



MKS PAMP GROUP

Asia Market Update

30th May 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1280.00/40	14.40/42	794/96	1347/50
HIGH	1280.40/80	14.42/44	794/96	1352/55
LOW	1277.00/40	14.36/38	790/92	1335/38
LAST	1277.20/60	14.37/39	792/94	1337/40

MARKETS/MACRO

Risk assets continued to trade poorly yesterday with US equities softening for a second consecutive day as the China/US trade dynamics show little signs of improving. Chinese local media last night reported that Beijing was considering cutting off supplies of rare-earth metals to the US in what is the latest swipe from the two sides. Equities sagged from the open as a result and never really recovered – the DJIA falling -221.36 points (-0.87%) to 25,126.41, the S&P500 relinquishing -19.37 points (-0.69%) to 2,783.02 and the NASDAQ Composite giving up -60.04 points (-0.79%) to 7,547.31. European equity indices were also hit hard on the back of the trade war headlines as well as fresh concerns by the EU regarding Italy's deteriorating public finances. The Euro Stoxx 600 plunged -5.39 points (-1.43%) to 370.51, while regionally the FTSE100 fell -1.15%, DAX dropped -1.57% and CAC40 gave up -1.7%. Amid the risk-off mood, investors moved into bonds, with global bond yields lower across the curve. US 10-year Treasury yields fell -2bp to 2.24%, and are now a full 100bp lower than the recent cycle-peak in November last year. European bond yields also slipped, with UK 10-year yields down -3bp to 0.89% and Germany 10-year bunds down -2bp to -0.18%. Italy's yields moved lower after their sharp lift in recent days. In the G10 space, the dollar ended marginally higher against its G10 pairs again amid the general flight to safety, gaining most against its Canadian counterpart after the BoC held rates unchanged at 1.75% as expected.

On the data front yesterday Germany's seasonally adjusted number of unemployed increased by +60k from a month earlier to 2.279 million in May, following a -12k decline in the previous month and well above market expectations of an -8k fall. It was the first rise in registered unemployment since June 2017 and the largest in a decade. Meanwhile in the US, Richmond Manufacturing Activity rose to 5 in May of 2019 from 3 in the previous month, slightly below market expectations of 6. Shipments (2 from -2 in April) and new orders (0 from -2) improved and employment remained almost the same (17 from 18). Also, significant increases were seen in inventories of raw materials (37 from 24) and finished goods (26 from 23). On the price front, price pressures eased for both prices received (1.53 from 1.84) and prices paid (2.21 from 3.04). Firms remained optimistic about growth in the coming months.

PRECIOUS

There has been a lean towards safe-haven assets over the past few sessions as the trade war tension steps up between the US and China. Treasury yields have hit fresh lows (US 10y 2.21%) and the USD has firmed, however, demand has failed to spill over into the metals sector. Gold did manage to find some support around the middle of the session yesterday, creeping back towards \$1285.50 throughout the European morning after opening sub-\$1280 in Asia. Hedge Fund traders were on the bid, taking the opportunity to take profit on sizeable short positions opened earlier in the week, as were onshore Chinese



banks locking in SGE premium. This was offset during the middle of the day by SA producer selling, following the steep decline of the Rand vs the dollar. ETF selling was also seen in sizeable clips on the back of redemptions throughout the NY session, which ultimately saw the yellow metal trickle lower into the backend of the day. Silver bounced after hitting new lows the previous session with Chinese banks in particular looking for offers. There was a pop to the daily high just before NYK opened for business and from there the grey metal remained flat trading around \$14.42-45. The volatility for palladium continues to ease with the price action seeming to be digging in around \$1325-1350 for now. Yesterday the metal dipped toward \$1330 throughout London, but recovered throughout NY and managed to close higher at \$1345.

It was a slow day in Asia across all the metals, gold slowly creeping lower throughout with very light volume changing hands so far. Gold opened at \$1280 and hovered there over the first few hours of the day. Once China opened there was a brief flurry of buying pushing us to the days high before demand petered out and we slowly descended toward \$1277.50. Silver tracked much the same path, platinum has remained steady and palladium has come under pressure, popping through \$1350 initially, but now trading down at \$1337. Have a good day ahead.

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