MKS PAMP
GROUP

Daily Asia Wrap - 4th November 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1513.40/80	18.09/11	949/51	1808/12
HIGH	1513.90/30	18.13/15	953/55	1816/20
LOW	1510.50/90	18.04/06	948/50	1807/11
LAST	1511.90/30	18.10/12	953/55	1812/16

MARKETS/MACRO

It was a positive end to a busy week as encouraging noises on the US-China trade deal and a better than expected rise in October non-farm payrolls boosted risk sentiment. US equities hit fresh highs once again, with earnings season shortly coming to a close – the S&P500 advanced +29.35 pts (+0.97%) to 3,066.91, the DJIA rallied +301.13 pts (+1.11%) to 27,347.36 and Nasdaq Composite tacked on +94.04 pts (+1.13%) to 8,386.397. It was a similar story in Europe with the FTSE100 up +0.75% to 7,302.42, the DAX rising +0.73% to 12,961.05, CAC40 gaining +0.56% to 5,761.89 and Euro Stoxx 600 index settling up +0.68% at 399.43. Bond yields crept up on the back of the risk-on move, the US 10y note accelerating +2bps to 1.71%, while the bund yield inched up +2.4 bps to -0.386%. Crude oil prices rallied as better-than-expected data boosted market sentiment. The Chinese manufacturing sector improved, with the Caixin PMI rising to 51.7 in October. This was in contrast with the official PMI released earlier in the week, which fell to 49.3. US hiring was resilient and reports that the US and China were close to signing a trade deal supported sentiment. Top negotiators from both countries spoke by phone on Friday and described the talks as constructive, which improved the outlook for crude. Brent crude futures rocketed back above USD60/bbl, to USD61.65/bbl (+3.2%), while WTI surged +3.7% on the day to $56.23/bbl.

October non-farm payrolls rose +128k (vs +85k expected) and the September release was revised up from +136k to +180k. The main weakness was in manufacturing, where jobs fell -36k driven down by the GM strike. Elsewhere, private sector job gains were brisk. Private payrolls rose +131k, and it is worth remembering that there has never been a recession in the US in the post Bretton-Woods era that hasn't been preceded by a downturn in private sector service jobs. Unemployment edged up to 3.6% vs 3.5%, as the participation rate rose +0.1% to 63.3%. It was the highest participation rate since August 2013 and should help to boost growth expectations. Average earnings rose +0.2% m/m, or +3.0% y/y. Elsewhere, the October US ISM manufacturing report fell modestly to 48.3, falling short of expectations (48.9) but still an improvement on the previous month. New orders rose +1.8pts to 49.1, employment rose to 47.7 vs 46.3 and new export orders jumped to 50.5 vs 41.0. However, production fell to 46.2 vs 47.3, its lowest level since the GFC - The GM strike, exaggerating that drop.

PRECIOUS

Mixed data from the US saw the precious metals bounce around on Friday, gold initially selling off aggressively during NYK following the better than expected NFP results, however, the poor ISM manufacturing print quickly reversed the losses and prompted gold to close not far from where the day started. So despite the risk-on environment, raft of positive headlines on Friday (Wilbur Ross deal on China, receding fear of tariffs on Euro cars, Huawei could be allowed to purchase US components again), and US equity markets drifting further upward from key sticking points (3000 S&P and 27,000 Dow), gold held in very well. In addition, more net-commercial length was added last week (+1.7 mio oz) which proves there are still specs out there that want to own gold. Silver continues to flip around the 18 handle in directionless trade, while palladium remains volatile around the $1800 level. Platinum was a strong performer last week, closing Friday on a strong note (+1.85% intra-day) and breaking and closing above the previous weeks high. Investors seem back on board with platinum over the past few weeks, with CFTC positioning for non-commercials nearing 2 year highs. Given its sluggish behaviour this year, particularly when comparing to Pd, perhaps there is room for more extension here. $960 has spooked investors a number of times so that is an important level to watch, in conjunction with the psychological $1000.

The Asia session continues to flatline in what is otherwise busy daily activity for metals across a 24 hour period. Gold remained range-bound today opening at $1513.50 and dipping off as we approached the China open. Spot gold hit the lows around this time and was bid back up rather effortlessly on thin volumes. Silver followed suit briefly dipping below $18.10 right around the China open, but some onshore demand helped spot silver higher. The PGM's remained pretty stable, platinum consolidating early and grinding slowly higher during the afternoon, while pockets of Asian based Pd buying were seen throughout the afternoon, despite the price remaining flat. On the data front today Aussie retail sales came in softer than expected at +0.2% m/m (+0.4% expected, +0.4% prior) and +0.1% q/q (+0.3% expected), while ahead today we are expecting Eurozone manufacturing PMI's and US durable goods and factory orders. Have a good day ahead.