



MKS PAMP  
GROUP

## Daily Asia Wrap - 10th February 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1571.40/80	17.71/73	968/70	2317/27
HIGH	1576.50/90	17.77/79	973/75	2334/44
LOW	1567.90/30	17.68/70	966/68	2312/22
LAST	1572.00/40	17.73/75	972/74	2322/32

### MARKETS/MACRO

Risk-off sentiment dominated on Friday night, following the breather in markets last week. Worryingly, the human impact of coronavirus keeps increasing (with the reported death toll surpassing SARS over the weekend). Even the better than expected US Non-farm payroll's on Friday were not enough to curb investor's concern, with the WHO chief warning of a further widespread outbreak in countries outside of China is likely, as cases involving local transmission rise. Already, Singapore has raised its response level on par with the previous SARS outbreak, and the expected growth slowdown has seen the AUD closing at its lowest level since March 2009 (0.6673), with the RBA Governor Lowe seeing the virus having a bigger impact on the economy as compared to SARS. US equities retreated on Friday after rebounding well throughout most of the week. The Dow shed -0.94% to 29,102.51, the S&P500 slid -0.54% to 3,327.71 and the NASDAQ Composite fell -0.54% to 9,520.51. Euro area stocks were also softer on the day from the spreading coronavirus and the dismal Eurozone industrial production data. The FTSE100 down -0.51%, DAX slipping -0.45%, CAC40 off -0.14% and Euro Stoxx 600 declining -0.27%. Elsewhere, the US 10y yield was -6 bps lower at 1.58% and bund yields were -1.5bps lower at -0.387%, while WTI crude slipped -1.2% to USD \$50.30/bbl.

On the data front, US non-farm payrolls rose strongly to +225k in January (+165k expected, +147k prior), with the three-month average now running at +209k, up from +188k. Job gains were broad-based. The unemployment rate ticked up 0.1% to 3.6%, with the participation rate rising 0.2ppt to 63.4% – the highest participation rate since June 2013 - with very limited available slack in the labour market. Average earnings rose +0.2% m/m, up +3.1% y/y from 3.0% y/y in December. In Europe, German industrial production fell -3.5% m/m in December (down 6.8% y/y) and French production fell -2.8% m/m. The data implies German GDP probably contracted in Q4, which alongside weakness for other European countries poses downside risks to the preliminary EA GDP of +0.1% m/m. A worry for a central bank that says it barely has scope to ease policy further.

## PRECIOUS

Gold closed out the week strongly as the economic fallout of the coronavirus continues to mount. The Federal Reserve Bank warned the outbreak posed a 'new risk' to the economy in its semi-annual report to congress which was released on Friday. World Bank president, David Malpass, added to the chorus of concern, suggesting there will be lowering of forecasts of economic growth as a result of the outbreak. Friday was a reasonably choppy day, but gold did manage to continue to push higher by the close. We saw some Chinese based selling throughout the day in Asia, particularly during the PM session, which drove us below \$1565. Then, despite one sharp tick lower on the chart in early NYK, the metal continued to claw back ground and close right around \$1570 (-1.7% for the week). Silver was similarly volatile, but lacking the safe-haven credibility of gold, actually finished the session lower despite a number of sharp intermittent rallies. The PGM's held their ground, although palladium continues to look a little exhausted here, with some scope for a further pullback toward \$2070, if pivotal support at \$2251 does not hold. Fundamentals remain intact for Pd, with physical demand outweighing supply. The rapid pace of the move higher however suggests to me that we could see a sharp and aggressive move lower in the short term, which may present a strong buying opportunity. Spreads remain wide and EFP's are still trading in deep backwardation.

The increasing death toll and contraction rates of corona over the weekend helped to push gold higher early this morning, with the yellow metal opening and surging \$5 up to the highs in the opening 30 minutes of trade. It was not sustained however with the USD beginning to push higher later in the morning – except against the AUD which was very robust, jumping back through 0.6700. Gold meandered its way to the days lows as safe-haven bids had all dried up. As I write, the metal has moved back through \$1570 and flows are light. Silver has tracked gold so far, platinum is a touch higher and palladium is flat. Chinese CPI and PPI data were released today and came out stronger than expected which also weighed on gold. China's CPI rose +5.4% y/y in January (+4.9% expected, +4.5% prior) and the PPI rose +0.1% y/y (0.0% expected, -0.5% prior). Ahead on the data calendar today, a quiet one, with only Italian industrial production and Canadian housing starts and building permits. Have a good day ahead.

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