



MKS PAMP  
GROUP

## Daily Asia Wrap - 17th February 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1583.00/40	17.74/76	964/66	2430/35
HIGH	1583.60/00	17.88/90	970/72	2447/52
LOW	1580.30/70	17.69/71	964/66	2426/31
LAST	1583.10/50	17.86/88	969/71	2442/47

### MARKETS/MACRO

US equities continue to close at record highs, with a soft underlying print for US retail sales failing to dampen risk sentiment. Major US indices pushed higher throughout the day, but ultimately closed narrowly mixed with investors positioning a little defensively late in the day ahead of more potential weekend Coronavirus headlines. The Dow eased -0.09% to 29,398.08, the S&P500 rose +0.18% to 3,380.16 and the NASDAQ Composite advanced +0.2% to 9,731.18. European equities continued to weigh following the poor production data releases from earlier in the week and weak GDP readings on Friday. The FTSE100 slumped -0.58% to 7,409.13, the CAC40 dipped -0.39% to 6,069.35, the Euro Stoxx 600 lost -0.13% to 430.52 and the DAX remained fairly flat, down -0.01% to 13,744.21. The crude oil price finished the week strongly, WTI up +1.5% to \$52.25, as a fall in the number of new cases of COVID-19 eased concerns about the impact on demand. Investor confidence lifted after China reassured the world that a huge spike in reported new cases earlier last week was a one-off event. This is taking some pressure off OPEC, which has been looking at cutting output amid the hit to demand the virus has caused. While Saudi Arabia hasn't given up on its push to have an emergency meeting, OPEC and its allies are unlikely to gather before the scheduled meeting in March. The joint technical committee has recommended the group cut production by 600kb/d. This will likely be a point of discussion next month.

On the data front, US consumers remain buoyant for now. Yet despite a solid labour market and growing inflation pressures, the Fed will be vigilant, given emerging risks from COVID-19. In the details: January headline retail sales were as expected (+0.3% m/m). Core sales were flat and weaker than expected. Consumer confidence rose, with no sign that COVID-19 is weighing on confidence. The February University of Michigan Survey was 100.9 (from 99.8). Expectations rose to 92.6 (from 90.5) and US January industrial production fell -0.3% m/m, with manufacturing down -0.1% m/m (up +0.8% y/y), but weakness emerged in aerospace and transport. Non-durable goods rose +0.3% m/m. Euro data remains bleak with German Q4 GDP being revised down to 0.0% q/q from +0.2%, following weak industrial production in December. Nonetheless, euro area Q4 GDP was unchanged at +0.1% q/q, with the annual rate slipping to +0.9% from +1.0% y/y. A recovery in industrial output is needed.

## PRECIOUS

Despite sentiment in some markets turning positive, lingering doubts remain around the impact the Coronavirus will have on global growth and investors are still looking to buy gold as an insurance policy. Gold advanced for a seventh week out of the past 8 and sits within striking distance of the \$1600 level. After an initial bout of liquidation from Chinese investors last Friday taking us to the daily lows, safe-haven demand emerged on the dip and the metal stabilized around \$1575. It held fairly steady throughout the European morning, but once NYK entered the picture we rallied through \$1580 on solid demand and remained above that to close at \$1584. There is no let up in exchange traded fund demand for gold either, with ETF's posting a 17<sup>th</sup> consecutive daily increase of holdings on Friday, taking total holdings to a record according to Bloomberg data. Gold will likely remain supported in the near term as markets continue to gauge a potential systemic slow down following the coronavirus. Platinum and palladium ground their way steadily higher throughout Asia and Europe on Friday, but were both hit with heavy selling pressure in early NYK trade. Palladium after touching \$2460, cratered ~\$50 but did manage to close around \$2432. Platinum followed suit, hitting the peak of \$977 in early NYK and then falling off \$10 to the lows.

It was a very slow day for gold today the metal so far stuck in a ~\$3 range trading moderate volume. It has been silver that has been more promising, the white metal finding some SE Asian demand first up this morning and we are just seeing some Indian bids emerge into the afternoon. Silver opened more-or-less on the lows and jumped strongly into the SGE open. It jumped \$0.10 instantly and then continued up to the days high with Chinese demand the primary catalyst. PGM's are also both higher on the day so far, ticking up quietly on light volumes. There is nothing significant in terms of data being released today, although we expect markets to remain quiet because of the President's Day holiday in the US. Have a good day ahead.

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