



MKS PAMP
GROUP

Daily Asia Wrap - 6th January 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1561.50/3.50	18.13/16	983/87	1988/92
HIGH	1584.75/5.50	18.49/02	992/96	2018/22
LOW	1561.50/3.50	18.13/16	979/83	1988/92
LAST	1576.50/00	18.37/40	987/91	2014/18

MARKETS/MACRO

The US and Iran continue to spiral towards outright confrontation after the state led assassination of a top Iranian general on Friday in Baghdad. Over the weekend, the situation developed with Iraqi Parliament voting to expel some 5,000 US troops from the country while Iran said separately it would suspend all commitments to restrict the production of enriched uranium under a deal signed with a US-led coalition. As the severity of the event confronted markets on Friday, we saw a fairly uniform risk-off move across asset classes as the posturing from both sides intensifies in what arguably is one of the more severe escalations in geopolitical risk in recent years. The big winner on Friday was oil, which rallied sharply following the news surging from \$61.15 to \$63.85 (+4.3%) before some profit taking kicked in. It remained choppy throughout London and NY and closed up around +3.0% on the day at \$63.10. Equity markets were sold off amidst the geopolitical turmoil, the Dow sinking -0.81% to 28,634.88, the S&P500 relinquished -0.71% to 3,234.85 and the NASDAQ Composite slid -0.79% to 9,020.77. European markets were perhaps spared the worst with the FTSE100 rising +0.24% to 7,622.40 and the CAC40 ticking up 0.04%, while the DAX was slammed -1.25% to 13,219.14 and Euro Stoxx 600 declined -0.33% to 418.33. Elsewhere, safe haven bonds were very well bid, with US 10y yields sinking -9bps to 1.788% and 2y yields sliding -5bps to 1.524% on the day.

Although the developing tension between Iran and the US took centre stage on Friday there was other data released also. US ISM manufacturing was a little softer than expected coming in at 47.2 in December (49.0 expected, 48.1 prior), with ongoing weakness in the manufacturing sector likely to begin pressuring economic growth this coming year. FOMC minutes showed that the Fed board is happy to adopt a wait and see approach for the next few quarters to access data following last years cuts. In Europe, German CPI came in a fraction higher than expected with December preliminary MoM data indicating a rise of +0.5% (+0.4% expected, -0.8% prior) while YoY it was +1.5% (+1.4% expected, +1.1% prior).

PRECIOUS

Gold surged in early Asia Friday following the news that the US had assassinated a high level military general in Iraq. There was a huge influx of safe-haven demand following the news, pushing crude dramatically higher and USDJPY and yields lower. The yellow metal opened around \$1529 after an already strong week and gradually made its way higher. Once the news dropped, gold proceeded to run sharply through \$1540 and hold above there for most of the Asia afternoon. There was another flurry of demand when European traders stepped in and we pushed to fresh highs. US traders pushed the metal through \$1550 and we oscillated around that level for the majority of the NY session, closing at \$1551.50 - the highest close since May 2019. Silver tracked gold higher throughout the Asia session, although de-coupled throughout the London and NY sessions, erasing most of the mornings gains and closing around \$18.05. Palladium after not doing a great deal throughout Asia grew some legs during the London session and remained well bid throughout NY and after opening at \$1960 closed well at \$1990.

Following the weekend's developments of the Iraqi parliament approving a resolution to expel some 5000 US troops from the country and the Iranian government vowing it would no longer abide by the terms of the 2015 nuclear deal put in place by the Obama administration, safe-haven demand was very strong in today's Asian trade. The yellow metal gapped some \$10 on the open and immediately raced higher to \$1585, with huge buy side volume going through (some 30,000 lots GCG0 traded in opening 15 minutes). Some fast money sellers were seen on the offer above \$1580 capitalising on the +\$30 jump since Friday and happy to cash-in. We then proceeded to fall back off to \$1567 but there were some decent Comex bids down there that propped up proceedings. Silver lagged gold somewhat initially, however as soon as the SGE opened for business there was some very strong demand seen with the premium eventually pushing through 1.40. Spot silver as a result jumped a sharp \$0.20 to the highs and we remain around there as I write. Palladium pushed through \$2000 early on and has traded up towards \$2020, clocking in a fresh all-time high and looking well bid on dips. Platinum has been a lot quieter today, although given the proximity to the \$1000 level (\$990/92 last), I feel we will have a go at that sooner rather than later. Ahead today investors will be eagerly awaiting any more colour between Iran/US, we also have a host of Eurozone composite and services PMI's, Canadian Industrial production and US services and composite PMI. Have a good day ahead.

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