



MKS PAMP
GROUP

Europe/US Market Update - 6th August 2019



Europe/US Markets (from Globex open)

5-Aug-19	GOLD		SILVER		PLATINUM		PALLADIUM	
	Bid	Offer	Bid	Offer	Bid	Offer	Bid	Offer
OPEN	1453.10	1453.60	16.4600	16.4900	851.60	854.60	1406.90	1411.90
HIGH	1469.40	1469.90	16.5600	16.5900	859.00	862.00	1447.50	1452.50
LOW	1453.20	1453.70	16.2800	16.3100	847.50	850.50	1397.00	1402.00
CLOSE	1461.70	1462.20	16.3750	16.4050	854.10	857.10	1417.80	1422.80
EFP	11.90	12.00	0.0100	0.0300	2.00	4.00	-7.00	3.00
LBMA Prices	AM	PM	16.4850		AM	PM	AM	PM
	1457.45	1465.25			852.00	856.00	1412.00	1438.00
Active Contract	GCZ9 Comdty		SIU9 Comdty		PLV9 Comdty		PAU9 Comdty	

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MACRO

- Markets were a sea of red yesterday after reports that Beijing had instructed state owned entities to stop buying US agricultural products and had allowed the Yuan to depreciate through the key psychological level of 7.00.
- These moves have emerged within days of Trump's threat to impose additional tariffs on China and struck at the heart of two of the U.S. president's (and his support base's) fiercest criticisms — that Beijing manages its currency unfairly to help exporters and has failed to keep promises to buy more U.S. crops after a trade truce in June.
- USDCNH rallied strongly following the higher USDCNY fix yesterday, pushing through 7.00 and moving to 7.1114 in a matter of 25 minutes, then traded between 7.06-7.10 for the remainder of the session.
- Equities reacted poorly to the Chinese response - major US indices toppling across the board - Dow off -767 points (-2.90%) to 25,717.74, S&P500 sunk -87.31 points (-2.98%) to 2,844.74 and the Nasdaq Composite plunged -278.03 points (-3.47%) to 7,726.039.

- European stocks suffered a similar fate - DAX -1.8% to 11,658.51, FTSE100 -2.47% to 7,223.85, CAC40 -2.19% to 5,241.55 and Euro Stoxx 600 -2.31% to 369.43.
- Treasuries soared - US 10y yields fell 11 bps to 1.73% (2.05% only 5 days ago!), UK 10y yields slipped 4bps and the 10y bund fell -2bps.
- Bitcoin rallied +7.9% to \$11,825 and Ethereum rose +5.25% to \$233.35.
- WTI crude was exceptionally volatile ultimately closing down -1.31% to \$54.90/bbl and Brent relinquished -2.97% to \$60.05/bbl.
- US ISM non-manufacturing fell to 53.7 in July (55.5 expected, 55.1 prior).
- US Markit Services PMI increased to 53.0 in July (52.2 expected, 52.2 prior), the Composite PMI was revised higher to 52.6 in July compared to June's final reading of 51.5. Services increased as per above, yet manufacturing expansion was its weakest since 2009.

PRECIOUS

- Gold the haven metal gained ground yesterday as China retaliated, treasuries rallied and stocks plunged.
- The yellow metal managed to break through the previous cycle high resistance at \$1453 (19 July) and through a topside resistance line dating back to June (\$1461.20), which prompted some decent macro buying.
- Huge volume through COMEX with ~520k lots of GCZ9 exchanging yesterday.
- Silver and the PGM's followed gold higher.

PRE-ASIA COMMENTS

- The trade situation has escalated again this morning with the US Treasury moving to label China as a 'currency manipulator' (despite acknowledging previously that China doesn't meet all three criteria for the label). A symbolic step, but one that underscores the rapidly deteriorating relationship between the two countries.
- Gold gapped higher on the open this morning to the tune of \$6 as a result, opening at \$1469 (\$1463.00 close).
- It has since continued to push through the overnight highs and run into fresh territory with \$1500 now in the cross-hairs. High so far this morning \$1474.50 bid.
- China has set the yuan reference rate at 6.9683 - a little lower than anticipated.
- Gold has now swiftly traded back towards the Monday closing levels - \$1643.00 and remains very volatile on heavy volume (GCZ9 traded ~55k lots in 3.5 hours).
- Data today: AU trade balance and RBA cash rate, German factory orders and US JOLTS job openings report. I suspect that these will take a back seat to any further developments in the trade war rhetoric.

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