



MKS PAMP
GROUP

Daily Asia Wrap - 2nd October 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1478.80/20	17.23/25	877/79	1656/59
HIGH	1482.30/70	17.32/34	879/81	1661/64
LOW	1474.50/90	17.19/21	870/72	1645/48
LAST	1476.00/40	17.23/25	872/74	1647/50

MARKETS/MACRO

Risk fell overnight as weak manufacturing data out of the US raised the risk of an oncoming recession. This also prompted calls for further rate cuts by the Federal Reserve, President Trump again venting his anger at the US Central Bank via tweet – “As I predicted, Jay Powell and the Federal Reserve have allowed the Dollar to get so strong, especially relative to ALL other currencies, that our manufacturers are being negatively affected. Fed rate too high. They are their own worst enemies, they don’t have a clue. Pathetic!” US equity markets as a result fell their furthest in 5 weeks, with the DJIA giving up -1.28% (-343.79 pts) to 26,573.04, the S&P500 plunging -1.23% (-36.49 pts) to 2,940.25 and the Nasdaq Composite sliding -1.13% (-90.65 pts) to 7,908.684. European stocks were also very weak with the DAX down -1.32%, FTSE100 -0.65%, CAC40 -1.41% and EuroStoxx 600 off -1.31%. In the FX space there was quite a bit of volatility. The outsized mover was AUD, after the RBA pushed ahead with a 25bps cut as the market expected. The AUD started at 0.6745 just prior to the decision and traded as low as 0.6672 in NYK before managing to close just above 0.6700. The EUR rebounded following the weak US data, trading below 1.09 throughout the European session and bouncing convincingly back through that level to close out the day at 1.0935.

On the data front, the US ISM manufacturing survey tumbled to its lowest level since June 2009,

prompting calls that a recession risk for the US is real. The index now sits at 47.8, down from 49.1 a month earlier and lower than the 50.0 predicted by economists. In contrast, the Markit Manufacturing PMI hit a 5-month high lifting to 51.1 inching up slightly from 51.0 a month earlier (51.0 predicted). Manufacturing accounts for about 11% of the US economy. In a separate survey construction activity for August was up just 0.1% in August and back 1.9% YoY. Residential building lifted but private spending on construction of factories and power plants fell. Overall the data has raised expectations of a further rate cut by the Fed.

Across the Atlantic, the IHS Markit Manufacturing PMI for the euro area recorded its lowest levels since Oct 2012 at just 45.7. New orders fell to 43.4, employment dropped, as did purchases of raw materials. It was a different story on the other side of the channel where the UK Manufacturing PMI hit a 4-month high, which was attributed to Brexit preparations. Jobs in the UK however were cut at the fastest rate since February 2013 and house price inflation fell to its lowest level in eight months. Core inflation for the Euro Area lifted to 1% in September, while total inflation eased to 0.9% - well below the ECB target of 2%.

PRECIOUS

The metals were supported yesterday after a rough past week of trading, following the soft US data and firmer US bonds overnight. China were out for their first day of the National Day public holiday on Tuesday and without any natural support from them, gold and silver slowly meandered lower throughout the Asia morning. Gold opened at \$1473.50, hit a peak of \$1474.50 then slid just below \$1460 just before NYK were scheduled to open. It was primarily macro and speculative selling which persisted throughout London, dragging it lower. Once NYK came in, the ISM data was released and risk markets were hit. Gold caught a bid as a result, snapping from \$1463 to \$1475 instantly and then continuing up to the days peak of \$1487.30. It then held rather well into the end of the session closing around \$1479. Gold now sits well below the recent uptrend line and risks further correction. Silver managed some respite overnight after falling close to -9.0% over the past week, breaking back through \$17.00 and closing at \$17.23.

A quiet day today for the metals with some ongoing liquidation seen across the complex on moderate volumes. Gold opened at \$1479 and after remaining flat for the opening hour ticked up to the days high of \$1482.30. From there modest selling across retail and macro names persisted and gold edged its way slowly lower into the mid \$1470's. Silver ran above \$17.30 initially but came under pressure when gold was sold off dropping back toward \$17.20. Platinum and palladium are currently down -0.7% and -0.55% at time of writing. Ahead today not a great deal on the data calendar – US MBA mortgage applications and ADP employment the only thing of note. Have a good day ahead.

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