



MKS PAMP  
GROUP

## Daily Asia Wrap - 30th July 2019



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1426.70/10	16.45/47	880/82	1552/55
HIGH	1426.80/20	16.45/47	880/82	1553/57
LOW	1422.20/60	16.39/41	875/77	1544/48
LAST	1424.00/40	16.43/45	879/81	1549/52

### MARKETS/MACRO

Global markets were reasonably quiet yesterday given an absence of data releases and ahead of this week's all important FOMC announcement, with the majority of investors now leaning towards a 25 basis point cut. Markets have pared back expectations for a more aggressive easing by the Fed (ie 50 bps) in light of the more positive data flow over the past few weeks. Despite this, President Trump has maintained his criticism of the Fed, saying it had raised rates too early and by too much when compared to Europe and China and making it more difficult for US manufacturers to compete. He tweeted on Monday "The Fed has made all of the wrong moves. A small rate cut is not enough, but we will win anyway!". For markets, US equities were narrowly mixed the Dow inching up +0.11% to 27,221.35, S&P500 down -0.16% to 3,020.97 and Nasdaq Composite falling -0.44% to 8,293.328. It was the same scenario in Europe, the Euro Stoxx 600 index up marginally +0.03% to 390.85, DAX down -0.02% to 12,417.47, CAC40 sliding -0.16% to 5,601.10, while the FTSE100 outperformed rallying +1.82% (+137 points) to 7,686.61. Elsewhere, US 10y treasury yields were down -0.5 of a bp to 2.062%, while the bund yield fell -1.5 bps to -0.395%. WTI crude rose +1.5% to \$57.06 and Brent accelerated +0.6% to \$63.74 as investors continued to look to lower cash rates in the US.

Sterling took yet another leg lower last night as fears around a no deal Brexit were thrust into the

limelight again. Boris Johnson stuck to his hard-line rhetoric on the contentious Irish backstop, saying “if our partners won’t move on the backstop, then we have got to get ready for no deal,” and that the UK is going to “come out on October 31st deal or no deal”. Johnson also admonished he will not start talks with European Union leaders over Brexit unless they first agree to his demand to reopen the divorce deal they struck with his predecessor, Theresa May. So far, EU leaders have refused. Later in the afternoon, the Prime Minister walked back some of his earlier comments after Sterling continued its slide to the low 1.22s, clarifying that an abrupt exit was absolutely not his intention and a no-deal Brexit was a one-in-a-million possibility, so long as there is "sufficient goodwill". In the meantime, Johnson continues to tear up the way Britain’s government operates to ready the country for the potential impact of a no-deal breakup. More money is being made available for contingency planning, and a mass public information campaign will launch in the weeks ahead to advise businesses and citizens how to prepare. For the pound it looks like further weakness is likely in the short term as a result.

## **PRECIOUS**

Gold opened the day in Asia yesterday and progressed higher throughout the morning. It opened below \$1420 and continued to steadily rise a few dollars over the morning, accelerating right on the China open to \$1424.50 before steadily giving up the gain into the Asia pm. The metal then proceeded to casually tick higher throughout London as the more hardline Brexit narrative hit the wires forcing the Sterling lower and spurring some light safe-haven buying. There was a sharp sell-off an hour or so after the NYK open which sent the gold spiraling down \$7 to \$1415.40, but macro funds were quick to Hoover the dip and just as quickly, we traded up through \$1420. Later in the session as more Brexit headlines were released the gold remained bid as the pound hit 2 year lows (XAUGBP was up £22 yesterday). Silver tried higher yesterday during Asia yet was sold off quickly back through \$16.40. The white metal seems to potentially be a touch overextended around these levels, having tried to bust through \$16.50-16.60 a number of times since mid July. In my opinion I think a move back toward \$15.80-\$16.00 would present a healthy correction given the significant rise seen in ETF and COMEX non-commercial longs in the past weeks.

Metals today remained quiet and range-bound on moderate volumes. Gold opened the day at \$1427 and crept its way initially lower toward \$1424. China showed very little interest when the SGE opened and volumes remained particularly light through that exchange over the morning. Some further liquidation was seen later in the morning in line with a stronger dollar vs the G10. Later in the morning the GBPUSD broke through 1.22 and some chunky sized stops were tripped through there and the pair has since continued to sink to the lowest levels since March 2017 - 1.2119 low at time of writing. The BoJ rate decision all came in as expected today, with the policy balance rate holding at -0.1%, forward guidance staying the same and GDP forecast is 0.7% vs 0.8% previously. The central bank also said that they won't hesitate to ease if there is a greater risk to the policy target. USDJPY continued to fall as result trading at 108.95 earlier in the morning and slipping to a low of 108.57 after the BoJ. All the best, have a great day ahead.

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