



MKS PAMP GROUP

Daily Asia Wrap

26th June 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1423.80/20	15.35/37	808/10	1528/32
HIGH	1424.20/60	15.36/38	808/10	1528/32
LOW	1403.30/70	15.17/19	805/07	1521/25
LAST	1409.50/90	15.24/26	806/08	1527/31

MARKETS/MACRO

Fed officials dampened prospects of a more comprehensive easing agenda last night with St Louis Fed Chair James Bullard suggesting that while a 25bps ‘insurance cut’ would be helpful to the US economy, ‘50 bps would be overdone’ while later, Powell offered a more measured view, noting that the Fed remains mindful that monetary policy should not overreact to any individual data point or short-term swings in sentiment – a subtle but clear sign that the Fed will be less inclined to shift policy due to sentiment in risk assets. Off the back of those comments equities cooled, the Dow slipping -179.32 points (-0.67%) to 26,548.22, the S&P500 down -27.97 points (-0.95%) to 2,917.38 and the Nasdaq Composite retreated -120.977 points (-1.51%) to 7,884.719. European equities were mixed, the Euro Stoxx 600 index down -0.1%, FTSE100 +0.08%, DAX -0.38% and CAC40 -0.13%. Tension in the Middle East remained higher, helping support crude oil yesterday. Futures were up strongly early in the session after Iran said that new US sanctions had shut the door to diplomacy forever. Trump also warned that any further attacks could be met with “obliteration”. Prices eased back later in the day as the US Secretary of Defence tried to diffuse the situation by saying it wasn’t looking to go to war with Iran. Investors were also reminded of the fragile economic outlook, with Powell warning the risks to the economy have increased. Late in the session prices jumped sharply on news from the American Petroleum Institute that US inventories dropped by more than twice as much as expected. The market is now looking ahead to next week’s OPEC meeting.

On the data front, consumer confidence in the US fell sharply in June as trade tension took its toll – 121.5 vs. 131.3 prior. The index, which measures the current situation fell to its lowest level in 12 months (162.6 vs. 170.7 prior), while the forward looking index was at its lowest level since January (94.1 vs. 105.0 prior). New home sales data for May was also disappointing with lower interest rates having no impact. Home sales fell -7.8% in May following a -3.7% fall in April. The Federal Housing Finance Agency reported house prices lifted just 0.4% in April, while the S&P CoreLogic house price indices reported a +3.5% lift in its national house price index and a +2.5% lift in its 20-city index.



PRECIOUS

Gold hit fresh highs yesterday during Asian hours, although the market mostly retraced following comments from the Fed's Bullard and Powell, who were trying to fight back the multiple rate cut narrative. Following a strong close on Monday, gold continued to gain ground in the early Asian hours on Tuesday quickly jumping through \$1420 to \$1425. Decent buying was then seen from SGE participants, after being relatively quiet on the move up from \$1350, which continued to drive prices higher. We broke through \$1430 when Iran headlines hit the wires, and macro accounts were aggressively seeking out offers eventually taking us to the days high of \$1439.50. The metal came crashing lower to the tune of \$20 following the SGE afternoon open, as specs sought to lock in profits and most bids simply evaporated. More buying emerged around \$1420 and gold rebounded throughout most of the London session to again trade north of \$1435. Volatility persisted into the NYK morning, although once Bullard and Powell headlines were released the yellow metal retreated all the way back down to \$1412.50 before running into support and ultimately closing around \$1423.50. Hedge funds have been very active over the past week and have been seen on both sides of the bid-offer spread, while producers have been relatively quiet. Despite XAUAUD hitting all time highs on a daily basis (\$2060+ yesterday), producers have been relatively inactive over the past sessions – perhaps most producer hedge books are already full? We suspect some selling in gold into the end of quarter/financial year but think the upward trend will remain intact thereafter. Silver was disappointing yesterday, unable to sustain a move through \$15.50 despite a number of attempts.

Gold continued to reverse in Asia today, with some heavy sell flows seen from macro and speculative accounts. We opened the day with the yellow metal sitting on the highs and we sharply dipped below \$1420 in the opening minutes. The selling was persistent with big clips going through on Comex which escalated around the same time as the SGE opened. Gold dropped through \$1410 early in the afternoon and some stops were tripped through there. We traded briefly below \$1405 but there was some large demand on the approach to \$1400 which kept the market buoyant. As I write we are still sub \$1410. The market now awaits G20 summit headlines later in the week and of course end of quarter. Have a good day ahead.

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