



MKS PAMP  
GROUP

## Daily Asia Wrap - 4th September 2019



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1546.70/10	19.24/26	957/59	1542/46
HIGH	1550.00/40	19.58/60	970/72	1548/52
LOW	1536.00/40	19.22/24	956/58	1539/43
LAST	1537.70/10	19.34/36	966/68	1544/48

### MARKETS/MACRO

US markets dropped significantly on their first trading day back since higher tariffs were imposed by both the US and China as the trade war continues to escalate. Weak data across the board and heightened political risks also fanned the flames of uncertainty and prompted equity markets to plunge. The Dow retraced -285.26 pts (-1.08%) to 26,118.02, the S&P500 retreated -20.19 pts (-0.69%) to 2,906.27 and the Nasdaq Composite lost -88.72 pts (-1.11%) to 7,874.16. European equity indices were soft also, yet not to the same extent as their US counterparts. The Euro Stoxx 600 dipped -0.23% to 379.81, the DAX fell -0.36% to 11,910.86, the FTSE 100 gave up -0.19% to 7,268.19 and the CAC40 slipped -0.49% to 5,466.07. In FX, the AUD was the best performer overnight following on from the RBA's decision to leave rates on hold yesterday. US treasuries were well bid in the risk off environment, yields falling following the Brexit developments and then really ripping lower following the poor ISM Manufacturing print. The 10y yield hit a fresh cycle low of 1.427%, closing at 1.459%, while the 2y yield touched a low of 1.434% and closed at 1.45%.

Data released overnight painted a picture of a weakening US economy. The ISM

Manufacturing PMI fell into contractionary territory for the first time in three years with the August print slipping to 49.1 (51.3 expected, 51.2 prior). The forward-looking new order sub-index fell to 47.2 (50.8 prior), its lowest since June 2012, while factory employment fell to its weakest reading since March 2016 at 47.4 (51.7 prior). Construction data was weaker than expected, up just +0.1% for July supported by +0.4% growth in public spending while private construction fell -0.1%. Things were even more grim in the UK, The IHS Markit/CIPS Construction PMI index fell to 45 in August. The drop in new orders was the sharpest seen since the GFC. Brexit uncertainty has stalled investment in the commercial sector. Construction employment fell for the fifth consecutive month. Business optimism for the construction industry fell to its lowest since December 2008. Service sector PMI data out this evening will indicate how weak the UK economy is.

The Brexit saga rolled on yesterday as the Conservative Government lost its majority in the UK Parliament and a motion to seize parliamentary time passed in an attempt to block a no-deal. The Prime Minister has proposed a call for a general election, which is likely to pass with support from Labour. With an election now set to be fought ahead of the 31 October Brexit deadline and with Johnson's conservative party polling well, the likelihood of a no-deal Brexit has risen. GBPUSD fell below the 1.20 mark during the London session, its lowest since 2016 as a result. It did however push back higher throughout NYK.

### **PRECIOUS**

Metals traded on a tear yesterday, silver in particular, which has remained the star performer for a number of sessions now, assisted by weak data, Brexit uncertainty and no breakthrough on setting a meeting date for US/China trade talks. Gold and silver edged their way lower throughout Asia yesterday on the back of Chinese bank selling initially. Over the PM Asia session however, both metals began to gain some traction and veer higher into London, gold pushing back through \$1530 and silver \$18.50. The real catalyst for both metals was the soft US data print, which sent silver ripping higher through the previous top of \$18.65. Stops and profit taking fought it out between \$18.65-75 for a time, before macros, HF's and momentum traders piled in on the buy side taking us through \$19.00 and on to a peak of \$19.28 at the close (+4.25% intra-day). Volumes for the white metal were huge at twice the daily average for the past few weeks. The XAU/XAG ratio has been crushed over the past 2 months and currently trades at 79.44 after trading to a peak of 93.46 in mid-July. Gold persisted higher and managed to close just off the highs, just beneath \$1550. For PGM's, the narrative surrounding the Indonesian Nickel export ban has begun to subside and palladium is struggling around \$1550. Platinum continued its ascent, and is now within striking distance of \$1000.

It was a volatile open in Asia this morning, with the metals continuing on from the late momentum seen in NYK. Silver opened a touch lower at \$19.25 and pushed higher to \$19.40, before some stops went through and the metal punched to the days high of \$19.58 on very thin volumes. Gold followed suit opening at \$1547 and touching \$1550. From there though both metals began to unwind, with some SE based profit taking weighing on prices. Selling continued into the China open gold falling sharply toward \$1540 in the hour after SGE came in. Silver too pared back the gains trading back to the days opening levels. Platinum followed suit, although has pushed to fresh highs this afternoon moving through \$970 and continuing to zone in on \$1000. As I write, headlines have just popped up saying "HONG KONG LEADER LAM TO FORMALLY WITHDRAW EXTRADITION BILL:SCMP" which has seen the Hang Seng rally to +2.5% and metals weaken – gold down to the days low. On the data calendar ahead today look out for a host of Euro Services and composite PMI's, Eurozone retail sales, US trade balance and MBA mortgage applications and the BoC rate decision. Have a great day ahead.

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