



## MKS PAMP GROUP

### Asia Market Update

5<sup>th</sup> February 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1312.10/50	15.85/87	820/22	1364/68
<b>HIGH</b>	1314.80/20	15.90/92	822/24	1366/71
<b>LOW</b>	1311.30/70	15.84/86	819/21	1363/67
<b>LAST</b>	1314.70/10	15.89/91	822/24	1366/71

#### MARKETS/MACRO

Markets remained reasonably range-bound yesterday as a result of the beginning of Chinese NY and little in the way of data released to drive direction. US equity markets closed higher on the back of a rally in tech shares – Alphabet Inc. (the parent of Google), posting some impressive revenue gains in the fourth quarter and driving the gains. The Dow Jones advanced +175.48 pts (+0.7%) to 25,239.37, the NASDAQ Composite rallied +83.667 pts (+1.15%) to 7,347.535 and the S&P500 rose +18.34 pts (+0.68%) to 2,724.87. European bourses were narrowly mixed, as investors continue to analyse Brexit and trade war headlines. The Euro Stoxx 600 inched up +0.21 of a pt (+0.06%) to 359.92, the DAX shed -0.04% to 11,176.58, the CAC40 dipped -0.38% to 5,000.19 and FTSE100 clawed back +0.2% to 7,034.13. Crude oil prices eased, WTI slipping -0.98% to \$54.72/bbl and Brent losing -0.19% to \$62.63/bbl, as investors stepped back to assess the market after last week’s slew of data. Last week’s rise in inventories in the US was under the spotlight again following a report from Genscape suggesting supplies at the Cushing storage hub have risen again. Sentiment wasn’t helped by weak economic data. US factory goods orders falling -0.6% in November, when expectations were for a rise of +0.3%. Base metals were generally firmer driven primarily by Nickel, rising by 5% yesterday and pushing above the LME \$13,000/t mark for the first time in 5 months, as tightness and diminishing holdings continues. Copper rose +0.5% to \$6168/t and aluminium advanced +1.9% to \$1919/t. Currencies remained fairly steady, the USD advancing slightly vs. its G10 peers. The big mover however was USDCNH, which took off during Asian hours yesterday and traded from 6.7520 to 6.7850 in just over an hour, likely due to a lack of liquidity with Chinese traders out.

Federal Reserve Bank of Minneapolis President Neel Kashkari (non-voter) said Fed Chairman Jerome Powell is “coming around” to the view to wait until wages and inflation rise before raising interest rates again, and, that the Fed’s latest pause will help keep a “fundamentally healthy” economy on track. “There are more people out there who want to work. Let’s let the economy continue to strengthen and if we see signs then, wages pick up, inflation picks up, we can always tap the brakes”, Kashkari said at an event hosted by the Trinity Lutheran Church in Long Lake, Minnesota. “Let’s just not tap the brakes prematurely”. The Minneapolis Fed distributed a recording of the event, which took place Sunday morning. “I think we still have room to run in the U.S. economy”, he said. The FOMC pivoted decisively on Jan. 30 to a prolonged pause on interest-rate increases, declaring it would be “patient” as it determines future adjustments in borrowing costs that left open the possibility the next move could be a cut.



## PRECIOUS

The gold gradually softened yesterday, driven by the higher equities and firmer USDCNH. We opened in Asia around \$1318 and after a very brief spike to the intra-day high, the metal proceeded to gradually fall throughout Asia and Europe. With Chinese investors enjoying their first day of the lunar New Year holiday - they will be out all week long – volumes through both spot and Comex were noticeably light. There seemed to be a steady stream of light selling through Comex, likely from spec traders who are happy to trim longs with China out for the next week. The yellow metal proceeded to angle lower hitting \$1313 by the time Europe began to man their desks and only really found support when NY opened. We dipped to a low of \$1309.20 but sharply bounced back to \$1315 and ended up closing around \$1312. Gold has now traded down through the 76.4% retracement line at \$1317 which presents immediate resistance now, followed by the previous set of peaks last week between \$1323-26. On the downside support around \$1300 should be strong in the short term and we favour buying dips towards that level. Silver tracked gold yesterday, although the bounce-back during the NY hours saw it almost trade back to opening levels. After trading fairly flat through NY we managed to close above \$15.85. Palladium remained volatile once again, traversing a \$45 range over the course of the day and platinum dipped during European hours, although managed to close just above the 100 dma (\$820).

Gold opened today and basically did the mirror opposite of what was seen yesterday. Small two-way interest was seen initially and the metal held fairly steadily around \$1312 over the opening few hours. In what was almost an identical move to yesterday (just in reverse), USDCNH tumbled lower from 6.7820 to 6.7600, right around the time Shanghai would usually be opening for business. The yellow metal caught a bid on the back of the move and steadily progressed a few dollars higher. Later in the day the RBA announced that Aussie interest rates would remain on hold at 1.5% as expected. The tone of the statement however did reflect a little more neutrality than previous and as such AUDUSD shot higher some 50 pips to 0.7250. Again, this was supportive of gold and we progressed, slowly, a little higher to where we currently are trading, just short of \$1315. Silver and the PGM's have all been fairly flat on the day. Ahead today on the data front we have a host of European and US composite and services PMI's, Eurozone retail sales and US non-manufacturing ISM index. Finally, with China out for the rest of the week, we expect turnover and price action to remain pretty lean during Asian hours. Have a good day ahead.

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