



MKS PAMP GROUP

Asia Market Update

25th January 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1280.90/30	15.30/32	802/04	1321/25
HIGH	1283.00/40	15.35/37	805/07	1323/27
LOW	1279.90/30	15.28/30	801/03	1318/22
LAST	1282.10/50	15.34/36	804/06	1322/27

MARKETS/MACRO

US stocks ended the day mixed Thursday as global growth concerns dampened earnings optimism. The Dow Jones eased modestly -22.38 pts (-0.09%) to 24,553.24, the S&P500 ticked up +3.63 pts (+0.14%) to 2,642.33 and the Nasdaq Composite advanced +47.693 pts (+0.68%) to 7,073.461. Most European equity bourses closed the day in the black, the Euro Stoxx 600 up +0.78 of a point (+0.22%) to 355.67, the DAX rose +0.53% and CAC40 rallied +0.65%. Meanwhile the FTSE100 dipped -0.35% on comments from the BoE's Carney that British businesses are not prepared for a 'no-deal' Brexit. Crude oil prices inched higher as geopolitical risks outweighed an expected rise in inventories in the US. Tension in Venezuela rose, with opposition leader Juan Guaido declaring himself interim leader and the Whitehouse considering new sanctions as a result. These geopolitical tensions however was tempered by oil stock piles in the US rising by 7.97mio barrels last week against a 750k forecast. In FX, EUR was weaker following the soft Eurozone PMI data and Draghi's acknowledgement of risks to growth in his address. The US 10Y bond yield eased back over -2bp to 2.72% while the 2Y yield was also lower by -2bp to 2.56%.

The European Central Bank left its guidance and interest rates unchanged at its first meeting of 2019, but President Mario Draghi warned that growth risks in the region had shifted to the downside due to a number of external factors. "The risks surrounding the euro area growth outlook have moved to the downside on account of the persistence of uncertainties related to geopolitical factors and the threat of protectionism, vulnerabilities in emerging markets and financial market volatility", he said at a press conference. Draghi also reaffirmed the central bank's stance to keep key interest rates at their present levels through the summer of 2019 and "longer, if necessary". The euro plunged to a one-month low, trading -0.5% lower against the dollar after Draghi also acknowledged that near-term data are likely to be weaker-than-expected. Last month, the central bank formally brought an end to its \$2.6 trillion bond-buying program, meaning purchases fell from 15 billion euros a month to zero. The ECB, however, kept its plans to reinvest cash from maturing bonds for an extended period of time beyond its next interest rate hike.

The City of London's Financial Times reported yesterday that the U.S. had turned down a request from Beijing to hold another round of deputy-level trade talks this week, prior to the planned high-level talks scheduled for January 30-31 in Washington. Based on the headline stocks subsided, yet managed to recover following a clarifying remark by Larry Kudlow, director of the National Economic Council. In an interview with CNBC, Kudlow denied that such a meeting was ever planned. "There was no cancellation", he said, explaining that "there were no other intermediate meetings scheduled". He went on to say that the Jan. 30-31 meetings with China's Vice Premier Liu He, U.S. Trade Representative Robert Lighthizer



and Treasury Secretary Steve Mnuchin are “very, very important and determinative.” He also stressed that President Donald Trump is looking forward to settling the trade dispute with China.

In the US, the Senate blocked duelling bills to fund the government on Thursday, leaving no clear path to ending the longest government shutdown ever. Both a Republican-backed proposal and a measure supported by Democrats did not get the 60 votes needed to pass — though a plan to reopen the government without funding for President Donald Trump's border wall earned more votes. The failures to find a resolution come as 800,000 federal workers already stretched for cash start to miss another paycheck on Friday.

PRECIOUS

Gold once again probed below \$1280 overnight, but, managed to bounce back to \$1281 by the close. In Asia yesterday, there was some light demand seen over the AM session which helped to push the metal up to the days high (\$1284.50) shortly after the SGE opened for trade. The premium on the exchange remained firm at \$10-11 which helped to keep the demand rolling over. The USD started to slowly strengthen around lunchtime which exerted downward pressure on the metals complex, all grinding their way slowly lower into NY. Gold hit the intra-day low right after the jobless claims were released when the EUR (which had fallen dramatically) began to rally on the back of spec profit taking. The yellow metal bounced sharply from \$1278 to \$1284 in line with the EUR move, but gave up some of the gains to close at \$1281. Silver once again tested the 200 dma on the downside (\$15.27), yet still manages to resist falling through there. Palladium fell off a cliff in NY trading from \$1350 down to \$1325 very quickly, as profit taking in thin conditions continues to weigh.

It has been a slow day thus far today, gold trading fairly flat between \$1280-83. Interest was mixed in the lead up to the Shanghai open with volume going through remaining very minimal. The SGE premium was strong on the open at \$11-11.50 and once again there was decent demand seen on the exchange. USDCNH/CNY came off late in the AM session from 6.7950 to 6.7750 which boosted spot gold to the highs. Silver platinum and palladium have all remained quiet. A quiet day for data releases, German IFO the only thing of note. Hope you have a great weekend.

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