



MKS PAMP GROUP

Asia Market Update

3rd June 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1307.00/40	14.59/61	794/96	1326/39
HIGH	1312.90/30	14.65/67	804/06	1347/50
LOW	1306.20/60	14.59/61	793/95	1325/28
LAST	1311.40/80	14.62/64	801/03	1343/47

MARKETS/MACRO

Risk markets saw a strong sell off Friday to end the week as trade tensions escalated. This time it was markets digesting the fallout from Thursday's statement from the Trump administration which outlines plans to hike tariffs to 5% on all Mexican imports from 10 June which would increase gradually to 25% by October 1. Mexican imports to the US consists of some \$350 billion worth of products of which 25% belongs to automotive and automotive components industry. US car-makers - and those all around the world for that matter - were hit hard as a result with General Motors closing down -4.5% on the day. The DJIA fell -354.84 points (-1.41%) to 24,815.04, the S&P500 declined -36.80 points (-1.32%) to 2,752.06 and the NASDAQ Composite sold off -114.56 points (-1.51%) to 7,453.148. In Europe it was much the same story the Euro Stoxx 600 dived -0.81%, FTSE100 lost -0.78, the CAC40 sunk -0.79% and the DAX shed -1.47%, with auto-makers leading the sell-off. The flight to safety continued with bond yields continuing to dive, the 10y US yield off a further -9bps Friday to trade at 2.12%. This was on the back of the escalating trade-war as well as expectations that the Fed may look to cut rates by year end.

On the data front Friday, US Personal income grew +0.5% in April above expectations of +0.3%, building a solid basis for consumer-driven growth this year. There was also an increase in personal spending in April, +0.3% (+0.2% expected), which came on the back of a strong upward revision in March. Together this suggests strong momentum for consumption going into the second quarter. Core inflation, measured by the core PCE deflator, increased +0.3% in April resulting in +1.6% YoY inflation rate. Although below the Fed's 2% goal, this shouldn't be enough to trigger an easing from the Fed. In China, the official manufacturing PMI for May fell to 49.4 indicating that activity is contracting (50.1 prior). The market was expecting a reading of 49.9. This was a closely watched release for the market as it was the first month of data that captured the impacts of the tariffs introduced on Chinese goods by President Trump.

PRECIOUS

Gold and silver had remained quite static leading into Friday's session last week, despite the significant rise across global bonds over the week. On Friday though, it appeared that the gold, and to a lesser extent silver, made-up some ground in the safe-haven stakes. Gold opened on Friday morning in Asia on the front foot, following decent demand from the US the night before, pushing through \$1290 at the opening. A slightly weaker dollar and falling US bond yields assisted the yellow metal higher through the Asia day and into London testing \$1300 late in Europe. Trump's barb's on trade with Mexico kept the metal buoyant and it was ultimately Fed Vice Chair Clarida's comments, that the Fed would be ready to act if there was a "persistent shortfall in inflation and potential global economic and financial risks", that elevated the metal through \$1300. It shot quickly to \$1305, before a little profit taking from fast money



types took us back towards \$1300. More safe-haven flows were seen into the afternoon however and the metal closed just \$1 off the highs at \$1305.50. It still remains a somewhat muted move for gold in relation to rates, so it will be interesting to see if gold persists higher over the coming days. Palladium after rallying aggressively on Thursday to \$1370, gave back all the gains and some to trade as low as \$1324 in NY. After trading in modest range for the start of the week, Pd saw some violent swings towards the end, reminiscent of a few weeks ago.

Decent demand was seen for gold as soon as Comex opened up for trade this morning. We opened above the NY close from last week and ground our way slowly higher to trade through \$1310 by the time Shanghai opened for trade. They were fairly neutral on the day, but we have continued to see persistent bids in GCM9 contract on Comex. We are currently trading above \$1312 and gold feels poised to continue to try higher from here. Silver has traded a little higher on the day so far, as have the PGM's, all kicking the week off in a positive fashion. Markets will continue to be driven by headlines in trade over the coming week, while ahead today we also have a host of European Markit Manufacturing PMI's, as well as US ISM manufacturing, construction spending and Markit manufacturing PMI. Have a good day ahead.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.