



MKS PAMP
GROUP

Daily Asia Wrap - 15th July 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1415.60/00	15.22/24	830/32	1545/48
HIGH	1419.80/20	15.26/29	838/40	1569/72
LOW	1409.70/10	15.16/18	828/30	1543/46
LAST	1414.00/40	15.27/29	837/39	1560/63

MARKETS/MACRO

After what was a very busy trading week for the global macro community, Friday was more of a grind across different asset classes. Following two days of testimony before Congress, Fed Chair Powell effectively green-lit the central bank to proceed with a 25bps cut, despite the more positive string of macro data of late – including a stronger CPI print for Q2, a stellar payrolls beat for the month of June and an equity market that continues to post fresh all-time highs. It does look as though the rate cutting cycle in the US will be shallower than previously expected however, with Powell cautious to temper any expectations for a series of aggressive cuts. The Chicago Fed's Evans (voting member), did push the case for 50bps of cuts on Friday, saying that "our current setting for policy is a little bit on the restrictive side" and he saw 2 cuts as likely being more accommodative. The Richmond Fed president Barkin also chimed in, echoing Powell's concerns over the headwinds facing the global economy. Markets are now all but certain the next Fed meeting will produce at least a 25bp cut later this month.

US equities continued to rally in light of the likely rate cut later this month and reports that Trump has been vetting Fed nominee's to determine their stance on the dollar. The Dow Jones, S&P500 and Nasdaq Composite all rallied to fresh all-time highs on Friday at 27,332.03 (+0.9%), 3,013.77 (+0.46%) and 8,244.145 (+0.59%) respectively. Across the Atlantic stocks were more narrowly mixed on the day

– Euro Stoxx 600 +0.04%, FTSE100 -0.05%, DAX -0.07% and CAC40 +0.38%. USD ground its way slowly lower vs most of the G10 on Friday, USDJPY down -0.5% or 60 pips to close at 107.90, EURUSD up about 20 pips to 1.1270 and GBPUSD up about 50 pips to 1.2573.

On the data front, US producer prices came in better than expected in June, providing another sign of inflation in the economy. Producer prices excluding food and energy beat market expectations and increased by 0.3% m/m in June (after increasing 0.2% m/m in the month prior). The metric was also up on a year-on-year basis, to 2.3% in June, leaving it unchanged from the month prior. The overall producer price index also beat market expectations this month, rising by 0.1% m/m and 1.7% y/y. Across the pond, the EU's industrial sector showed some signs of life after industrial production data for May beat market expectations of a modest 0.2% m/m rise. The report showed output increased by 0.9% m/m in May, its largest rise in four months, following a decline of -0.4% m/m in April. Year-on-year, output fell by 0.5% (following a 0.4% y/y in the month prior), and was much better than the 1.5% y/y decline that was anticipated.

PRECIOUS

Gold closed the day higher on Friday up \$10 to close at \$1415.50 in what was a calmer day for the metal after an active week. We opened in Asia around \$1405 and the metal quietly meandered higher over the opening few hours. China, as has been the case for most of the week, didn't really have a lot of interest after the SGE opened for trade. Gold pushed up against \$1410 a couple of times during the am session on the back of a slightly weaker dollar although did manage to break through, hovering just beneath. When London opened we tried a through dollars through that level but ultimately fell back below. During NYK, we saw more bids come in following the further dovish comments from Fed officials and a softening greenback. The yellow metal edged higher through most of NYK and closed just off the highs. CFTC reports have shown that positioning of non-commercial participants have pared back their exposure and length last week, consistent with the stabilization in ETF gold holdings. We still see gold being well supported on dips in the short term (\$1380-90 area) and believe there is further upside potential. The yellow metal may however sink into rangebound territory in the short term as the Northern hemisphere summer holidays approach and ahead of the Fed meeting later in the month.

It was a choppy day today with less liquidity around with Tokyo out on holiday. Gold opened at \$1415 and initially popped higher in the opening hour to the daily high of \$1419.80. It was short lived however with some moderate selling interest from macro accounts quickly taking us back down to \$1413 in the space of a few minutes. From there the yellow metal continued to soften following the SGE open testing down to \$1410. As I write though the metal is being squeezed higher on the back of some European demand as we approach \$1415 and remain range-bound. There was a host of China data released today which on the whole came in better than expected. Industrial production accelerated at +6.3% YoY in June (+5.2% expected, +5.0% prior), Retail sales increased +9.8% YoY (+8.5% expected, +8.6% prior), GDP for Q2 edged down to +6.2% (+6.2% expected, +6.4% prior) and fixed assets rose +5.8% YTD YoY (+5.6 expected, +5.6% prior). A quiet day ahead in terms of data, US Empire manufacturing the only thing of note. Have a good day ahead.

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