



## MKS PAMP GROUP

### Asia Market Update

28<sup>th</sup> February 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1319.80/20	15.72/74	868/70	1530/34
<b>HIGH</b>	1321.30/70	15.75/77	869/71	1535/39
<b>LOW</b>	1317.10/50	15.70/72	864/66	1522/26
<b>LAST</b>	1318.90/30	15.73/75	866/68	1529/33

#### MARKETS/MACRO

The USD traded with a defensive bias into month end although in the bigger picture, the major currency pairs remain very range bound. Despite poor US trade data yesterday, bond yields pushed higher, with the yield on the US 10y bond up +4bp to 2.68%. Equities traded fairly flat in the US, with the Dow Jones Industrial Average dipping -72.82 points (-0.28%) to 25,985.16, the S&P500 trickling down -1.52 points (-0.05%) and the NASDAQ inching up +5.21 points (+0.07%) to 7,554.508. European equities slid as further poor data from the bloc (money supply/economic confidence) point to an increasing slow-down in the region and geopolitical factors (India/Pakistan tensions) remained in the back of trader's minds. The Euro Stoxx 600 retreated -1.06 points (-0.28%) to 372.58, FTSE100 slid -0.61%, DAX shed -0.46% and the CAC40 lost -0.26%. Elsewhere, Crude oil prices rose sharply (WTI +1.8% to \$56.96 bbl) after data showed OPEC's production cut agreement is having a big impact on imports and inventories in the US. The EIA said that crude imports into the US fell 1,605k b/d, last week, to a two-decade low. Shipments from Saudi Arabia were at the lowest since 2010. This resulted in crude oil inventories falling 8,647k bbl, which was significantly larger than what the market was expecting (at 3,000kb/d).

US trade representative Robert Lighthizer dialled back expectations for a sweeping trade deal with China in his congressional testimony yesterday. He said the US is pushing for a deal that includes "significant structural changes" to China's economic model, particularly around intellectual property rights and technology transfers, and provisions to ensure compliance. This is a pretty high hurdle, and there was a modest risk-off move in markets in response. The comments are not entirely in line with Trump's tweets earlier in the week suggesting that a deal was close. Lighthizer in his testimony also explicitly noted that China simply buying more US exports was not sufficient and noted that signing a deal (with two "ifs" thrown in for good measure) wouldn't be the end of it, given a lack of trust that commitments would be met. We expect trade headlines to continue to throw around sentiment for a while yet, particularly given the issues are complex, the trade-offs real, and opinions divided.

US goods trade data were disappointing, implying downside risks to tomorrow's key Q4 GDP release. The advance trade deficit widened 12.2%, with exports down -2.8% MoM led by industrial supplies, capital goods and food, while imports rebounded +2.4% MoM, as consumer and capital goods imports were strong. That's definitely not GDP friendly. Atlanta Fed GDPNow estimates put Q4 growth at a 1.8% seasonally adjusted annual rate, and the consensus looks for a 2.3% rise vs Q3's 3.4%. Growth is expected to be led by a 3.0% rise in private consumption. Factory orders for December also disappointed expectations.



## PRECIOUS

The precious metals were all softer overnight despite Lighthizer pouring cold water on any hopes of a swift agreement in the US-China trade war saga – which should have been bullish. Gold opened in line with the previous close in Asia around the \$1329 and slowly angled higher over the opening hour. Right around the time that the SGE opened for trade, COMEX experienced a system wide technical issue, blacking out all metals pricing for over 2.5 hours. During this period, spreads remained very wide and many electronic platforms were not quoting which meant spot liquidity was scarce. When the exchange reopened for business gold and the rest of the metals slowly ground their way lower on light volumes. Gold experienced a brief tick higher during the European morning although there was good offering in the lead up to \$1330 which capped any further advance. There was another quick spike early in NY for gold although this quickly gave way to selling which persisted into the close. Technically, there is important support sitting around \$1315-18 for gold now, where an uptrend dating back to November 2018 and the 76.4% retracement of the April 18-Aug 18 decline, intersect. A breach of this and a push through \$1300 support could prompt further liquidation from nervous longs. To the topside, key resistance remains around \$1345-55 where a number of peaks dating back to mid 2016 have hampered further progression. Elsewhere, palladium experienced a very dramatic sell-off throughout NY yesterday hitting a peak of 1555 (\$1560 in Asia), then plunging rapidly below \$1520. The liquidity gaps in this market are causing real concern, with very little turnover on the way down relative the move overnight, which has been a theme over the past week or so and seems to be becoming quite commonplace.

A fairly slow day once again in Asia today, with the metals still remaining on the backfoot. There was a brief round of profit taking this morning from short term specs which pushed us to the days high in the opening hour. Once the SGE opened up however, Chinese participants were on the offer and the gold slumped back below \$1320 where we have remained into the afternoon. Silver so far has been fairly flat, while the PGM's are both currently softer on the day. Wish you a good day ahead.

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