



MKS PAMP  
GROUP

## Daily Asia Wrap - 27th January 2020



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1580.40/80	18.25/27	1110/13	2415/35
<b>HIGH</b>	1588.50/90	18.35/37	1110/13	2415/35
<b>LOW</b>	1577.40/80	18.17/19	994/97	2345/65
<b>LAST</b>	1579.40/80	18.18/20	995/98	2372/92

### MARKETS/MACRO

Uncertainty continues to weigh on markets with increasing concerns about the deadly and contagious coronavirus, which continues to spread. More than 2000 cases have now been reported around the world and at least 80 deaths so far have been reported in China. News that the apparent incubation period is longer than expected and the fact that a lot of people have already left the epicentre of Wuhan, fears grow that the virus will surface aggressively throughout the rest of China and other countries over the coming days and weeks. Chinese authorities have extended the Lunar New Year holiday until 2 February (previously 30 January), in order to contain the spread. Risk assets as a result have been trading heavily. US equities were sold across the board Friday with the Dow retreating -0.58% to 28,989.73, the S&P500 shedding -0.9% to 3,295.47 and the NASDAQ Composite off -0.93% to 9,314.91. In Europe, things were different with major indices posting strong gains following better than expected PMI's across the region. The FTSE100 rose +1.04% to 7,585.98, DAX rallied +1.41% to 13,576.68, CAC40 advanced +0.88% to 6,024.26 and the Euro Stoxx 600 piled on +0.86% to 423.64.

On the data front, Euro area PMI data improved across the board. New orders and future output sub-indices picked up sharply, corroborating other surveys that reduced uncertainty is supporting the

outlook. The composite PMI was unchanged at 50.9 and manufacturing rose to 47.8 from 46.3. The German manufacturing PMI rose to 45.2 – the highest level since February 2019. All sub-components rose, with particular strength in forward indicators. UK January composite PMI rose to 52.4 from 49.3 and manufacturing rose 49.8 from 47.5. Although the lift in UK PMI data is encouraging, inflation continues to drift away from target. The US January composite PMI rose to 53.1, its highest level since April last year. Manufacturing was a touch softer at 51.7 from 52.4, while services picked up to 53.2 from 52.8. The vast majority of the US economy is performing well.

The Bank of England decision this week Thursday looks to be a close call. Most are leaning to an easing on balance, given inflation is drifting away from target and with difficult trade negotiations ahead. Also, this week the Fed looks set to keep policy and its economic assessment unchanged at its meeting (Wednesday) with expectations that they are on hold for the foreseeable future. A number of banks expect no change from the Fed this year, with risks tilted towards more easing given stubbornly low inflation and inflation expectations, though the hurdle to easing is high. As always, markets remain sensitive to any changes in language from the Fed.

## **PRECIOUS**

Safe haven assets such as gold and silver benefitted from the mounting concerns about the coronavirus and its threat to global economies. The more industrial metals – platinum and palladium – however, traded close to flat or lower on Friday. Gold opened the session on Friday, the first day of the Chinese lunar new year break and gradually softened throughout Asia on light selling. The metal continued to soften into the European session, on the back of strong equities and the very positive regional PMI data. Gold slipped through \$1560 to the daily lows (\$1557.10), before surging \$15 higher into the NYK open. It was primarily spec and safe-haven flows that pushed it higher and they didn't really let up into the close, bids remaining strong on pullbacks to \$1570. Silver tracked gold for the most part on Friday, closing strongly and holding above \$18.00 into the close. Platinum was choppy and closed the session unchanged, while palladium closed slightly softer on the day.

The worsening effects of the Coronavirus at the weekend prompted some heavy buying in gold this morning. After closing at around \$1571 last week, the futures market gapped on the open in Asia to trade at a first price of \$1581 (cash) and as high \$1588.50 in the minutes after. Some swift profit taking was seen after the initial push and we fell back below \$1580 to \$1578.00 – the low of the day. With China still out on holiday things settled down after the opening hour with gold tracking a \$1579.50-1582.50 range. Silver opened higher also after closing at \$18.10 on Friday. The white metal zipped sharply up to \$18.35 before consolidating around \$18.20 over the afternoon. Platinum and palladium were the complete opposite and both were sold off on the open, platinum back through \$1000, while palladium tumbled some \$70 from the open at \$2425 (mid price). Both PGM's remain under pressure into the afternoon. Have a good day ahead.

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