



MKS PAMP
GROUP

Daily Asia Wrap - 6th February 2020



Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1556.00/40	17.61/63	983/86	2426/41
HIGH	1558.00/40	17.69/71	988/90	2452/67
LOW	1552.30/70	17.59/61	981/83	2421/36
LAST	1553.90/30	17.67/69	982/94	2451/66

MARKETS/MACRO

It was another positive session for risk, as markets pondered Chinese work restrictions possibly easing next week and the potential for a coronavirus vaccine. A further boost came in the form of robust Euro Area survey data and very strong US ADP employment numbers. Whether this short term recovery in sentiment remains durable will depend on the expected duration of disruptions and the sustainability of the improved data. US equity markets welcomed another strong session the Dow rising +1.68% to 29,290.85, the S&P500 rallying +1.13% to 3,334.69 and the NASDAQ Composite trailing after yesterday's bumper +2.0% gain, up +0.43% for the session (9,508.684). It was all positive for European markets also the Euro Stoxx 600 advancing +1.23%, the DAX rallying +1.48%, the FTSE100 climbing +0.57% and CAC40 tacking on +0.85%. In the FX space there was decent demand in topside \$JPY by a range of discretionary and model investors while real money accounts were seen on the offer in AUD – which follows of course the MPC earlier this week where the RBA left rates unchanged and called for a bigger role for fiscal policy as the limits of its own easing cycle become more apparent. Futures are currently pricing in little prospect for the RBA to change rates until May/June where implied probabilities are hovering around 50% for a rate cut. Fixed income was softer again, with 10y US treasuries rising another +5bps.

On the data front, releases were fairly upbeat yesterday. In Europe, the January composite PMI improved to 51.3 vs the preliminary release at 50.9. The services index rose to 52.5 vs 52.2, which suggests no impact on services in late January from the coronavirus. It was the strongest composite release since August last year, indicating a modest firming in activity at the beginning of 2020. The breakdown of the index was also encouraging. Five of the seven sub-components are now above 50. In the US, January ADP jobs rose 291k, confirming that the labour market got off to a brisk start for 2020. It was the strongest number since May 2015. Job gains were concentrated in medium-sized firms (50–499 employees), which hired 128k workers. Small firms hired 94k and large firms hired 69k. Goods producing jobs added 54k and services rose 237k. The US have not had a recession, since the Bretton-Woods/Smithsonian Agreement, without service sector jobs contracting. So the data will lift growth and earnings expectations.

PRECIOUS

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