



MKS PAMP
GROUP

Daily Asia Wrap - 3rd February 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1593.80/20	18.10/12	959/61	2280/95
HIGH	1593.90/30	18.10/12	966/68	2290/05
LOW	1579.50/90	17.80/82	957/59	2265/80
LAST	1580.40/80	17.82/84	958/60	2278/93

MARKETS/MACRO

Markets were rattled on Friday night, with the number of people affected by the coronavirus rising. Data releases and Brexit day faded into the back-ground, yet added to the more cautious tone. Over the weekend, health authorities in the Philippines reported the first coronavirus related death outside mainland China. Meanwhile, countries from the US through to Australia and Singapore stepped up travel curbs on inbound Chinese visitors while airline carriers made precautionary cuts to flight services to the mainland. The latest tally from Chinese health authorities this morning puts the death toll upwards of 360 with confirmed cases now exceeding 17,000 with the spread still showing little signs of abating. Onshore markets will resume trading today after the extended Chinese New Year holiday season in which most are expecting the selling pressure to be a little less severe following a series of announcements over the weekend, in which authorities pledged to introduce measures aimed to calm financial markets. Among the measures announced, the PBoC will supply a net 150bio yuan to money markets while providing financial institutions with 300bio yuan in separate lending to extend to affected companies. US equities traded very heavily Friday on the risk off flows, the DOW retreating 603.41 points (-2.09%) to 28,256.03, the S&P500 losing -58.14 points (-1.77%) to 3,225.52 and the NASDAQ Composite tanked -147.99 points (-1.59%) to 9,150.936. It was a sea of red for European stocks also, the FTSE100 down -1.3%, DAX shrugging off -1.33%, the CAC40 dipping -

1.11% and Euro Stoxx 600 declining -1.07%.

On the data front US December PCE inflation rose +0.3% m/m to be up +1.6% y/y from +1.4%. Core inflation rose +0.2% m/m, lifting to +1.6% y/y from +1.5%, a little firmer than expected, which is encouraging. However, it will not alter the Fed's accommodative bias, which aims to lift actual and expected inflation. Inflation expectations were steady. Still in the US, the final University of Michigan consumer confidence data came in better than expected at 99.8 (99.1 expected, 99.1 prior). Elsewhere Euro area preliminary GDP for Q4 rose +0.1% q/q (1.0% y/y), down from +1.2% y/y in Q3 and below expectations. Euro area inflation rose to +1.4% y/y in January, driven by food and energy prices. But core inflation disappointed, easing to +1.1% y/y from +1.3% – somewhat at odds with the ECB's assessment that inflation is firming gradually.

PRECIOUS

The increasing severity and spread of the coronavirus kept gold well bid throughout the session on Friday, with investors rotating out of riskier assets and purchasing gold during London and NYK, pushing gold to a peak at \$1589.50 and closing just off that level. News that a number of airlines were to suspend flights to mainland China was the primary catalyst on this front, with investors growing more and more deeply concerned that the outbreak will have a steeper effect on the Chinese (and global) economy than initially anticipated. During the Asia hours on Friday, gold actually continued to fall following the late sell-off in NYK, to hit a low of \$1571.20. It was all one way from there however following further coronavirus headlines. Silver climbed late in the day after a slow start to close the week above \$18.00 once again. PGM's on the other hand traded heavily on concerns of a slowing Chinese economy and potential cooling of demand.

Sharp moves on the COMEX open were seen once again on a Monday morning, for a third consecutive week. Rather than shoot higher however, the yellow metal opened near the highs and then was almost instantaneously sold off back below \$1590, with some large spec flows (profit taking) going through. Despite clawing its way back through \$1590 on a number of occasions during the early hours, we were always greeted with a wave of futures selling above \$1590 (cash). Today marked China's first official day back, following their extended New Year holiday. Last time Chinese investors saw the market, gold was trading around USD \$1560 and they were eager sellers at these inflated prices. Gold sold off ahead of the SGE open and continued to a low of \$1582 in the minutes after. We have since traded relatively quietly between \$1580-82 on decent turnover. Silver after opening above \$18 was sold aggressively at the Shanghai open easing some \$0.20 from the opening highs. It has continued to cool over the afternoon falling toward \$17.80 and hovering around there. PGM's started stronger over the morning and moved higher into lunch, but both Pt and Pd are now trading below the opening levels and looking a little soft. On the data calendar today look out for a host of European final manufacturing PMI's as well as US manufacturing PMI, construction spending and ISM data. Have a good day ahead.

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