



MKS PAMP
GROUP

Daily Asia Wrap - 9th July 2019



Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|------|------------|----------|----------|-----------|
| OPEN | 1394.90/30 | 15.01/03 | 815/17 | 1561/64 |
| HIGH | 1396.50/90 | 15.05/07 | 815/17 | 1561/64 |
| LOW | 1390.80/20 | 14.97/99 | 808/10 | 1554/57 |
| LAST | 1395.40/80 | 15.04/06 | 811/13 | 1555/58 |

MARKETS/MACRO

Stocks in the U.S. pulled back on Monday as investors continued to consider the potential for a rate cut at the upcoming FOMC meeting, while looking ahead to this week's congressional testimony by Fed chair Powell. The DJIA declined -0.43% to 26,806.14 points, weakness across healthcare (-0.75%) and materials (-1.05%) weighed upon the S&P 500 as the bourse fell -0.48% to 2,975.95 points, while the tech-laden Nasdaq Composite sunk -0.78% to finish at 8,098.38 points. Currency majors once again lost ground relative to the dollar, as the DXY index added +0.13% to print the highest level since mid-June. The yen softened -0.25% as USD/JPY pushed back toward 109.00, while the euro tested a break of 112.00 as German data disappointed further. Treasury yields inched higher as the two-year added 1bp to 1.877%, while the 10-year firmed 1.6bps to 2.049%. Oil futures diverged on Monday, albeit marginally, as tensions between the U.S. and Iran remained heightened. WTI crude firmed +0.3% to settle at USD \$57.66 per barrel, while Brent crude eased -0.2% to USD \$64.11 per barrel. Markets across Europe traded lower on Monday as Deutsche Bank remained in focus and German data disappointed. German industrial production, while inching +0.3% higher in May (exp: +0.4%) following a -2.0% fall the month prior, printed a -3.7% YoY fall (exp: -3.2%) from -2.3% previously. The German Dax finished the session down -0.20% at 12,543.51 points, the Stoxx Europe 600 eased -0.05% to 389.90 points and in London the FTSE 100 edged -0.05% lower to 7,549.27 points.

PRECIOUS

It was a reasonably subdued session to kick off the week for precious on Monday, when compared to the previous Friday. Gold had a bit of a bumpy start after opening just under \$1400, ticking through that level and then selling off all the way down to \$1393 in the opening 20 minutes of COMEX. From there it was a slow and steady recovery over the rest of the Asia day, with fast money traders seen on both sides of the spread and macro and structured product buyers marching the metal slowly higher. We hit a peak of \$1407.20 in early London and traded a steady range of \$1404-1407 into the NYK morning, on modest flows. In NYK, the dollar began to strengthen and the yellow metal lost its sheen, slipping slowly back through \$1400 to \$1395 and holding into the close. A much quieter day in all with participants happy to take a breather after the relentless price action over the past few weeks. On the physical front, news that Indian authorities have increased the import duty on gold by +2.5% to 12.5% has surprised some and has made traders a little more cautious over the past day or so. On the flip-side, Central Banks continue to Hoover up the metal. The PBOC reported yesterday that its gold reserves rose by +10.3t in June, recording a 7th consecutive month of inflows (+74.4t in H1 2019). This followed on from Poland's announcement on Friday that it had purchased a chunky 100t year to date – news which helped gold recover from the lows after Friday's strong NFP. We expect the gold to pause around these levels for now (\$1390-1410), or at least until Fed Chair Powell's congressional testimony takes place, which will likely pave the way for the next directional play.

A slow day in Asia today saw gold easing slightly and tracking a narrow \$5 range. We opened at \$1395 and inched lower over the opening hour or so, picking up steam as we moved towards the China open. Gold hit a low of \$1391.00 just before the SGE opened for business and held steady thereafter on moderate to low volumes (compared with last week). Silver so far has tracked gold, dipping throughout the morning but recovering slowly and pushing higher through the opening levels at time of writing. Platinum and palladium are a touch softer but have remained very quiet also. As mentioned earlier the market is awaiting Powell's testimony to Congress (commencing Wednesday), in order to gain any further insight into future Fed policy. In the meantime, ahead today look out for US NFIB small business optimism, US Jolts job openings and Italian retail sales. All the best and good day ahead.

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