



MKS PAMP GROUP
Asia Market Update
18th December 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1246.00/40	14.65/67	793/96	1262/66
HIGH	1248.80/20	14.70/72	793/96	1262/66
LOW	1244.90/30	14.63/65	789/92	1254/58
LAST	1248.30/70	14.67/69	790/93	1260/64

MARKETS/MACRO

Softer than expected US data overnight, alongside ongoing trade and global growth woes appear to have capped risk for the interim, with markets now turning their attention to the Fed later this week. Equities tried to push higher in early trade although succumbed to a steady sell-off throughout the latter part of the day. The Dow Jones Industrial Average relinquished -507.53 points (-2.11%) to 23,592.98, the S&P500 declined -54.01 points (-2.08%) to 2,545.94 and the NASDAQ Composite erased -156.933 points (-2.27%) to 6,753.734. It was much the same across the Atlantic, with major European bourses all closing in the red – EuroFirst 300 down -1.15% to 1,355.76, EuroStoxx 600 dipping -1.14% to 343.26, DAX -0.86%, FTSE100 -1.05% and CAC40 losing -1.11%. In the G10 space, we saw USDJPY trade back towards the 112.70 area on the back of mostly systematic supply while Cable gained slightly alongside an announcement from PM May that Jan 14th will be the date in which she will hold a vote on her Brexit proposal, with the Times reporting that May will present three Brexit countdown options to her cabinet. US 10y yields took a step back falling -3.1 bps to 2.86% on the day, with other traditional haven pairs also bid, as markets look to reduce some risk ahead of the Fed’s FOMC meeting. Elsewhere, crude oil prices softened (WTI -3.91% to \$49.20 a barrel) amid fears of weaker demand and in turn higher inventories. A report from Genscape suggested a big jump in inventories was likely this week in the storage hub of Oklahoma. Investors also remained concerned that OPEC will struggle to keep to its agreement to reduce output. This is likely to see prices remain under pressure until there is evidence that actual output is being cut.

On the data front the NY Empire State Manufacturing Index plunged -12.4 to 10.9 for December (20.1 expected). The reading pointed to the lowest gain in manufacturing in NY state since May last year, as shipments (21 from 28), inventories (7.1 from 10.9), new orders (14.5 from 20.4), average workweek (8 from 9.2), prices paid (39.7 from 44.5) and prices received (12.8 from 13.1) eased. On the other hand, employment (26.1 from 14.1) increased. Looking ahead, firms remained fairly optimistic about the six-month outlook, though optimism was slightly more tempered than it was in November. In Europe, Eurozone annual CPI was revised lower to 1.9% in November from a preliminary read of 2.0%, marking the lowest inflation rate in 6 months amid a broad-based price slowdown.

PRECIOUS

Gold pushed higher overnight on the coat-tails of a softer risk sentiment, weaker USD and falling equities globally. Asia opened just below \$1239 Monday and traded fairly heavily leading into the SGE open, the price falling to \$1236.00 over the first few hours of the day. Flows were light throughout the morning, although did manage to pick up once Shanghai opened for business. The premium on the SGE remained around \$6.50-7.50 for onshore traders, with some moderate to decent demand seen from Chinese banks



on the back of the elevated premium. The spot gold, however, was unable to push through \$1238 throughout the morning and consistently ground against that level with Comex and producer offers capping any advance. As Asia passed the books, the USD began to weaken against the EUR and gold very slowly trudged higher toward \$1240. When NY opened, gold was still trading around \$1240, although the softer than anticipated Empire State manufacturing index and NAHB Index, caused the USD to recede further. This, in line with weak equities thrust gold to a peak of \$1248.10 before easing back to \$1246 where we held for the remainder of the session. \$1250-53 has proven stubborn resistance (series of recent peaks + 200 dma at \$1253.40), with thick, scaled up offers seen on the approach of that level last night. On the downside we feel the initial support/pivot should sit around \$1238-42 short term, with the \$1230-33 zone providing decent support for now. We feel that there is still upside potential from here, particularly if stocks and the USD remain under pressure. Finally good demand has been seen by ETF's this month with just under ~1 million oz added and if that trend continues, the case for an extension higher remains firm. Silver, platinum and palladium were all a touch lower overnight in-line with the risk off move.

A fairly quiet day in Asia so far with the gold angling up towards yesterday's peak around \$1248. Flows throughout the morning were very light the yellow metal comfortably hovering around \$1246 in the lead up to the Shanghai open. Once they opened for business, similar to yesterday, some demand from Chinese banks began to trickle in elevating the spot price to \$1248 over the first hour. The premium remained much the same maybe \$0.50 or so lower than the previous day, with the demand keeping things steady through lunch. As I write we are currently trading at \$1248.50 and holding firm, despite persistent offers surfacing on Ecomex. The market focus over the next few days will be squarely on the upcoming FOMC, where the majority of banks and commentators are forecasting a 25 bps hike, a reduction in the 'dot' plot to reflect 2 hikes in 2019 and a change in the language of the statement to reflect a 'more data dependent' decision making process going forward. We may see some more buying of gold leading into this decision as risk is unwound. All the best and good day ahead.

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