



MKS PAMP GROUP
Asia Market Update
21st February 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1338.70/10	16.06/08	826/29	1486/90
HIGH	1341.40/80	16.10/12	828/31	1496/00
LOW	1337.30/70	15.97/99	821/24	1480/84
LAST	1339.70/10	16.02/04	824/27	1487/91

MARKETS/MACRO

Markets remained very subdued in the lead up to the FOMC minutes overnight, which given the absence of important data releases and FOMC speakers throughout the day, left equity and fixed income markets range-bound. The Dow Jones extended +63.12 points (+0.24%) to 25,954.44, the S&P500 rose +4.94 points (+0.18%) and the NASDAQ Composite remained fairly flat, up +2.304 points (+0.03%) to 7,489.07. European equities fared better with the EuroStoxx 600 gaining +2.49 points (+0.67%) to 371.46, the DAX up +0.82%, FTSE100 +0.69% and CAC40 also +0.69%. Currencies remained reasonably flat on the day, with the dollar index trickling lower by -0.1%. USDCNH continued its decline trading as low as 6.7079 and now sits well through its 200 dma (6.7840) and is closing in on the January low of 6.7019, while EURUSD held fairly steady around 1.1340 and USDJPY rose +0.2% to 110.85. Crude oil prices were up slightly despite renewed concern of rising US shale oil production. The EIA estimated US shale oil production to hit record high at 8.4md/d in March.

The Fed kept its benchmark rate in a range of 2.25% to 2.5% at the conclusion of its two-day policy meeting on Jan. 30. "Almost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year," the minutes showed. The Fed has been allowing as much as \$50 billion a month of maturing securities to roll off its balance sheet, which peaked at roughly \$4.5 trillion in Jan. 2015, but has now narrowed to about \$4 trillion. The minutes also showed that the central bank was willing to keep rate hikes on pause amid expectations for a slower pace of U.S. economic growth.

The ECB's chief economist, Praet, spoke again yesterday and confirmed that the central bank will discuss a targeted longer-term refinancing operation (TLTRO) at the 7 March council meeting, but that it may not announce one then. Euro area data has been awful recently, and lead indicators suggest further weakness lies ahead. Hence, it is little surprise that the ECB is concerned about the inflation outlook, especially as financial market-based measures of inflation expectations are collapsing. Meanwhile, a survey of European money managers released overnight showed that the risk of a global recession is now their #1 concern. This risk was cited by almost 30% of respondents, while less than 2% identified Brexit as their key worry.

PRECIOUS

Gold held in well for the majority of the day yesterday, trading above \$1346 in both Asia and NY, but later gave back the gains and some following the FOMC minutes release. The yellow metal commenced the day trading just above \$1340 and hovered either side of that level over the opening few hours of Asia



trade. Initial expectation was that there would be some selling out of China, however, we were greeted by support. Just after the Shanghai open, the USDCNY gapped lower toward 6.72 with the SGE premium remaining around \$9-9.50 over the spot price and drew out some further demand. Spot gold climbed steadily up to the intra-day high at \$1346.50 over China's opening hour and a half, before being met with some profit taking through \$1345. The metal then held within a tight \$1341.50-1345.50 range throughout the remainder of Asia and the European day. It ticked up higher through \$1345 in the hour leading up to the minutes release, but was unable to extend through the Asia highs with some decent sized visible Comex offers just before GCJ9\$1350 (~\$1347.00 spot). The FOMC minutes were released later in the day, and with a rate hike in the near future unlikely, but not off the table, traders sold the metal. Gold as a result plunged from \$1345 to \$1337.50 then sharply lifting back to \$1340, eventually closing at \$1339.00. Silver hit fresh cycle highs at \$16.205 just before the FOMC release, but just like gold came crashing down after the release toward \$16.00. Palladium again teetered around the \$1500 level, yet was unable to extend through the resistance there, ultimately closing around \$1490.

Gold opened just beneath \$1340 this morning and initially trade consisted of light two-way flows. The metal ticked higher through \$1340 and remained flat there leading into the SGE open. Prior to that the Australian employment report was released and came in better than expected. 39,100 jobs were created in January (+15.0k expected, +16.9k prior) and more importantly full-time employment rose an impressive +65.4k vs. a reduction in part-time employment of -26.3k. The unemployment rate remained at 5.0%. The positive figure saw AUDUSD jump 50 pips towards 0.7207 and hold there for a period. Later however, Westpac bank announced that they felt the Australian Reserve Bank could look to cut rates 2 times over the next ten months, instead of raising them, which is what the market has been expecting at the back-end of the year. AUDUSD was slammed following the headline all the way back to 0.7142. Gold more or less mimicked the moves in AUD, rising to the intra-day high initially then falling back to the days low. China have been quiet so far over the morning session, light buyers if anything. Quite a packed data calendar today including German, French and Italian CPI's, a host of Eurozone manufacturing/services/composite PMI's as well as US jobless claims, durable goods orders, Philly Fed business outlook, existing home sales and Markit manufacturing/services and composite PMI. Have a great day ahead.

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