAQ Composite soared +1.01% (+82.87 pts) to 8,325.99. In Europe, markets were higher but not to the same extent as the US – the FTSE100 up +0.09% to 7,331.28, the DAX advancing +0.37% to 12,941.71, the CAC40 increasing +0.15% to 5,730.57 and Euro Stoxx 600 tacking on +0.25% to 398.99. Bond yields pushed higher the yield on the US 10y up 5 bps to 1.85%, while the benchmark bund yield rose +3.1 bps to -0.32%. Crude oil failed to benefit from the mood as signs of rising US inventories weighed, WTI falling -1.4% intra-day to USD\$55.86 a barrel.

Later this week the Fed is expected to cut rates by 25 bps, a third consecutive cut. It is a busy week for data and one that is expected to justify the precautionary rate cuts from the Fed. The advance release of US Q3 GDP growth is forecast to have risen +1.6% saar, down from

+2.0% in Q2 and confirming a deceleration in domestic demand. Financial markets, however, seem encouraged by the future growth outlook and were also encouraged by the Brexit extension. Progress in the US-China trade talks and the reduced risk of a hard Brexit are buoying sentiment against the backdrop of low inflation and monetary policy easing. President Trump said that the US and China are ahead of schedule in preparations for signing Phase 1 of the trade agreement which the market has also looked favourably upon.

The EU has officially agreed a flexible three-month Brexit extension until 31 January. Brexit can occur the first day of the month after the Withdrawal Agreement has been ratified or on 1 February, whichever is the earliest. The EU mentioned however there can be no re-negotiation during the extension period.

PRECIOUS

Gold and silver traded heavily overnight amidst the rise in risk assets, while platinum eased on profit taking and palladium moved higher hitting fresh all time highs above US\$1,800/oz. Medium sized pockets of buying throughout the Asia morning yesterday from onshore Chinese banks, helped gold tick higher throughout the Asia session. During European hours headlines regarding a Brexit extension from the EU began to filter in, minimising the risk of a hard-Brexit scenario and improving sentiment (for now). Gold slumped from around \$1506 back toward \$1500 on the back of this. Shortly after, headlines that Trump was pleased with the trade agreement progress signalling “we are ahead of schedule on signing a China deal”. This compounded the sell-off and the yellow metal slid further towards \$1490. It held a \$1490-1494 range throughout the remainder of the session on light volumes, with stock markets soaring, the dollar inching higher and yields rising. Silver followed gold sharply lower overnight, falling further after Friday’s sharp rejection of \$18.30. Gamma longs and ETF redemptions continue to cap rallies for silver, especially on moves through \$18.00, see we remain neutral for now. Palladium continued its stellar run, hitting fresh all time highs overnight at \$1808 as tightness remains widely publicised.

A much quieter day in Asia today gold quietly bound within a \$3 range and little in terms of flows to report on. The yellow metal opened the day at \$1492.50 and tracked sideways for the opening few hours. A brief round of selling was seen right around the Japanese open which drew us to the lows of the day – although similar to last night there was good buying seen on the approach of \$1490 (cash) on the CME. This level held and we saw once again some light buying from onshore Chinese banks which held the spot in check throughout the afternoon. Silver was whippy in a narrow ~\$0.10 range over the day and the PGM’s were mixed, palladium holding its ground and platinum continuing to dwindle. Little in the way of data or news kept things very quiet into the afternoon. Have a good day ahead.

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