



## MKS PAMP GROUP

### Asia Market Update

8<sup>th</sup> January 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1288.60/00	15.65/67	821/23	1304/08
<b>HIGH</b>	1290.10/50	15.66/68	824/26	1305/09
<b>LOW</b>	1281.90/30	15.50/52	819/21	1296/01
<b>LAST</b>	1282.30/70	15.51/53	820/22	1296/01

#### MARKETS/MACRO

It was a fairly positive day for risk overnight, with US equities extending the bumper gains from Friday following the positive US employment report. The Dow Jones Industrial Average advanced +98.19 points (+0.42%) to 23,531.35, the S&P500 tacked on a further +17.75 points (+0.70%) to 2,549.69 and the Nasdaq Composite led the charge up +84.614 points (+1.26%) to 6,823.473 on the day. In Europe, Britain was in the spotlight again with Theresa May announcing the vote for her Brexit deal will commence next week on January 15<sup>th</sup>. There is again a lot of uncertainty surrounding this event, May warning that if the deal was rejected by parliament they would be in 'unchartered waters'. Equities declined mildly as a result, the Euro Stoxx 600 off -0.50 of a point (-0.15%) to 342.88 and the EuroFirst 300 slid -4.67 points (-0.34%) to 1,350.88. Regionally the FTSE100 retreated -0.39%, the DAX dipped -0.19% and the CAC40 decreased -0.38%. The dollar took a bit of a step back against most G10 and EM pairs yesterday, while US treasury yields firmed as markets digested what appears to be tentative signs of progress on the US-China trade front. This comes after US Commerce Secretary Wilbur Ross, told the press there was a "very good chance" the US and China would reach a reasonable trade agreement.

The Federal Reserve may only need to raise interest rates once in 2019, Atlanta Fed President Raphael Bostic said on Monday, focusing on business executives' nervousness about the economy and a global slowdown as factors that may hold the U.S. central bank back. "I am at one move for 2019," he said. Though U.S. economic growth was faster than expected in 2018 and prompted the Fed to raise rates four times, Bostic said his business contacts appear less confident about the coming months, while "clouds" have developed overseas. "The clouds, the nervousness, has gotten me to a place where I want to make sure that we do not act too aggressively". Bostic is not a member of the Fed's rate-setting policy committee this year, but his comments show how the combination of a recent selloff in stock markets and weak economic data from China and Europe has begun to shift the tenor of conversation at the U.S. central bank. He also mentioned that the longer the partial government shutdown persisted, the more material the situation would become, potentially affecting Fed policy down the road.

On the trade war front, Chinese Vice Premier Liu (top economic adviser to President Xi) attended the first day of talks aimed at resolving the trade dispute between the world's two biggest economies yesterday. The talks are the first face-to-face interactions between the U.S. and China since both presidents met in Argentina and agreed a temporary truce in their tit-for-tat tariff war. More senior-level discussions are expected later this month, with the South China Morning Post reporting that Trump and Chinese Vice President Wang Qishan may meet at the World Economic Forum in Davos, Switzerland.

On the data front, US December ISM non-manufacturing index was weaker than expected at 57.6, down from 60.7 in November - the lowest reading since July. Employment weakened to 56.3 from 58.4 and



business activity fell to 59.9 from 65.2, while New orders remained firm. The data are not falling off a cliff, yet are consistent with moderating activity, supporting the notion that the Fed is well placed to remain on hold for the moment.

## **PRECIOUS**

Gold rose consistently into the NY open yesterday on the back of a softer dollar and a continuing rhetoric that the Fed may slow down its rate hikes in 2019, although gave back ground late in the session as equities firmed. The metal opened the session yesterday in the mid \$1280's, dipping off slightly in the opening hour to the daily lows at \$1283.20. Chinese banks were scouting for offers just prior to the SGE open however which began to march the spot price higher, skimming \$1290 in the opening 45 minutes of China trade as demand persisted. It held in well around that level throughout the am session (SGE premium around \$9 for onshore participants) and continued to maintain a \$1289.50-1292.00 range into the NY open. A firming AUD and EUR helped the metal rise to the intra-day high of \$1294.75, before the equities began a late charge and cooled demand – gold dipping off towards \$1287-88 where we closed.

ETF demand has been one of the primary drivers of the move higher for gold over the past month or so and is still continuing to increase (although the rate is slowing). 2 million oz have been added to global ETF's in December and 500k+ oz already in January. This has been mainly apparent in US and UK based funds amid uncertainty on growth and Brexit risks. That said, we remain weary of the rate of accumulation in this space in such a short period of time and are cautious of a correction – particularly if equities continue higher. Elsewhere the official sector provided some positive news last year in terms of both participation and higher volumes. China for example returned to the ranks of central bank buyers in the final months of 2018 after being inactive since October 2016. At the end of 2018 the BoC noted their holdings sat at 59.56 million oz, up from 59.24 million in November.

Gold began the day in Asia today looking fairly firm, although proceeded to grind its way lower throughout lunch and the afternoon. The metal opened at \$1288.75 and after flirting with \$1290 just after the Ecomex open pulled back a few dollars. There was a brief push through \$1290 just after China opened with Chinese banks again on the bid. It did not last however though, with equities rising and the USD firming throughout the afternoon. The yellow metal in a fairly orderly fashion trickled lower as a result with specs cashing out on the move lower. As I write we are trading just off the lows of the day and still looking fairly soft. All the best and good day ahead.

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