



MKS PAMP
GROUP

Daily Asia Wrap - 26th August 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1538.00/50	17.53/56	856/59	1462/66
HIGH	1554.80/30	17.75/78	864/67	1471/75
LOW	1538.00/50	17.53/56	856/59	1460/64
LAST	1544.00/40	17.64/67	859/62	1470/74

MARKETS/MACRO

Risk assets took a hit on Friday while safe-haven assets soared, as US-China trade tension escalated and the market has taken a more uneasy feeling that the very fragile negotiations are spiralling out of control. Equities across both Europe and the US traded heavily with the Euro Stoxx 600 sliding -0.78% to 371.36, FTSE100 slipping -0.47% to 1,459.44, DAX -1.15% to 11,611.51 and the CAC40 retreating -1.14% to 5,326.87. The losses were steeper in the US with the Dow losing -623.34 points (-2.37%) to 25,628.90, the S&P500 retracing -75.84 points (-2.59%) to 2,847.11 and the Nasdaq Composite plunging -239.62 points (-3.00%) to 7,751.766. Meanwhile, the yield on the US 10-yr note was 11bp lower at 1.54% - the lowest in 3 years - and oil was also weaker as the growth outlook deteriorated, with WTI down -2.4% to 54.2/bbl and Brent off -2.47% to \$58.44/bbl. In FX, the safe-haven Yen continued to strengthen, USDJPY trading at 106.74 during late London and plunging as low as 105.26 at one point and closing at 105.39.

Federal Reserve Chairman Jerome Powell gave his most forceful warning yet about the risks to the US economy from escalating trade tensions and the limits to the central bank's ability

to cushion any fallout. Mr Powell, in a widely anticipated speech at Jackson Hole in Wyoming, signalled the central bank would follow its rate cut last month, its first in more than a decade, with an additional reduction soon. But he stopped short of saying how much stimulus the Fed might provide beyond that. Instead, he cautioned that the Fed's tools weren't well suited to counter rising business and investor anxieties over the intensifying trade war between President Donald Trump and Chinese President Xi Jinping. There are "no recent precedents to guide any policy response to the current situation", he said. "Moreover, while monetary policy is a powerful tool that works to support consumer spending, business investment and public confidence, it cannot provide a settled rule book for international trade", Mr Powell said at the annual symposium.

The US China trade conflict took a turn for the worse on Friday and into the weekend. China announced Friday plans to retaliate against the Trump administration with new tariffs on roughly \$US75 billion worth of US products and reinstated duties on American cars. The Chinese finance ministry said in a statement that tariffs of between 5% and 10% on more than 5,000 products would take effect in two separate batches beginning September 1. The next second tranche, which included a 25% tax on US auto imports, was scheduled for December 15. The escalation came after President Donald Trump said this month he would slap tariffs on all remaining imports from China on those same dates. In retaliation, the Trump administration on Saturday raised tariffs from 25% to 30% on 250bio Chinese imports already subjected to tariffs and also raising planned duties to 15% from 10% on some 350bio of Chinese imports set to face Tariffs from mid-December onwards. China were quick to fire back saying it strongly opposed Washington's decision to levy the additional tariffs on Chinese goods and warned the United States of consequences if it does not end its "wrong actions". "Such unilateral and bullying trade protectionism and maximum pressure violates the consensus reached by head of China and United States, violates the principle of mutual respect and mutual benefit, and seriously damages the multilateral trade system and the normal international trade order", China's commerce ministry said in a statement on Saturday. "China strongly urges the United States not to misjudge the situation or underestimate determination of the Chinese people," it added.

PRECIOUS

It was a day of two halves for gold on Friday, the first being a quiet affair with the metal tracking sideways around the mid \$1490's, before more negative trade headlines and Powell's Dovish Jackson Hole address catapulted the metal higher. Throughout Asia the metal gradually eased on very light volumes opening at \$1498.50 and making its way down to \$1493.50 by the afternoon. It remained subdued during London hours although began to move closer to \$1500. Late in London, we began to see some headlines circulate that China would look to apply another 10% tariff on autos and other imported goods from the US – which boosted the safe-haven appeal of gold and also prompted a deep sell-off in palladium. Powell later delivered his address saying the US economy faces significant risks from global growth. He focused on uncertainty around trade policy as a particular issue, with it impacting upon manufacturing and capital spending in the US. He said the Fed will act as appropriate to sustain the US expansion but remained generally downbeat. Risk was smashed as a result and a host of macro, retail and ETF buyers stepped in to buy gold. It pushed to a high of \$1529.80 rapidly and maintained a \$1525-29 range for the final 4 hours of the session on sizeable turnover.

Gold exploded higher this morning following the increasing trade tensions from the weekend (see earlier commentary). The yellow metal after closing around \$1527.50 last week, gapped and opened at \$1538 and immediately traded through \$1540. Fast money traders piled into the long side and continued to bid the metal up to the days high after about 30 minutes of trade. It ran out of steam just short of \$1555 and some profit taking took us back towards \$1545, where it began to consolidate. There was significant volume churning through COMEX. China entered and were primarily on the offer which prompted gold to the low \$1540's. Early afternoon some comments from China's Vice Premier Liu weighed on the

metal: "CHINA VICE PREMIER LIU HE SAYS CHINA IS WILLING TO RESOLVE TRADE DISPUTE WITH US VIA CALM NEGOTIATIONS – CHINESE NEWSPAPER" and "CHINA VICE PREMIER LIU HE SAYS CHINA RESOLUTELY OPPOSES ESCALATION OF TRADE WAR, WHICH IS NOT BENEFICIAL FOR U.S OR CHINA". Not really anything new in the headlines and it is obvious China don't want a trade war, but they also have proven they will respond to US aggression. So, the comments are just likely platitudes from the press. Gold did sell-off however to the days lows as a result. As I write we are grinding back higher with huge volumes exchanging today as a whole (GCZ9 120k lots after 7.25 hours). All the best and good day ahead.

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