



MKS PAMP  
GROUP

## Daily Asia Wrap - 15th August 2019



Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1516.40/80	17.20/22	845/47	1425/28
HIGH	1524.30/70	17.38/40	847/49	1436/39
LOW	1515.00/40	17.19/21	842/44	1425/28
LAST	1521.00/40	17.33/35	846/48	1435/38

### MARKETS/MACRO

Risk markets were spooked yesterday following the sharp deceleration in Chinese industrial production and retail sales growth for July. This was then compounded by news that the German economy contracted in Q2, cementing the risk-off tone. Equities were hammered across both Europe and the US reversing all Tuesdays gains. The Euro Stoxx 600 slid -1.68% to 366.16, the DAX slumped -2.19% to 11,492.66, FTSE100 fell -1.42% to 7,147.88 and the CAC40 retreated -2.08% to 5,251.30. The carnage was even deeper for US indices with the Dow cratering -800.49 points (-3.05%) to 25,479.42, while the S&P500 and Nasdaq Composite also sank -2.93% and -3.02% respectively to 2,840.60 and 7,773.938. The weak and in some cases contracting global output continues to drive investors expectations of more Central Bank easing on a global scale, markets again pricing in a significant chance that the Fed will cut by a further 50 bps. Yields slumped further as a result with the US 10y falling -10bps to 1.58% and the 2y down -8bps to 1.59%. Meanwhile, the 30y yield hit an all-time low overnight. Interestingly we saw the US 10y yield fall below the 2y briefly, the first time since 2007, which in the past has indicated a looming US recession. Some take comfort in the fact that

this time the signal from the curve may be distorted by global QE, but the self-fulfilling nature of economic cycles is a worry. Crude oil prices also fell sharply (WTI -4.1% to \$54.75/bbl, Brent -3.75% to \$59.00/bbl) as concern about global economic growth were compounded by rising stockpiles. US inventories recorded a surprise increase for the second straight week, EIA data confirming a rise 1.580mbbl last week, against a consensus forecast of a fall by 2.5mbbl. The gain was driven by lower refinery runs and elevated net imports. Currencies traded as expected in the risk off environment, safe haven USDJPY depreciated from 106.70 early Asia yesterday to fall back through 106 and USDCHF down about 30 pips to 0.9735 area. EUR, AUD and CNH were all softer vs the USD, while GBP held in rather well and was flat on the day.

China's industrial production increased +4.8% YoY in July 2019, the weakest annual gain since February 2002 and below market consensus of +6.0%, on the back of escalating trade dispute with the US and sluggish domestic demand. Production slowed for both manufacturing (4.5% vs 6.2% in June) and mining (6.6% vs 7.3%). Meantime, utilities output growth accelerated (6.9% vs 6.6%). From January to July, industrial production grew +5.8%. China's fixed-asset investment increased +5.7% percent from a year earlier to CNY 34.89 trillion in January to July 2019, compared to a 5.8% rise in the first six months of the year and below market consensus of 5.8 percent. Retail sales missed the mark too, rising +7.6% YoY for July, down from +9.8% a month earlier and missing expectations of +8.6%.

## **PRECIOUS**

Gold and silver rebounded strongly Wednesday following Tuesday's aggressive post-tariff update flush-out. Gold benefitted from the darkening economic backdrop, with safe-haven flows pushing the yellow metal up to a fresh 6-year high (\$1523.75). The metal was sold down to the lows as China opened for business yesterday, down to the daily low just above \$1494, doing a bit of work between \$1494-97 before pushing back through \$1500 an hour later on the back of the soft China data. The rest of the morning and into the afternoon the metal tracked sideways either side of \$1500 on moderate to decent flows. In Europe, news that Germany's GDP contracted by a seasonally adjusted -0.1% (QoQ) and EuroZone industrial production went backwards to the tune of -1.6% dented risk sentiment significantly. Gold pushed some \$20 higher over the following few hours and after a brief dip on the NYK open continued higher into the NY morning, assisted by plunging equities and the 2y 10y yields inverting. We brushed a peak of \$1523.75 before settling in the mid \$1510's. Silver you never would know had traded below \$16.60 yesterday, with decent demand seen on the back of the gold and the metal steadily creeping higher throughout both the European and US sessions and closing only \$0.10 off the \$17.31 peak. In the current economic climate we believe gold and silver remain buys on the dips.

Markets opened today to modest flows in Asia across the precious complex. Gold opened and immediately pushed northward to \$1520 but then eased back. There was another push right on the SGE open which pushed the metal through \$1520 again and just above the overnight highs briefly. Silver followed suit and pushed toward \$17.40 but fell just short of that level. The rally was short lived however gold ticking back and trading between \$1518-\$1523, while silver consolidated between \$17.30-35 into the afternoon. Ahead on the data front today look out for UK retail sales, US retail sales, empire manufacturing, Philly Fed business outlook, jobless claims, existing home sales and industrial production. Have a good day ahead.

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