



## MKS PAMP GROUP

### Asia Market Update

1<sup>st</sup> February 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1320.80/20	16.05/07	820/22	1339/43
HIGH	1321.80/20	16.07/09	821/23	1347/51
LOW	1317.30/70	15.95/97	817/19	1339/43
LAST	1318.60/00	15.97/99	819/21	1343/47

#### MARKETS/MACRO

The main theme overnight was mild optimism after two days of US-China trade talks concluded in Washington. US President Donald Trump commended the “tremendous progress” on the trade negotiations after meeting with Vice-Premier Liu He in the White House. The president downplayed expectations and said that any final deal hinges on a meeting with China’s President Xi Jinping. Treasury Secretary Steven Mnuchin and US Trade Representative Robert Lighthizer will visit China for more talks in mid-February. Risk assets were generally supported as a result with Europe underperforming due to some soft data points. As such European equities were mixed, the Euro Stoxx 600 inched up +0.16 of a point (+0.04%) to 358.67, the EuroFirst 300 index spiked +3.19 points (+0.23%) to 1,411.14, the DAX inched down -0.08%, CAC40 added +0.34% and FTSE100 advanced +0.39%. Across the Atlantic, tech stocks in the US supported markets as well as better than expected results from Amazon and GE, with the S&P500 posting its strongest January in over 3 decades. On the day the Dow Jones dipped -15.19 points (-0.06%) to 24,999.67, the S&P500 gained +23.05 points (+0.86%) to 2,704.10 and the Nasdaq Composite led the charge up +98.658 points (+1.37%) to 7,281.738. Elsewhere, crude oil prices rose strongly before a late sell-off eroded all the gains and some, WTI closing down -0.46% to \$53.98 and Brent sinking -0.89% to \$61.10. The initial rise was due to data supporting further falls in output, OPEC crude shipments expected to drop -880k b/d to 24.25m b/d in the four weeks ending 16 February. Later in the day, however, data was released that US production reached a record 11.9m b/d which caused the prices to retreat. The US 10-year Treasury yield dropped -4.3bp to 2.63% and the Germany’s 10-year Bund yield eased -3.9bp to 0.15%. In FX, the Dollar Index gained +0.3% to 95.58, EURUSD fell -0.3% to 1.1448 and USDJPY ticked down by -0.1% to 108.89.

On the data front yesterday, the Eurozone economy grew at a rate of +1.2% YoY in the fourth quarter of 2018, easing from a +1.6% expansion in the previous three-month period and matching market expectations. It was however the slowest rate of growth in 5 years for the block and compounds issues for the ECB to provide a more dovish outlook. On a more positive note, the Eurozone’s seasonally-adjusted unemployment rate sat at 7.9% in December 2018, unchanged from the previous month and in line with market expectations. It remained the lowest jobless rate since October 2008. In the US, initial jobless claims increased by +53K to 253k in the week ending January 26 from the previous week’s upwardly revised level of 200k. This represented the highest level for initial claims since September 2017 when it was 254k. US new home sales jumped +16.9% from the previous month to a seasonally adjusted annual rate of 657K in November, following a downwardly revised -8.3% fall in October and beating market expectations of 560k. It is the strongest reading since March 2018, supported by higher sales in the South, Midwest and the Northeast.



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## **PRECIOUS**

The metals had a much calmer day Tuesday following the fireworks immediately after the FOMC Wednesday evening (NY time). That is however, with the exception of palladium which was volatile – rallying steadily all day then falling off a cliff in NY. Gold opened in Asia just above \$1320 and did a bit of work between \$1318-22 throughout the Asia day. There was light demand seen on the SGE, although it has definitely diminished with the Chinese NY holiday rapidly approaching. The metal continued to angle higher throughout Europe and reached a peak of \$1326.30 an hour into the NY session. Some profit taking throughout the NY day and the more upbeat look on the trade war suppressed the price as the day wore on, closing much where we began around \$1321-22. Gold continues to hold its ground, unsurprising given at this juncture we are still seeing strong ETF, fast money, system and hedge fund demand. Palladium had a very interesting session, opening around \$1360 and gradually picking up steam through Europe and into early NY hitting a high of \$1386. Systematic selling from a host of accounts then took hold and the metal fell in dramatic fashion to the days low of \$1338 and recovered only about \$5 or so into the close. Platinum is not dragging much attention at the moment, yet consistently is trying higher. It will be key to break the 100 dma (\$820), which has resisted well so far, in order to extend towards the next target of \$850.

Another slow, albeit softer session for gold today in Asia. We opened around \$1321 and after tracking slowly sideways for the first few hours, there was some selling seen from Chinese participants. The SGE premium was sitting around \$11+ yesterday for onshore traders, although today we saw that fall-off back through \$10, enticing further liquidation. Spot gold trickled lower throughout the am session trading as low as \$1317.70 offered. Volumes through Comex and particularly the SGE were muted. On the data calendar today, look out for Eurozone CPI and Markit manufacturing PMI's as well as US Non-farm payrolls, ISM manufacturing, university of Michigan sentiment and wholesale inventories. So quite a bit to digest ahead. Wish you all a great weekend.

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