



MKS PAMP
GROUP

Daily Asia Wrap - 24th January 2020



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1562.60/00	17.80/82	1003/07	2455/65
HIGH	1562.60/00	17.80/82	1004/08	2460/70
LOW	1559.50/90	17.74/76	998/02	2425/35
LAST	1559.80/20	17.78/80	1001/05	2440/50

MARKETS/MACRO

Even as the Coronavirus spreads to more countries and Chinese officials put a lockdown on a 4th city, risk sentiment recovered slightly yesterday. The World Health Organisation opted not to declare the latest outbreak of Coronavirus an international emergency, as they further assess the fallout just as the official death toll rises to 25 and confirmed cases push through 600 in China. Efforts are being made to contain the virus and its devastating impact, with fears that it could be like the SARS outbreak in 2003. Coronavirus will have directly hit tourism, retail and related sectors in China, with risks to industrial production also likely. US trade developments added to the risk-off tone, while it was a quiet day for data (with markets awaiting PMI data for the US, UK and euro area). US equities were narrowly mixed on the day, the Dow Jones slipping -0.09% to 29,160.09, the S&P500 creeping up +0.11% to 3,325.54 and the NASDAQ Composite up +0.2% to 9,402.477. European investors showed greater concern with the impacts of the viral outbreak and sold equities. The FTSE100 declined -0.85% to 7,507.67, the DAX retreated -0.94% to 13,388.42 and the CAC40 shrugged off -0.65% to 5,971.79. In the FX space, the dollar remains rather bid against its G10 peers, with the initial jobless claims figure coming in line with expectations and lower than expected continuing claims reinforcing the view that the labour market remains solid. The Euro was the main underperformer post the ECB MPC last night where rates were left unchanged as widely expected. The market's focus was on the details surrounding the council's

first strategic policy review since 2003, with many investors underwhelmed by the lack of details and a defined scope surrounding the review. AUD had a bit of a round trip yesterday after initially spiking higher following a modest beat on the headline labour report for December – though the more granular details suggested that most of the jobs growth was in part time jobs. Opinions continue to remain divided on when the RBA is likely to cut again, with some economists looking at the first half and others opting for later in the year. Elsewhere, The US 10y yield was -1.2bp lower at 1.736%, while Bund yields were -4.8bp lower.

The ECB meeting re-affirmed current expansionary policies, with some downside risk to growth noted. Lagarde stressed that the unfolding strategic monetary policy review will not be a reason for policy inertia this year. The review will be wide-ranging. The framework is yet to be announced, but may tackle delivery of objectives, tools (and their potential effects), communication, and risks from climate change.

PRECIOUS

The risk off tone across markets supported the gold yesterday in NYK, after dipping off throughout much of the Asia/European sessions. We opened in Asia yesterday around \$1559 and immediately pushed higher through \$1563. The buying did wind back however and with demand out of China still showing no sign of life leading into their New Year celebrations, the metal retreated back toward \$1556. Gold continued to slide throughout much of Europe, but good safe-haven flows were seen throughout the US portion of the day, as further cases of the coronavirus were identified in new financial centre's – Singapore etc. The yellow metal closed at \$1563 after hitting a peak of \$1568. Palladium, which has been unstoppable this year, is starting to show some sign of fatigue after gaining +35% YTD. The borrowing rates and the futures/spot spread suggest easing conditions, while spot has now struggled to make new highs for 3-4 days. It is also worth noting that as of today even the futures contract has started trading at a \$5-8 usd wide bid-offer spread whereas for most of this rally it had been 2-3 usd wide. Previous corrections in the XPD rally have more often than not happened around month end or by the futures roll as well so worth being more cautious as we approach that period and potentially even considering tactical shorts should we get another rally towards the highs.

Today marked to the first day of the Chinese new year holiday, which extends over the next week. As a result, things were generally pretty quiet across the precious complex. All the metals opened and eased over the first hour on some light speculative liquidation, although the flows are noticeably down on what we have seen over the rest of the week. Gold flirted with \$1560 on the downside, but it did manage to hold into the afternoon and has traded between \$1561-1562.50 quietly over the past few hours. Palladium spreads remain wide and liquidity thin, the metal falling some \$25-30 dollars and has since hovered around a \$2435-45 mid-price. Silver and platinum have traded sideways following the opening drop. Ahead on the data calendar today's focus will be on a host of European, UK and US manufacturing / services / composite PMI's and Canadian retail sales. Have a good weekend.

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