



MKS PAMP GROUP

Daily Asia Wrap

19th November 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1222.20/60	14.40/42	843/45	1176/78
HIGH	1223.30/70	14.41/43	848/50	1183/85
LOW	1220.10/50	14.37/39	842/44	1176/78
LAST	1220.20/60	14.37/39	843/45	1181/83

MARKETS/MACRO

Last Friday the dollar took quite a bit of a stumble on the back of comments by Fed Vice Chair Clarida who said that Fed policy is getting closer to the vicinity of neutral while reiterating that the Fed will need to be more data dependent in setting policy going forward. This was interpreted in quite a dovish light, despite the contents of his remarks remaining mostly consistent with the official Fed rhetoric being broadcast over the past few months. At the same time, he acknowledged that the Fed ‘certainly isn’t at neutral yet’ and that the Fed doesn’t expect a big pickup in inflation next year. As a result the Euro shot back above the 1.14 level while the Aussie caught another leg higher above 0.73, the latter assisted by further unwinding of stale shorts. Elsewhere, US stocks began the day trading lower Friday as Brexit uncertainty continued to grab headlines, but did manage to claw back ground later in the day. The Dow Jones Industrial Average advanced +123.95 points (+0.49%) to 25,413.22, the S&P500 ticked up +6.07 points (+0.22%), while the NASDAQ Composite eased modestly -11.159 points (-0.15%) to 7,247.873. European equities were lower on the day the EuroFirst 300 Index declining -2.74 points (-0.19%) and the EuroStoxx 600 dipping -0.72 of a point (-0.20%) to 357.71. Crude oil prices remained under pressure as investors continued to grapple with the prospect of another round of production cuts from OPEC, amid signs of weaker demand. Saudi Arabia highlighted the need for more production cuts this week when prices fell sharply after the US issued waivers to sanctions on Iran’s oil purchases. However, investors are not convinced that they will be able to mitigate the increase in output from the US, while expectations of heavy falls in Iranian exports have eased.

Asia-Pacific leaders failed to agree on a communique at a summit in Papua New Guinea on Sunday for the first time in their history as deep divisions between the United States and China over trade and investment thwarted cooperation. Delegates from member countries witnessed first-hand US VP Mike Pence and Chinese President Xi going head-to-head over trade and security, with Pence presenting a vision of an Asian region tied to Washington via bilateral agreements, whilst also hitting out at Chinese influence in the area in no uncertain terms: “Do not accept foreign debt that could compromise your sovereignty...the United States deals openly, fairly. We do not offer a constricting belt or a one-way road”. The resumption of veiled attacks on Chinese power in the region and threats of further tariffs comes following more positive soundbites on the issue from Trump last week, and ahead of a planned meeting between the two nation’s leaders at the G20 summit later this month, with sticking points about market access, intellectual property protections and a burdensome trade deficit continuing to drive the US agenda.



PRECIOUS:

Gold rose Friday on the back of the dovish tone sent via Fed Vice-Chairman Clarid's comments that the Fed will be more data dependant going forward. The resulting soft USD helped the whole precious complex close out the week on a firm footing. The session started out slowly in Asia with underlying SE Asian demand and jumped a few dollars following the China open toward \$1217 but traded back down to \$1215 where it sat quietly into the London morning. There was another brief pop during European hours up to a fresh intra-day high of \$1218.50, however, follow through lacked yet again with the moves appearing to be more USD driven rather than flow driven. The NY morning kicked off with gold trading around \$1217.50 and shortly after Fed VC Clarid's comments hit the market. This sent the USD crashing lower, EURUSD jumping from 1.1330 to 1.1410, USDJPY plummeting from 113.20 to 112.65 and USDCNH down from 6.94 to 6.92 area. Gold ran through \$1220 to as high as \$1225 despite some sporadic producer selling on the rise. It eventually settled between \$1222-1224 to round out the week. Elsewhere, Silver hit \$14.40, palladium posted a new all time high of \$1182.00 and platinum approached \$850.

Despite the trade tensions heating up once again between China and the US following the weekend's APEC meeting, the precious complex remained fairly calm today, with flows remaining on the light side. Gold opened at \$1222.50 and held a tight \$1.50 range over the first 3 hours of the day, softening slightly as we approached the China AM close. As mentioned flows were very light when comparing to last week, across both Comex and the SGE. There is not a great deal of data out this week, so we expect the precious complex to be driven by headlines (Brexit/trade war etc) and USD moves in particular. It is also thanksgiving holiday this coming Thursday in the States so liquidity leaning into that will likely be low. We believe gold is in for a period of consolidation here. Hope you have a good day ahead.

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