MKS PAMP GROUP

Daily Asia Wrap - 7th August 2019

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1474.20/60	16.44/46	852/54	1440/44
HIGH	1489.90/30	16.79/81	858/60	1445/49
LOW	1472.10/50	16.42/44	849/51	1433/37
LAST	1485.80/20	16.68/70	852/54	1437/41

MARKETS/MACRO

There was a fairly strong recovery in risk sentiment overnight as markets built on the positive momentum during Asian hours yesterday after the PBoC set yesterdays CNY fix below the critical 7.0 level. The stronger than expected yuan fixing coupled with the reiteration that the Chinese central bank won't seek to competitively depreciate, helped to stabilise markets. Equity markets snapped back after heavy losses on Monday and Tuesday, the Dow Jones climbing +1.21% to 26,029.52, S&P500 up +1.3% to 2,881.77 and the Nasdaq Composite reclaiming +1.39% to 7,833.266. Unfortunately for European stocks they continued to slide, albeit at a slower pace. The FTSE100 dipped -0.72% to 7,171.69, the DAX cooled -0.78% to 11,567.96, the CAC40 slid -0.13% to 5,234.65 and the EuroStoxx 600 index relinquished -0.47% to 367.71. Despite the relief rally in equities, we saw rates and FX end the session largely unchanged, front end US cares ended the day largely where they started while the safe havens continue to be well bid, with $JPY still trading heavy towards 106 while Gold saw a fresh flurry of buying overnight. Crude prices remain under pressure from the trade war headlines as well as geopolitical factors the WTI down another -2.2% to $53.40/bbl and Brent losing -2.0% to $58.60/bbl.

On the data front, German industrial orders rose +2.5% MoM in June 2019, reversing a -2.0% drop in May and easily beating market expectations of a +0.5% gain. This was the biggest monthly increase in factory orders since August 2017, mainly boosted by a +5.0% percent surge in foreign orders. New orders from third countries soared +8.6%, while those from the Euro Area fell -0.6%. In the US, the number of job openings were little-changed at 7.348 million in June 2019, compared to a revised 7.384 million in the previous month and market expectations of 7.317 million. Job openings declined in leisure and hospitality (-93,000), yet increased in real estate and rental and leasing (+38,000) as well as state and local government education (+20,000). Meanwhile, hiring fell by 58,000 jobs to 5.702 million.

PRECIOUS

Gold continued to climb yesterday and close out the session above $1470, despite equities turning positive for the first time this week and treasury yields remaining flat after opening much lower. That said, gold was incredibly volatile over the course of the day. We gapped on the open in Asia some $6 to commence the day at $1469 and trade just short of $1475 in the opening few hours. Eyes were again firmly fixed on PBoC's CNY fix and after coming in a little lower than anticipated and below 7.0, the yellow metal reversed. We hit $1460 and recovered from there only to swoon lower again to $1456.50 in the afternoon. Macro interest on the dip was again a feature which has been a theme over the past weeks and despite some fast-money profit taking on the way up , the metal continued its upward trajectory throughout London/Europe. The momentum continued into NYK despite rallying equities and falling treasury prices and the yellow metal rounded out the session just shy of the days Asia high of $1475. Next target for gold is $1500, while $1450-55 area is support. Silver had a fairly rangebound day Tuesday between $16.35-$16.50, palladium closed $20 higher at $1444 and platinum closed -$4 lower at $852.

It was another volatile session in Asia today with gold trading to fresh cycle highs for a third consecutive day ($1489.90 high so far). The yellow metal opened at $1475 and after a brief and shallow dip pushed up toward $1480 prior to the Shanghai open. Focus was squarely pointed on the PBoC's USD/CNY fix again proving to be higher than yesterday, but still just shy of 7.00 (6.9996). Regardless, the market read the continuing trend as potentially inflammatory to the trade war and we saw a rise in safe-haven demand immediately (gold/treasuries/USD). Gold shot from $1475 to $1490, AUDUSD sharply broke through support to trade as low as 0.6677 – the lowest since March 2009 – and the 10y US treasury yield sank to fresh lows at 1.657%. This time silver also came along for the ride, rallying from $16.51 to $16.79, with macro model interest bidding it up. Both Au and Ag came off a bit from their respective highs and have since been choppy between $1480-1487 & $16.68-16.78 respectively. XAUAUD has hit fresh all-time highs today and after trading to a low of $2145 in Asia yesterday has hit a peak of $2,225/oz today, thanks to the combination of surging gold and soft AUD.

In a surprise decision today the RBNZ slashed interest rates by 50 bps to 1.00%, and has left the door for for further cuts. The central bank said it wanted to get ahead of the curve in response to global weakness and believed it necessary in the current climate to meet jobs and CPI objectives. Ahead today on the data front we also have: German IP, UK house prices and US mortgage applications. All the best.