



MKS PAMP GROUP

Asia Market Update

10th January 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1293.70/10	15.74/76	823/26	1328/33
HIGH	1296.90/40	15.76/78	827/30	1328/33
LOW	1291.50/90	15.68/70	820/23	1310/15
LAST	1296.80/20	15.76/78	826/29	1315/20

MARKETS/MACRO

Four Fed speakers overnight reinforced the message that policy needs to be flexible and can be put on hold for the time being as the Fed assesses financial and economic developments. This, alongside the generally positive conclusion to US-China trade talks, helped support risk assets yesterday and pressure the Greenback. The S&P500 closed higher for a fourth straight session, its longest winning streak since mid-September 2018, up 10.55 points (0.41%) to 2,584.96. The DJIA climbed +91.67 points (+0.39%) to 23,879.12 and the Nasdaq Composite extended +60.078 points (+0.87%) to 6,957.078. European stock indices also had a positive session, the Euro Stoxx 600 advancing +1.85 points (+0.53%) to 347.70, while the DAX rose +0.83%, FTSE +0.66% and CAC40 leapt +0.84%. Crude oil surged amid easing trade tensions, a weaker USD and Saudi Arabia reassuring the market that its production cuts would remain in place - WTI gaining +5.0% to \$52.54 a barrel. The Saudi Energy Minister said that the Kingdom had already reduced its output to 10.2mb/d, and expects to reduce exports to 7.2mb/d in January and 7.1mb/d in February. He also would not rule out calling for further action of some kind if the market required it. Data was slightly supportive, with US stockpiles falling by 1.680kb/d while US crude oil production remained unchanged at 11.7mb/d. In FX, USDJPY fell -0.5% to 108.20 on the softer USD tone even though equities were higher, AUDUSD rose +0.4% to 0.7170 and EURUSD was up +0.9% to 1.1545.

Federal Reserve officials acknowledged that the policy path ahead is "less clear" after approving an interest rate hike at their most recent meeting. Minutes released Wednesday from the Federal Open Market Committee gathering in December showed the rate hike came with reluctance from a few members who thought the lack of inflationary pressures argued against another increase. The officials agreed that "some further gradual increases" in the benchmark funds rate would be appropriate. What that would translate to in practical terms though became less clear for a central bank that only a few months earlier was pointing to four hikes in 2019. The minutes noted that the low-inflationary backdrop means the Fed can "afford to be patient about further policy firming". According to St. Louis Fed President James Bullard - voting member this year - interest rates have gone high enough and could endanger an otherwise strong economy if they rise further. The central bank is "bordering on going too far and possibly tipping the economy into recession", he said. "We've got a good level of the policy rate today".

On the data front Euro Area seasonally-adjusted unemployment rate fell to 7.9% in November 2018 from a downwardly revised 8% in the previous month and below market expectations of 8.1%. It was the lowest jobless rate since October 2008 as the number of unemployed continued to decline.



PRECIOUS

Gold pushed higher Wednesday on the back of the softer dollar and ignored the rise in equities to trade back above \$1290 late in the NY session. The more dovish tone amongst the FOMC committee members (although predicted) also helped to bolster the metal to close near the daily highs. It was very slow going throughout the Asia day for the metals, gold opening around \$1285, popping briefly around the Shanghai open, but ultimately drifting lower throughout the am. USDCNH/CNY was soft over the morning, yet despite this, the metal ground its way to the lower end of the recent range around \$1282, then sat in a dull holding pattern through the European morning (\$1282-1284). It dipped off a touch to the days lows (\$1280.50) just prior to the NY open around which time the EURUSD began to gather steam, dragging the USD lower amongst a host of crosses. The yellow metal swiftly traded back through \$1290 and held there leading into the release of the FOMC minutes. It was fairly whippy after the release, but the comments from the minutes and committee members were mostly in line with expectations. Gold maintained its perch above \$1290 closing out the day strongly.

The market opened this morning in a consolidative pattern, gold trading quietly between \$1292-94. We remained around those levels into the China open with two-way flows seen via the SGE and Comex. As the morning session wore on, the EURUSD began to rise and USDJPY fell below 108, marching gold up above \$1296. Chinese CPI and PPI came in below expectations at +1.9% and +0.9% a piece, compared with expectations of +2.1% and +1.6%. This prompted the USDCNH to topple from 6.82 down to 6.7890 and buoy gold up towards \$1296.50. Palladium has been a major underperformer so far, falling from \$1330 area to as low as \$1315 in thin conditions. Ahead today on the data calendar a fairly quite one with French Industrial Production, US jobless claims and Canadian building permits. Have a good day ahead.

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