



MKS PAMP
GROUP

Daily Asia Wrap - 29th August 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1539.30/70	18.33/35	903/05	1472/76
HIGH	1546.00/40	18.52/54	911/13	1478/82
LOW	1537.90/30	18.31/33	894/96	1468/72
LAST	1546.00/40	18.52/54	911/13	1478/82

MARKETS/MACRO

US equity markets shrugged off warning signs of an imminent recession (US 2y10y treasury inversion) and bid up the major indices yesterday amid no major US data or Whitehouse trade rhetoric. The Dow advanced 258 pts (+1.00%) to 26,036.10, the S&P500 tacked on 18.78 pts (+0.65%) to 2,887.94 and the Nasdaq Composite climbed +29.93 pts (+0.38%) to 7,856.88. In Europe, the rising prospect of a no-deal Brexit did little to dampen British investors attitude, the FTSE100 spiking +25.13 pts (+0.35%) to 7,114.71. Other major European indices cooled however, the DAX slipping -0.25% to 11,701.02, the CAC40 down -0.34% to 5,368.80 and the Euro Stoxx 600 -0.20% to 372.86. Crude oil rallied after US inventories fell to the tune of 10 mio/bbl from the previous week according to the EIA weekly report. WTI Crude climbed +1.7% to \$55.85/bbl, while Brent pushed up +0.55% to US\$59.84/bbl as a result. In FX, JPY weakness was the only discernible theme yesterday with the rest of the G10 trading in fairly modest ranges. USDJPY traded up to a high of 106.23, after wallowing around 105.45 for a brief period in Asia. Sterling was hammered from 1.2280 down to a low 1.2157 following the Brexit headlines, although managed to recover rather well considering, with decent demand seen below 1.22. GBPUSD managed to close out the day at 1.2216.

Prime Minister Boris Johnson will suspend Britain's parliament for more than a month before Brexit,

enraging opponents and raising the stakes in the country's most serious political crisis in decades. Cheered on by U.S President Donald Trump, Johnson launched his boldest move yet to take the country out of the European Union by Oct. 31 with or without a divorce deal, by setting a new date for a state opening of parliament. Known as the Queen's Speech, the formal event will be held on Oct. 14 and be preceded by a suspension of the House of Commons, meaning parliament will not sit between mid-September and mid-October. The move, which had to be approved by Queen Elizabeth, limits the time opponents have to derail a disorderly Brexit, but also increases the chance that Johnson could face a vote of no-confidence in his government, and possibly an election.

Argentina's woes continue, with the embattled nation looking to negotiate with the IMF and holders of its international bonds to extend the maturities of its debt obligations. At a press conference after meetings with an IMF team visiting Argentina, Treasury Minister Hernan Lacunza said the government would "re-profile" the maturities of debt owed to the IMF under a \$57 billion standby agreement. He said interest and principal payments will not be altered in the re-profiling. "The priority today is to guarantee stability, because it is useless to launch reactivating measures if there is no stability. The first thing is to recover that stability," Lacunza said at the press conference in Buenos Aires. Lacunza, who was sworn in as Treasury minister last week, and central bank President Guido Sandleris met with the IMF team on Wednesday.

PRECIOUS

It was a choppy session for gold yesterday as the market took stock of recent ebbs and flows in the China/US trade talks. A push higher in US equities, a slightly stronger dollar and consolidating treasury yields helped the metal to close marginally weaker on the day. In Asia yesterday, gold initially tested higher but ran into some resistance right on the previous sessions high ahead of \$1545. China came in as sellers though and prompted a move lower, with fast-money traders rushing in to book profits on the break of \$1540. The metal dropped down to a low of \$1532.20 before stabilising and eventually pushing back through \$1540 in early London. It chopped its way higher over Europe and managed to post a fresh 6 year high at \$1546.90 before being smashed lower back to \$1535 a few hours into NYK. Flow-wise volumes were only about average which was surprising given the clunky yet swift moves. Ultimately the metal closed a little softer on the day. Given the price action over the past week, we are continually seeing selling on rallies, which leans me toward caution in the short term. Given the over-extended long positioning in gold coupled with inverted treasury yields (which seldom last long), I think there is risk towards a sharp, concise, downside correction. That said, we still feel the momentum remains to the topside in the longer term, given global CB easing, a likely prolonged period of trade unrest and a host of geopolitical headwinds (Brexit/Iran/Argentina). Elsewhere, platinum was the star performer overnight after trading in the doldrums for months, the metal caught up overnight rallying from \$865 to a peak of \$909 and closing either side of \$900. It will be very interesting to see whether Pt can push higher from here, with decent resistance sitting around \$912-915.

Gold opened this morning at \$1539.50 and eased a few dollars initially on some light profit taking. The metal then happily traded between \$1538-1540 leading into the China open. Typical whiplash trading in the minutes of the SGE saw spot gold push above \$1540, then straight back down to the earlier lows toward \$1538. It rebounded from there though on light volumes pushing back to \$1542-43 area where we are currently sitting. Platinum initially traded lower with some eager profit taking going through following the move overnight. Japanese banks were good buyers on the dip however below \$900 and after hitting the lows Pt steadily climbed back to a fresh \$910 cycle high. We are currently trading on the highs of the day. Have a great day ahead.

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