MKS PAMP GROUP

Daily Asia Wrap - 14th January 2020

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1548.00/40	17.95/97	973/75	2132/35
HIGH	1548.70/10	17.96/98	975/77	2134/37
LOW	1535.90/30	17.74/76	966/68	2121/24
LAST	1538.80/20	17.78/80	967/69	2126/29

MARKETS/MACRO

It was a quiet start to the week for global markets ahead of a busy schedule for US economic releases, including the December CPI, retail sales data and some regional manufacturing surveys. US equities accelerated overnight as the Chinese delegation touched down in Washington to finalise the phase one trade pact. Separately, the Trump administration yesterday instructed the Treasury to lift the 'currency manipulator' status that it slapped on China last year ahead of the signing ceremony, in a move that is largely symbolic and carried little market impact. Investors remain keen to digest the actual substance of the trade agreement given few details have been shared thus far, though it's expected that agricultural purchases are likely to feature quite prominently along with provisions pertaining to the currency. The DJIA ticked up +0.29% to 28,907.05, the S&P500 advanced +0.7% to 3,288.13 and the NASDAQ Composite surged +1.04% to 9,273.93. It was more a mixed bag in Europe, with the FTSE100 up +0.39% to 7,617.60, meanwhile the DAX eased -0.24% to 13,451.52, Euro Stoxx 600 retreated -0.18% to 418.39 and the CAC40 ending flat at 6,036.14. In the FX, space haven pairs continue to be well offered along with gold. USD/JPY with a decent pick up in buying seen from systematic accounts on the back of this momentum which may be a little overdone. That said, we just traded through the 110.00 level as I write, with decent supply seen above that level so far. Crude oil prices fell to USD $64/bbl after rising above USD $70/bbl last week as the fear of an outright war between the US and Iran cooled. The market accepted that neither Iran nor the US appears to want a full-blown conflict at the moment, but the region remains volatile.

On the data front overnight, UK November manufacturing production fell -1.7% m/m, leaving manufacturing down -0.8% in the three months to November. The weakness was broad-based with 10 of the 13 sub-sectors negative. As a consequence, the monthly GDP estimate fell -0.3% in November. Uncertainty around Brexit and the general election appear to be weighing, and expectations are rising that the BoE may now cut rates later this month. Meanwhile, the UK trade deficit narrowed sharply in November to GBP 5.3bn (vs GBP 10.9bn in October) as imports fell -11.6% m/m and exports rose +2.2% m/m. There was some front-loading of imports ahead of the earlier planned Brexit date of 31 October, which needed to be unwound. Imports from the EU fell 14.9%. The data overstate trend weakness in import demand.

PRECIOUS

Gold traded heavily overnight both in spot and vol with a raft of supply coming through both from the private bank community and from the unwinding of structures put on by the spec community during last week's US/Iran flare up. The renewed risk-on tone of financial markets and stronger USD were what kicked off the sell-off in Asia yesterday, with the yellow metal falling in steps, initially on the open and then falling again right on the China open a few dollars. The rising price through January has seen China demand dry up from where we were a few weeks ago, with renewed Chinese bank quota's not yet fully coming into play. Gold continued to ease throughout Asia and continue lower throughout the European session, eventually falling through $1550 to an intra-day low of $1547.00. Throughout the morning in NYK some ground was reclaimed, but in the late hours we crept back below $1550 to ultimately close at $1548. In contrast, palladium continued to extend toward $2150, as dwindling supply and new emissions regulations in China keep the price outlook positive, even at these significant levels.

Gold remained on the back foot from the onset in Asia this morning. It was all one-way offering on the open and it did not take long for the yellow metal to fall through the overnight lows. Some spec stops were tripped through $1545 and we sank to a low of $1542 just after Tokyo returned to the market after their 'coming-of-age day' holiday yesterday. There was enough demand from Japanese banks to curb the fall and we held a tight $1542-44 range for an hour into the China open. The metal was whacked again on the Shanghai open falling through $1540 to a low of $1536.30. After the initial sell-off gold has calmed and has simply edged higher on fairly light flows since. It will be interesting to see what London do when they sit down at their desks – but it feels heavy still to us. Silver tracked gold, falling dramatically through its overnight low of $17.94 and trading almost in a straight line down toward $17.75 right on the SGE open. The PGM's also unwound, but not to the same extent or with the same ferocity as gold and silver.

On the data front Chinese trade data took centre stage today, with the results all surprising on the positive side. Exports y/y for December rose +7.6% (+2.9% expected, -1.3% prior), imports accelerated +16.3% y/y (+9.6% expected, +0.3% prior), while the trade surplus widened to US $46.79 billion ($45.7 billion expected, $38.73 billion prior). USDCNH came off after the data, and has since helped the gold recover back toward $1540, but seeing offers come in above that level. Ahead on the data front market focus will be on US CPI data. Have a good day ahead.