



MKS PAMP GROUP

Asia Market Update

4th March 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1293.40/80	15.19/21	860/62	1543/47
HIGH	1296.80/20	15.26/28	863/65	1557/61
LOW	1293.40/80	15.19/21	858/60	1543/47
LAST	1296.20/60	15.26/28	861/63	1553/57

MARKETS/MACRO

Last week we capped off a fairly active February with plenty of idiosyncratic themes which helped to inject a fresh bout of volatility across markets. In FX, for the most part of last week, it was all about renewed dollar strength – dollar positioning has been stretched to the long side over the past several weeks and shows no sign of abating anytime soon. The strong US GDP report out last week brought invigorated confidence to the US outlook, particularly that growth in the US will remain robust without a sustained pickup in inflation. There was decent model and macro buying of USDJPY throughout the week especially after the break through the 200DMA mid-week (111.30). Meanwhile, the Euro continues to remain well capped, with breaks above the 1.14 level proving to be rather short lived with decent supply observed last week from model and real money names. For equities it was a positive end to the week, with all major US indices experiencing decent gains. The Dow rose +110.32 points (+0.43%) to 26,026.32, the S&P500 advanced +19.20 points (+0.69%) to 2,803.69 and the NASDAQ composite rallied +62.822 points (+0.83%) to 7,595.354. European stocks were higher also, the Euro Stoxx 600 up +1.44 points (+0.39%) to 374.24, while regionally the DAX ran +0.75%, the FTSE100 +0.45% and CAC40 +0.47%.

President Donald Trump reiterated his criticism of the Federal Reserve's monetary policy and said it is promoting a strong U.S. dollar, possibly at the expense of the U.S. economy, during a nearly two-hour speech at the Conservative Political Action Conference on Saturday. "America is now booming like never before", Trump said. "Other countries are doing very poorly. That makes it even harder for us to be successful. Plus, we have a gentleman that likes raising interest rates in the Fed", he said, referring to Federal Reserve Chair Jerome Powell. Trump said that he respects Powell's interest rate hikes but suggested he's worried the dollar could become too strong.

On the data front, the ISM Manufacturing PMI in the US fell to 54.2 in February from 56.6 in January (55.5 expected). The reading pointed to the slowest growth in factory activity since November 2016 as new orders, production and employment increased less. Elsewhere, the University of Michigan's consumer sentiment for the US was revised lower to 93.8 in February 2019 from a preliminary 95.5, as the bounce-back from the end of the Federal shutdown faded in late February. Still, the latest figure was above January's near two-year low of 91.2 due to a slight improvement in consumer expectations while the current economic conditions continued to deteriorate.

PRECIOUS

Gold fell to its weakest levels in 6 weeks on Friday, tripping stops through a few key support levels and ultimately rounding out the week sub-\$1300. In Asia, it started as a fairly quiet affair Friday, the yellow metal ticking up a few dollars initially and bumping into some light producer resistance around \$1315



throughout the morning. The SGE premium remained fairly robust at around \$11-12 despite a fairly limited buying appetite on the exchange, and spot hovered around \$1312-15. Following the break of the November 2018 uptrend (\$1315) and 74.6% retracement line (\$1316.70) late Thursday, there were a number of model and spec names looking to sell during early European hours. As a result the gold steadily declined throughout the European morning to \$1306.50 before running up against any form of support. By the time the US opened for business we were trading in much the same position, US 10y's breaking higher through 2.75% keeping the pressure on both gold and silver. There was a sharp spike for no-real reason early in NY which took gold to \$1312, but this was viewed as a strong selling opportunity and swiftly traded lower toward \$1300. ETF's were liquidating too, with some 300k oz of outflows seen on Friday. After being so instrumental in the rise of gold since November, the huge inflows seen in ETF's during November-January have stagnated and have led traders to the side of caution. In February, there was only one day of net inflows seen in the SPDR gold trust, while there were 13 days of net outflows – the rest neutral. We eventually broke through \$1300 spot level later in the day with some heavy volumes exchanging below there, albeit never really looking like recovering into the afternoon. We closed below \$1300 for the week, which does certainly change the short term outlook and will have resilient longs a little nervous. First resistance will be \$1300, while support sits at the 61.8% Fibonacci retracement at \$1287. Silver was battered also on Friday trading above \$15.60 during Asia and rounding out the day just above \$15.20. PGM's on the other hand remained somewhat resilient, Pt lower some \$8, while Pd was unchanged, still only \$20 off all-time highs.

Volumes across the precious complex have picked up in Asia today, although considering gold and silver are some \$20 and \$0.40 lower respectively than last Friday, turnover was a little disappointing. Gold opened this morning and popped \$2 from the onset towards \$1296. There was two-way interest seen from then on leading into the SGE open which kept price action contained either side of \$1295.50. Once the SGE opened up for business there was some modest bidding interest, with the premium remaining fairly well bid around \$10-11 over the loco London price for onshore traders. Spot gold ticked a touch higher through \$1296, but in terms of price action that was mostly it for the afternoon. The gold was content to simply drift quietly sideways between \$1296.00-1296.50. Silver edged slightly higher on the day as did the PGM's. There is not a great deal in terms of data out today – Eurozone PPI and US construction spending – the only things of note. Have a good day ahead.

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