



MKS PAMP  
GROUP

## Daily Asia Wrap - 16th August 2019



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1523.30/70	17.26/28	840/42	1445/48
HIGH	1527.80/20	17.31/33	841/43	1449/52
LOW	1516.90/30	17.18/20	836/38	1443/46
LAST	1520.20/60	17.22/24	837/39	1449/52

### MARKETS/MACRO

In spite of generally better-than-expected US economic data yesterday, financial markets remained on the defensive as trade headlines continue to weigh. Bonds rallied and equities were mixed, but generally trudged around in negative territory. In Europe the FTSE100 slid -1.13% to 7,067.01, the DAX relinquished -0.7% to 11,412.67, the CAC40 dipped -0.27% to 5,236.93 and the Euro Stoxx 600 gave up -0.29% to 365.09. The Dow closed on firmer footing on the day up 99.97 pts (+0.39%) to 25,579.39, the S&P500 crept up +7 pts (+0.25%) to 2,847.60, while the Nasdaq unwound -7.3 pts (-0.09%) to 7,766.617. Bond yields continued to slide overnight with the US 10y touching a low of 1.475% and close at 1.526% (-6bps), while the 2y yield slumped -8bps to round out the day at 1.495%. In FX, the Euro finally broke lower after a string of poor data from the past few days to trade briefly below 1.11 (1.1145 open) and close the day at 1.1108. USDJPY continues to anchor itself around 106.00, while AUD had a slightly more positive session after a strong employment number.

On the data front, US retail sales were stronger than expected in July, up 0.7% m/m (last: 0.3%, mkt: 0.3%). Conversely, US industrial production came in below market, down 0.2%

m/m in July with manufacturing output down 0.4% m/m. Capacity utilisation eased to 77.5% (last: 77.8%). All up, it seems the drag on US growth from manufacturing has continued into the start of Q3. That said, regional manufacturing indices performed a little better than expectations. The Philadelphia Fed manufacturing index dipped 5pts to 16.8 (mkt: 9.5), with new orders lifting 7pts and hinting at a future pick-up in the region's manufacturing momentum. The Empire manufacturing survey rose 0.5pts to 4.8 in August (mkt: 2.0). Overall, the early regional data point to better stability in the ISM manufacturing index this month, despite the heightened trade tensions.

China called looming U.S. tariffs a violation of accords reached by Presidents Donald Trump and Xi Jinping, vowing retaliation as Beijing also pushed back on Trump's effort to link the trade war with the turmoil in Hong Kong. The plans for 10% tariffs on an additional \$300 billion in Chinese imports have taken the U.S. and China off the track of resolving their dispute through negotiation, the State Council Tariff Committee, which has overseen tit-for-tat retaliation, said in a short statement on Thursday. China "has no choice but to take necessary measures to retaliate," it said, without specifying what the nation would do. The U.S. president later told reporters in Morristown, New Jersey, that he has a call scheduled "very soon" with Xi over trade. "They would like to do something," Trump said, without elaborating.

## **PRECIOUS**

Gold hit a fresh 6-year high following further escalation in trade tensions, which saw continued safe-haven bids flow in in spot, futures and ETF's. The metal saw some aggressive bids flow in during the SGE open yesterday propelling the price from \$1516 to the mid \$1520's. It chopped around throughout London sinking to a low of \$1508.50 before sharply pushing back through \$1520. By the time NYK opened we were trading back down toward \$1510 and from there as yields continued to wane the gold steadily coasted higher to a peak of \$1526.75 before closing out the day at \$1523.50. Total assets in SPDR Gold Shares fund are now at about USD41bn, the most since September 2016. It's on track for a third straight weekly gain, reflecting the huge demand for this safe-haven asset. Elsewhere, China has severely restricted imports of gold since May, bullion industry sources with direct knowledge of the matter told Reuters, in a move that could be aimed at curbing outflows of dollars and bolstering its yuan currency as economic growth slows. The world's second largest economy has cut shipments by some 300-500 tonnes compared with last year - worth \$15-25 billion at current prices, the sources said, speaking on condition of anonymity because they are not authorized to speak to the media. The restrictions come as an escalating trade confrontation with the United States has dragged China's pace of growth to the slowest in nearly three decades and pressured the yuan to its lowest since 2008. China is the world's biggest importer of gold, sucking in around 1,500 tonnes of metal worth some \$60 billion last year, according to its customs data - equivalent to one-third of the world's total supply. Chinese customs figures show it imported 575 tonnes of gold in the first half of the year, down from 883 tonnes in the same period of 2018.

Price action for gold remained whippy throughout Asia today. We opened pretty much where we closed and traded a tight \$1 range for the opening few hours of the day. Around the time Tocom opened the gold surged a few dollars back to the overnight high it did a bit of work around \$1525-27 leading into the SGE open, yet some decent sized offers above \$1527.50 capped proceedings. Chinese participants were on the offer and the gold began a gradual descent down to a low of \$1517.20 before bouncing back above \$1520. Silver followed a similar path to gold, running higher following the Tocom open then running into some selling after SGE opened for business. Data releases today include Euro Zone trade balance as well as US housing starts, building permits and University of Michigan sentiment. Have a great weekend.

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