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Asia Market Update
14th March 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1308.90/30	15.44/46	842/44	1551/55
HIGH	1310.20/60	15.45/47	843/45	1553/57
LOW	1304.70/10	15.37/39	835/37	1545/49
LAST	1304.70/10	15.38/40	836/38	1546/50

MARKETS/MACRO

The Brexit machine churned on yesterday with the British parliament voting twice to reject a 'no-deal' Brexit and not just for the 29th March cut-off, but completely. Parliament first narrowly voted in favour of the Spelman amendment to take 'no-deal' Brexit off the table beyond March 29th before the government later decided to whip against the amended notion, which interestingly saw the majority for rejecting 'no deal' grow. This now paves the way for a vote to delay Brexit until at least the end of June. On the other side of the fence, EU Brexit negotiator Michel Barnier said the bloc would need to know why Britain wanted to extend talks and that it was up to London to find a way out of the deadlock. The EU said there could be no more negotiations on the divorce terms. The GBP rallied as a result of yesterday's outcome, starting the day around 1.3080 during Asia and extending as high as 1.3380 just after the voting in the European evening/NY. It currently sits at 1.3285. In other markets the equities in the US were stronger on the day – Dow +0.58%, S&P500 +0.69% and Nasdaq Composite +0.69% - with a similar scenario in Europe, local indices rallying after a better than expected industrial production reading. The DAX rose +0.42%, CAC40 +0.69%, FTSE100 +0.11% and Euro Stoxx600 was up +0.63%. Elsewhere, crude oil prices rose sharply after US inventories fell more than expected (WTI +2.6% to $58.34/bbl , Brent +1.42% to $67.62/bbl), with the EIA weekly report showing a fall of -3.86m bbl vs an expected -3.0m bbls.

On the data front, Euro Zone industrial production surged +1.4% in January, reversing a -0.9% fall in a month earlier and beating market consensus of a +1.0% acceleration. Output increased for all categories: energy (+2.4% vs -0.6%), non-durable consumer goods (+2.0% vs -2.0%), durable consumer goods (+1.1% vs +0.3%), capital goods (+0.9% vs -1.1%) and intermediate goods (+0.2% vs +0.3%). The biggest output gains were seen in Spain, Italy and France, while production decreased in Germany. Across the Atlantic data was mixed. New orders for US manufactured durable goods rose +0.4% in January, following an upwardly revised +1.3% advance in December and beating market expectations of a -0.5% drop. Orders for non-defence capital goods excluding aircraft, a closely watched proxy for business spending plans, went up +0.8%, the highest gain since July and rebounding from a -0.9% decline in December. US producer prices excluding food and energy rose +0.1% MoM in February after a +0.3% gain in January and below market expectations of a +0.2% incline. YoY, core producer prices went up +2.5%, following a +2.6% rise in the previous month and compared to forecasts of +2.6%.

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PRECIOUS

It was a slow and orderly grind higher for the precious metals yesterday, with the exception of silver, which lagged and closed the day flat. Gold remained supported throughout as the Brexit calamity/uncertainty continued, pushing back through $1310 and closing the day just underneath that level. We opened in Asia with gold at $1300.50, with some moderate buying interest seen in the aftermath of Theresa May's again rejected Brexit deal. The yellow metal gradually ticked higher with the demand coming from a number of different sources – Real money, physical, macros – in early trade. This continued as we approached the SGE open and was assisted higher again once the Chinese investors joined. The SGE premium remained healthy at around $14-15 over spot for onshore traders, with some modest bank demand keeping things lifted. Gold continued to tick higher (~$1309.50) throughout Europe and pushed through $1310 to the peak of $1311.15 into the backend of the NY session. We closed just beneath $1310 in what was a constructive day. ETF outflows have certainly abated throughout early March, which we see as a positive signal for the gold. A large portion of gold's descent during late February can be attributed to the significant outflows seen throughout that period, the SPDR dropping from 823.87 tons in late January to 766.59 tons in early March. Since then though the outflows have stabilized and even ticked a touch higher. A change of the trend here to see more inflows, will certainly be positive for the metal. For the interim we see $1300-02 as the initial support, while $1315 poses the first resistance.

Gold has given back some of the overnight gains so far in Asia today, on the back of Chinese liquidation and a firmer dollar. The metal opened at $1309 and initially inched through $1310 in the opening few hours on light volumes. The GBPUSD was under pressure however, and the dollar recovered in general which prompted some selling into the China open. China came in on the offer and the premium for gold was sold down toward $13 on the SGE, which pressured spot lower also. Gold steadily made its way lower over the am session trading down towards $1305, but holding that level for now. On the data front we had Chinese IP, Retail sales and Fixed Assets all released today coming in on or just below expectations. Industrial production YoY rose +5.3% for February (+5.6% expected, +6.2% prior), retail sales fell to +8.2% YoY from a month earlier (+8.2% expected, +9.0% prior) and Fixed assets rose to +6.1% YoY (+6.1% expected, +5.9% prior). USDCNH and USDCNY were higher on the slightly weaker data, although it did not seem to affect the flows on the SGE to any major degree. On the data calendar ahead today look out for a host of EuroZone CPI prints as well as US jobless claims and new home sales. Have a great day ahead.