



MKS PAMP
GROUP

Daily Asia Wrap - 5th February 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1552.90/30	17.58/60	963/66	2426/46
HIGH	1556.30/70	17.61/63	965/68	2428/48
LOW	1552.10/50	17.54/56	960/63	2410/30
LAST	1556.30/70	17.61/63	963/66	2420/40

MARKETS/MACRO

Risk assets traded strongly overnight after it was announced China's central bank will inject CNY1.7trn into the economy via reverse repos to boost growth and investment following the Coronavirus outbreak, and former Fed Chair, Janet Yellen, reportedly said that she wouldn't be surprised to see 2% growth in the US. Equities surged as a result, extending this week's global relief rally after last week's sharp sell-off. Tech shares led the gains with the NASDAQ Composite rising +2.1% to a fresh all-time high at 9,467.97. The Dow and S&P 500 also posted healthy gains to close up +1.44% and +1.5% respectively. A strong rebound in equities across the Atlantic was also recorded with the DAX rallying +1.81%, the FTSE100 advancing +1.55%, CAC40 up +1.76% and the Euro Stoxx 600 climbing +1.64%. The risk-on mood sent treasuries tumbling, pushing the 10y yields up almost +8bps to 1.599%, while the dollar was mixed vs the G10 basket, the AUD spiking following a more upbeat RBA and the safe-haven yen retreating. Crude oil prices stabilized overnight as OPEC looked to support the market with potential supply cuts. WTI eased about -1.0% to \$49.45, after a tumultuous January/February.

On the data front new orders for US-made goods surged in December, up +1.8% to more than offset the previous month's negative read, which was revised down to -1.2%. Strong demand for durable

goods pushed the index up but this was boosted by spending on defence aircraft. Excluding the military spend, factory orders actually fell -0.6% in December, indicating trade uncertainty is still weighing on investment decisions. Across the Atlantic, building activity in the UK is still declining but at a slower rate. The Markit/CIPS UK construction PMI increased to 48.4 in January from 44.4 in December. The improvement was greater than expected and the highest reading for eight months.

The RBA Board delivered a surprisingly upbeat statement as it left the cash rate unchanged at 0.75%. While the “bushfires and the coronavirus outbreak will temporarily weigh on domestic growth”, the emphasis is on ‘temporarily’. The RBA retained its central scenario “for the Australian economy to grow by around 2.75% this year and 3.00% next year, which would be a step up from the growth rates over the past two years”. This allows the RBA to conclude that “progress is expected towards the inflation target and towards full employment”. As such there is no need to change policy, especially given that “interest rates having already been reduced to a very low level and there are long and variable lags in the transmission of monetary policy”. Market chatter suggests the RBA may be a little too optimistic and will eventually ease further, but it may take some time to be convinced.

PRECIOUS

Amid the better risk-on tone yesterday, gold and silver prices were weighed down as safe-haven allure was dialed back. After initially popping to the high (\$1579.30) right after the COMEX open in Asia it was mostly steady one-way traffic for gold throughout the rest of the day, trickling lower. China were modest buyers and there was still steady demand in the ETF space, with light yet persistent bids on the way down. That said, the price had fallen to around \$1566 by the time NYK opened and garnered more downward momentum to hit a low of \$1549.60 as equities surged. It never really bounced either late into the NYK afternoon, hovering around \$1551-53 into the close. Silver held its ground better than gold arching slightly higher into the NYK session, though getting caught up with gold and being sold throughout NYK to close the day in the red. Platinum commenced the day strongly adding some \$10+ from the open. Aggressive profit taking from private banks during the early NYK hours pushed it as low as \$959.50 in thin conditions and despite the strong start, closed the day lower at \$965 (-0.4%). Palladium was the stand out of the complex, surging in early Europe and tripping some stops and model buy orders through \$2350 and continuing to rip higher during NYK to close on the high of \$2432 (+4.6% intra-day or +\$105). The Pd now sits just shy of a short term downtrend line dating back to Jan 20, which could present a triple top?

Markets were subdued in Asia today, gold inching a few dollars higher on light volumes. We opened in gold more or less where we finished up with some light SE Asian buying leading into the SGE open. Coronavirus headlines were largely ignored which continue to show a growing infected population in China and mounting deaths, which now sit at 20,642 infected and 428 dead. There was also news of more deaths in HK. Platinum, palladium and silver are so far marginally weaker on light volumes. Major Asian equity indices are all higher on the day and the USD is firmer, the big mover on the day USDSGD which is up 120 pips (+0.85%) on the day, following the MAS interest rate decision. Although no changes were made to monetary policy this meeting, the case for easing grows. Have a great day ahead.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.