



MKS PAMP GROUP

Asia Market Update

1st April 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1292.10/50	15.12/14	849/51	1384/88
HIGH	1293.80/20	15.17/19	853/55	1390/94
LOW	1290.50/90	15.09/11	848/50	1381/85
LAST	1293.50/90	15.15/17	853/55	1383/87

MARKETS/MACRO

Lawmakers rejected Prime Minister Theresa May's Brexit deal for a third time on Friday, sounding its likely death-knell and leaving Britain's withdrawal from the European Union in turmoil on the very day it was supposed to quit the bloc. Within minutes of the vote, European Council President and summit chair Donald Tusk said EU leaders would meet on April 10 to discuss Britain's departure from the bloc. A succession of European leaders said there was a very real chance Britain would now leave without a deal, a scenario that businesses fear would cause chaos for the world's fifth-largest economy. "The legal default now is that the United Kingdom is due to leave the European Union on April 12", May said. Parliament will vote on different Brexit options on Monday and then May could try one last roll of the dice by bringing her deal back to a vote in parliament as soon as Tuesday. GBPUSD suffered another beating as a result trading up towards 1.3135 during the London morning then plummeting through 1.3000 to a 1.2978 low later in the day. It is currently trading at 1.3020 at time of writing.

Elsewhere, risk assets traded strongly with US equities leading the charge – the Dow up +211 points (+0.82%) on the day to 25,928.68 and the S&P500 tacking on +18.96 (+0.67%) to 2,834.40, while in Europe the DAX accelerated +0.86%, FTSE 100 +0.62% and CAC40 +1.02%. The strength came off reports from the *Wall Street Journal* that negotiators from both sides of the US/China trade dispute were now at the stage where they were ironing out the text of an agreement. Chinese VP Liu He is scheduled to continue talks this week in Washington though the areas of contention are said to remain – among them the White House's insistence of maintaining newly imposed tariffs on Chinese goods for a 'substantial period of time'. WTI crude rallied +1.5% to \$60.18 a barrel after Russia re-affirmed its commitment to balancing the oil market. Energy Minister Novak said that it would deepen its output cuts under the OPEC+ production cut agreement. Data showed the country was producing 11.265mb/d of crude at the end of last month, which is 153kb/d lower than the October baseline. He suggested producers are on the verge of hitting the agreed 228kb/d cut in coming weeks. Sentiment in the crude oil market was also supported by the better than expected PMI in China (50.5 vs 49.6 expected).

PRECIOUS

The downward shift in precious metals throughout the week paused on Friday, with all 4 major metals managing to close the week with some modest intra-day gains. Gold found the Asian session challenging inching up a dollar or so pre-China toward \$1293, but creeping lower thereafter. This continued into the SGE pm session, with Chinese banks happy to sit on the offer, pressuring spot gold as low as \$1287.20. Brexit uncertainty in Europe stoked a bit of opportunistic buying and the gold began to rally, caressing \$1300, yet with decent selling from gamma longs at that level, the metal was unable to punch through.



Instead it meandered lower throughout the backend of the US session, in line with the stronger equities and yields.

Palladium, after an absolute bloodbath of a week, managed to stabilise and close in the black on Friday. After a spectacular -\$280 fall in 6 trading days, the metal was again looking soft leading into the London session, pressing against the previous days lows at around \$1340. It rallied strongly from there however with end-user demand reaping the rewards of the lower pricing and driving the metal higher. It managed to trade as high \$1396.50 and closed around \$10 lower. Palladium has rallied +28% since the beginning of the year against a backdrop of weakness in car-sales and broader risk-off sentiment amid concerns of a slow-down in global growth, so we feel that a pull-back was inevitable. Supply remains tight despite this however, with UBS predicting a deficit in 2019 of 691,000 oz (vs their previous forecast of 564,000 oz). Elsewhere, silver bounced off \$15.00 for a second consecutive session on Friday and a decent base is being formed around \$14.95-15.05, where a host of March lows sit as well as the 200 dma (\$15.05).

Gold consolidated during Asia today in a narrow \$3 range. There was some light initial spec buying to kick off the week, prompting the yellow metal a few dollars higher from the open. This did not last however and as the Shanghai open approached some selling began to come in taking us to the daily low. There was some light buying on the SGE in-line with a lower USDCNH, gold jumping back towards \$1293.50, where it remained for the am session and into lunch. Palladium jumped on the open but ultimately pared back to trade flat either side of \$1385, while silver after dipping to \$15.10 jumped back to trade quietly around \$15.15. Ahead on the data calendar today look out for a host of Euro-area and US Markit manufacturing PMI's, Euro zone CPI and US retail sales, ISM manufacturing and construction spending. Have a good 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.