



MKS PAMP  
GROUP

## Daily Asia Wrap - 12th February 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1567.80/20	17.59/61	971/73	2342/52
HIGH	1568.30/70	17.66/68	972/74	2351/61
LOW	1565.70/10	17.56/58	967/69	2337/47
LAST	1566.40/80	17.60/62	969/71	2340/50

### MARKETS/MACRO

A somewhat lackluster session yesterday with few new catalysts to drive position rebalancing. Risk assets ended the session largely unchanged, while FX volatilities continued to drift back towards their respective YTD lows. Fed Chair Powell gave his semiannual testimony before Congress overnight, reiterating that the current stance of policy remains most appropriate barring a material change in the outlook. On the impact of the virus, Powell did express concern that the outbreak has the potential to induce spill-over effects on global growth and that it remains too early to assess the severity of this impact. US equities closed marginally higher on the day – the S&P500 ticking up +0.17% to 9,638.941, the NASDAQ Composite up +0.11% to 9,638.94 and DJIA flat at 29,276.34. European indices provided more upside for investors with the DAX rallying +0.99%, FTSE100 up +0.71%, CAC40 advancing +0.65% and Euro Stoxx 600 index gaining +0.9%. In the FX space, the dollar was generally better offered last night, giving up some of its successive gains from the past few sessions post Powell's testimony. There was better buying in Aussie, with specs unwinding some of their Aussie shorts from last week as the spread of the Coronavirus shows some signs of slowing while model names were better sellers of yen.

On the data front, the provisional release of UK Q4 GDP was unchanged at 0.0% q/q, household

spending is estimated to have lifted just +0.1% q/q (down from 0.4% in Q3) and capex fell -1.6% q/q. There were however some bright spots. Exports rose +4.1% in Q4 and construction output rose +0.4. Meanwhile, industrial production data was weak in December, rising +0.1% m/m. Overall, activity is likely to have been weighed by Brexit, the election and global trade tensions. Looking forward, early 2020 data are signalling a modest rebound. Across the Atlantic, January NFIB small business confidence index beat expectations rising +1.6pts to 104.3. The balance of firms expecting higher sales rose to 23% from 16%, and those thinking it's a good time to expand rose to 28% from 25%. Meanwhile, December JOLTS data were weaker than expected, with 6.42m job openings – the lowest level in two years. It is possible that job openings are falling because the participation rate is rising, but it could also reflect weakening hiring demand. Non-farm payrolls and initial claims both point to a very strong labour market.

## **PRECIOUS**

The rise in risk assets weighed on the appetite for precious metals yesterday, with some spec liquidation causing the gold to close around \$4.50 lower on the day. Throughout Asia the yellow metal gradually fell a few dollars to trade around \$1570 just prior to Shanghai opening for the day. Once China opened the metal continued lower trading a \$1566-70 range throughout the afternoon and into the European session. The metal shot sharply higher right on the Wall Street open, as the Dow and S&P opened sharply lower. This quickly reversed however and caused gold to retreat once again. The gold price dropped sharply after comments from the Fed's Powell. While he said disruptions in China may spill over to the rest of the global economy, he said there was no reason the expansion in the US couldn't continue. The metal shot to the lows of the day (\$1562.70) before clawing back into the close to finish up at \$1568. There seems to be little sign of abating holdings in the ETF space, seeing their 14<sup>th</sup> consecutive day of inflows yesterday and pushing total holdings to the highest level seen in 12 months. Palladium was sold aggressively following Powell's speech dropping \$50 to the days low, but in typical fashion, just a quickly rallying back to close the session down \$10.

It was a quiet day today across the precious complex, gold contained for the most part within a \$2 range. Not a great deal to report in terms of flows, very light Chinese offering being tempered by light spec demand and fast money profit taking. Ahead on the data calendar today look out for Euro zone industrial production and US monthly budget statement. Have a good day ahead.

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