



MKS PAMP GROUP

Asia Market Update

18th January 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1292.10/50	15.52/54	810/12	1397/02
HIGH	1292.30/70	15.54/56	812/14	1414/19
LOW	1290.20/60	15.50/52	807/09	1397/02
LAST	1291.80/20	15.53/55	811/13	1413/18

MARKETS/MACRO

Markets were confined to tight ranges given an absence of primary data releases and speakers yesterday, while Brexit continued to dominate the market's focus during the European trading day. Sterling remained firm, supported by ongoing expectations that the risks of a no-deal Brexit are subsiding. Opposition Labour Party leader Corbyn said a second EU referendum should remain one option, but it should not be a re-run of the June 2016 vote. Elsewhere, data releases were scant, but the rebound in the January Phil Fed index, together with late reports of the US Administration mulling the elimination of some tariffs provided the US stock market with support. The DJIA advanced +162.94 points (+0.67%) to 24,370, the S&P500 rose +19.86 points (+0.76%) and NASDAQ Composite lifted +49.77 points (+0.71%) to 7,084.465. European stocks however continued to languish and remained fairly flat on the day. The Euro Stoxx 600 index inched up +0.79 of a point (+0.06%) to 1,379.50 and the FTSE Eurofirst 300 ticked +0.14 of a point higher (+0.04%) to 350.73.

In contrast to the Empire manufacturing index, the January Phil Fed index rebounded. Over 30% of manufacturers in the survey reported an increase in production. New orders rose 8 pts to 21.3 and inventories fell 10 pts to -7.6. Employment eased to 9.6 vs 19.1 and shipments were down 1 point at 11.4 vs 12.4. The data indicates ongoing growth in the region's manufacturing sector, which makes for a welcome break from a string of weak data out of US – and indeed global – manufacturing of late. The number of Americans filling for unemployment benefits decreased by -3K to 213K in the week ending January 12 from the previous week's unrevised level of 216K. It compares with market expectations of a 219K. Across the Atlantic, the annual inflation rate in the Euro Area came in at 1.6% in December, unchanged from the preliminary estimate and below November's final reading of 1.9. It was the lowest rate since April as prices of energy and processed food, alcohol & tobacco rose at a softer pace.

The Chinese central bank injected huge amounts of liquidity via the open market operations this week, with net injection exceeding CNY1.1trn in the past four days. Notably, the net injection of CNY560bn on Wednesday was the largest ever injection on a single day. In addition, the PBoC has already conducted 100bps cut to the reserve requirement ratio this month, and announced a few policies to lower the cost of funds especially for the private firms. All these active operations clearly reflect the PBoC's commitment to relax the monetary conditions to counter the economic slowdown within the world's second largest economy.



PRECIOUS

Gold had another range-bound session yesterday contained within a \$5-6 range (\$1289.10-\$1294.80), while palladium remained in focus, posting yet another all-time high (\$1421.40 bid) and extending gains over the past 2 trade days to +\$120 (+8.5%, or +10% YTD). Not really a lot to mention regarding the yellow metal yesterday, in Asia good Chinese buying on the SGE open was met by some firm offers on Comex around the \$1294-95 (cash) level – which capped proceedings. The gold was bid up again towards \$1295 during late Europe/ early NY and held there for a few hours throughout the NY morning. Later in the day though some WSJ headlines hit the wires regarding easing or even removing some US tariffs vs China. Risk picked up on the back of this and gold traded down to the lows of the day (\$1289.10) before closing around \$1292. For palladium, most of the action happened during the European hours, with the metal initially breaking through the Asia highs around \$1365 and jumping sharply to \$1380. Liquidity was very thin and flows were almost exclusively seen on the buy side. The second leg saw the market shoot through \$1400 and trade as high as \$1421.40 bid (on a very wide spread) in a matter of moments. Through \$1400 there was virtually no liquidity, with offers of 1-2 lots sitting some \$5 apart on Comex. Over the NY session the metal eased below \$1400 as some profit taking took hold and closed either side of that level.

Another quiet, slow session in Asia today, with a very similar set up to yesterday. We opened on Comex around \$1292 and right in the middle of the recent range. There was light 2-way interest initially with the yellow metal happily hovering around \$1292 for the opening hour. We dipped off back toward \$1290.50 prior to the SGE open and then remained in a tight \$1290.50-1292.00 range throughout the am session. As I write the am session is coming to a close and volumes and price action remain light, steady within the before mentioned range. We feel gold could have a little more work to do within the \$1280-1300 range, but suspect a downside test in the coming days. ETF holdings remain elevated as do Comex non-commercial net longs which could raise the chance of a downside flush-out in the short term. That being said though, we expect Chinese pre-NY physical demand to support any sustained dips and view dips toward \$1265-75 decent buying opportunities. Palladium has kicked back through \$1400 this morning and is holding steady around \$1410-1415 for now, with liquidity again very shallow. Ahead today on the data calendar look out for UK retail sales data, Canadian CPI, US Industrial production and University of Michigan sentiment. Wish you all a great weekend.

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