



MKS PAMP GROUP

Asia Market Update

4th January 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1293.20/40	15.74/76	796/98	1265/69
HIGH	1298.40/60	15.85/87	803/05	1269/73
LOW	1293.00/20	15.72/74	796/98	1264/68
LAST	1295.60/80	15.81/83	803/05	1269/73

MARKETS/MACRO

Further pain for equities in the U.S. on Thursday, with Apple posting its largest percentage drop since 2013 (-9.96%) after slashing its quarterly revenue forecast for the first time in more than 15 years. The DJIA collapsed 660.02 points or -2.83% to 22,686.22 points, heavy trade to technology (-5.07%) and industrials (-2.96%) weighed upon the S&P 500 to see the bourse down -2.48% to 2,447.89 points. Private sector employment in the U.S. outpaced expectations during December, surging by 271k jobs (exp: 180k) to follow a negatively revised November print of 157k (prev: 179k). Small firms added 89k jobs, medium sized gained 129k jobs and large companies were responsible for 54k jobs. Initial jobless claims in the U.S. gained 10k to 231k (exp: 220k) during the week ended December 29. The weekly print saw the four-week moving average ease 500 to 218,750, while continuing claims popped to 1.74 million (exp: 1.69 million) during the week ended December 22. The U.S. ISM manufacturing print increased at the slowest pace in two years during December, sliding to 54.1 (exp: 57.5) from 59.3 previously. The headline weakness was largely a result of a fall in new orders to 51.1, marking the weakest figure for the sub index since August 2016. Currency markets saw extreme volatility in early Asian trade on Thursday, with USD/JPY collapsing -4% to trade briefly underneath 105.00, while AUD/USD sunk over -3% to test through 0.6800. Both pairs posted sharp recoveries to sit relatively unchanged toward the end of the session, with many participants citing algorithmic trading during low liquidity (Japanese holiday) as the reason for the sharp moves. Treasury yields in the U.S. accelerated recent declines on Thursday as the ISM manufacturing print stoked fears of sustained weakness. The 10-year collapsed nearly 10bps to 2.55% and the two-year fell 9bps to 2.39%. Equities in Europe followed Asian markets lower, while Apple's revenue warning further soured the mood. The Stoxx Europe 600 declined -0.98% to 333.92 points, the German Dax fell -1.55% to 10,416.66 points, while in London the FTSE 100 handed back -0.62% to 6,692.66 points.

PRECIOUS

The precious complex continued to see firm price action during Asian trade on Friday, extending to new cycle highs on the back of softer economic data out of the U.S. and a weaker greenback. Heavy offers around USD \$1,295 kept a lid on price action in New York on Thursday, however the yellow metal had no such trouble during Asian trade today, moving through the level in early session pricing on good Japanese demand (XAU/JPY toward Dec low), before extending to a USD \$1,298.40 high on the back of interest out of China. Shanghai saw the on-shore premium push toward USD \$8 to support spot bullion higher before afternoon headlines out of the U.S. gave the greenback a boost to weigh upon the metal as China took lunch. News hit the wires that the House of Representatives had passed a bill to reopen the government without an agreement on funding for the border wall. President Trump has vowed to veto the



bill, while Republican Senator Mitch McConnell commented that it's just 'political theatre' and signalled the legislation won't make it through the Senate. Bullion slipped back toward USD \$1,294 following the headlines, however once again turned bid once China re-opened for the afternoon. Afternoon price action saw the metal held within a narrow range either side of USD \$1,295 as regional equities and U.S. futures pushed higher to restrict a test of USD \$1,300 heading into today's key U.S. jobs data print. The strong ADP print on Thursday indicates we may see an upside surprise to the NFP figure (exp: 184k), likely to promote short term volatility in bullion price action. Weak economic fundamentals however remain and we are likely to see USD \$1,300 broken, with a close above this key level for a sustained move higher.

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.