



MKS PAMP
GROUP

Daily Asia Wrap - 15th October 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1493.00/40	17.65/67	892/94	1711/15
HIGH	1495.40/80	17.72/74	894/96	1713/17
LOW	1490.70/10	17.61/63	890/92	1708/12
LAST	1493.40/80	17.69/71	891/93	1711/15

MARKETS/MACRO

Risk traded on a more neutral footing yesterday, as some cracks began to appear in Friday's 'phase one' verbal trade agreement between China and the US. Some headlines and tweets from the Chinese delegation began to divulge that they were looking for further talks and more concessions before proceeding to signing the preliminary agreement. Equity markets in the US as such paused for the first time in a number of sessions, the Dow down -0.11% to 26,787.36, the S&P500 relinquishing -0.14% to 2,966.15 and the Nasdaq Composite softening -0.1% to 8,048.65. In Europe the sell-off was more pronounced with the Euro Stoxx 600 losing -0.49% to 389.69, the FTSE100 off -0.46% to 7,213.45, the DAX, dipping -0.2% to 12,486.56 and the CAC40 down -0.4% to 5,643.08. Crude oil fell as doubts over the weekend's trade agreement emerged with WTI falling -2.4% to \$53.48/bbl and Brent collapsing -2.3% to \$59.24/bbl. Prices had also been supported by the apparent attack on an Iranian oil tanker, raising fears of a further escalation in geopolitical tensions. However, doubts have emerged following mixed messages from the Iranians, while Saudi Arabia has denied any involvement.

After soaring yesterday, the GBP soured overnight as EU negotiator, Michel Barnier, said Johnson's Irish border plan needed more detail and could undermine the single market. A deal needs to be agreed before the EU Summit on Thursday or Brexit must be delayed under British law. The Irish

deputy Prime Minister re-iterated that a deal is possible but he did stress caution. Even if a deal is agreed, though, the challenge of getting it through the UK Parliament remains. A general election at this stage remains likely.

On the data front overnight Euro area Industrial production rose +0.4% m/m in August. This was slightly firmer than the +0.3% m/m rise expected and it also managed to reverse the -0.4% m/m drop in July. However, the trend in industrial production remains soft, with three of the five sub-categories hovering in the negative. The three-month average is -0.5% m/m, and the annual rate of decline was 2.8% y/y vs 2.1% y/y. That data failed to boost the euro. Elsewhere, US Empire Manufacturing surprised on the positive side rising to +4.0 for October, from +2.0 a month earlier and better than the +1.0 predicted.

PRECIOUS

The general optimism displayed last Friday and early Monday on the back of the US-China trade truce proved to be short lived in thin holiday trade overnight. News began to circulate during the early European morning that China was insisting on further discussion – including the removal of more tariffs scheduled in December which was not discussed last Friday – before signing the so called “Phase One” agreement. This divided opinion as to whether China’s offer to purchase more US agricultural goods and the US’ decision to suspend additional tariffs due to be put in place today was actually the beginning of lasting progress, or, merely a plaster as the US elections loom. Regardless, it was a welcome result for gold bulls, with the uncertainty propelling the metal back through \$1490 during late Europe and settling above there for the quiet Columbus holiday NYK session. Importantly inflows into gold exchange traded funds, despite a number of pullbacks over the past few weeks, have been essential to the support of the precious metal – again seen overnight. Bloomberg data has shown that volumes held by ETF’s have risen for 20 straight sessions, the longest run since 2009 and current holdings now sit only 800k oz from their all-time largest volume dating back to December 2012. So it seems clear there are still believers in gold out there.

It was another slow day in Asia with gold contained within a ~\$5 range on modest volumes. We traded sideways initially this morning the yellow metal gently arcing lower as we proceeded through the Tokyo open, with some light selling seen from them on their first day back following their sports day holiday. We eased down as low as \$1491 but some layered bids beneath that cash level on the CME prevented any deeper sell-off. Throughout the late morning/early afternoon some very light Chinese buying was seen which prompted spot a few dollars higher, flows however remained very subdued. Silver was a little more dynamic, with some decent bids surfacing around the China open pushing the grey metal \$0.10 higher through \$17.70 and currently holding there as I write. Platinum hovered quietly around \$895, while palladium held around \$1710 after hitting fresh all-time highs overnight of \$1722. On the data front today Chinese CPI came in a touch higher than expected at +3.0% (+2.9% expected, +2.8% prior), which had very little impact on the market. Ahead today look out for French CPI, UK employment and German ZEW survey results. Have a good day ahead.

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