



MKS PAMP
GROUP

Daily Asia Wrap - 21st November 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1474.80/20	17.16/18	918/20	1765/68
HIGH	1475.50/90	17.18/20	917/19	1770/73
LOW	1470.40/80	17.09/11	913/15	1764/67
LAST	1470.70/10	17.10/12	914/16	1767/70

MARKETS/MACRO

A prevailing risk-off tone came through last night as investors shift to a more pessimistic outlook on the prospects for a US/China trade deal, even in its watered down 'phase one' form. This comes after the Senate voted unanimously on the Hong Kong Human Rights and Democracy Act on Tuesday which passed the House for the second time yesterday - 417 votes to 1 - and could land on Trump's desk for signature as early as today, with several newswires saying that Trump intends to sign it. China have always been sensitive on foreign countries commenting on their internal affairs so the bill passing and potential enactment will only add another layer of complexity to the already fragile status of the trade deal. To compound matters Reuters have reported this morning that it will not be likely a phase one deal will be reached this year, which has kept risk assets on the back foot and USDCNH firm. Equity markets retreated yesterday on the back of the trade woes, the Dow Jones retreating -0.4% to 27,821.09, the S&P500 declining -0.38% to 3,108.46, the Nasdaq Composite off -0.51% to 8,526.73, while in Europe the FTSE100 retraced -0.84% and DAX dipped -0.48%. The US 10y yield dipped -5bps to 1.74%, while crude oil prices rallied as US inventories grew less than

expectation (WTI +3.4% to \$57.11, Brent +2.45% to \$62.43).

The minutes for the October meeting didn't reveal many surprises to the market with little reaction in both equities and Treasuries. Fed officials still viewed downside risks as elevated but signalled that rates would stay on hold until officials see a 'material change in their economic outlook.'

The European Central Bank's semi-annual Financial Stability Review noted that key vulnerabilities include the potential for future asset price corrections, lingering debt sustainability concerns, growing bank profitability challenges and increased risk-taking by non-banks. ECB Vice President, Luis de Guindos, recommends a toolkit of macro prudential instruments for the asset management industry also noting the ECB interest rate may be close to the "reversal rate", the level at which interest rate cuts have counter-intended effects. Return on equity for the euro area banks is forecast to fall to 5.6% in 2020 from 6.1% this year.

PRECIOUS

The metals have been navigating swinging news flows over the past 24-36 hours, with the prospect of good news in the trade talks fading. With Trump looking to sign the HK human rights senate bill and perusing the possibility of the US moving towards more targeted tariffs in the event China stall a deal, safe-haven support has been emerging in metals. Gold overnight pushed higher during the London morning to the daily highs only to deteriorate towards \$1466 into the NYK morning. It was around that time that more negative trade headlines started to circulate and the yellow metal proceeded to bounce sharply from the lows to \$1475 area. The final twist was the FOMC minutes, which outlined a more positive US economic outlook and detailing that governors were against using negative rates in the next recession. Gold futures slowly gave back some of the gains into the session end to close around \$1471.50. Silver seems to have turned more bullish in the last few sessions, with private banks and macros looking to buy on dips. The metal did manage to hold onto the \$17 handle yesterday, which is positive and it could be primed for a test towards \$17.50. PGM's were a little more static, palladium hovering around \$1770 and platinum steadily rose about \$8 on minor flows.

During the CME close, the Reuters article I mentioned earlier was released, saying that it would be unlikely the phase-one trade deal would be signed this year. As a result, gold gapped on the open some \$3.50 to open above \$1475. Offers emerged on CME above there however and the metal did tick lower. USDCNH also shot higher, pushing from 7.04 to trade through 7.05, although this seemed to have little effect on Chinese flows once the SGE commenced trading. Early afternoon China's Liu hit the wires saying although perplexed by the US demands, he was confident a deal would be made. So off we came back to \$1471. All in all not a great deal to report today in terms of flows, the market still watching headlines closely for direction. Ahead today on the data calendar look out for French manufacturing confidence, Euro area consumer confidence and US Philly Fed business optimism, jobless claims and existing home sales. Have a good day ahead.

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