



MKS PAMP
GROUP

Daily Asia Wrap - 23rd August 2019



Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1498.40/80	17.04/06	857/59	1488/91
HIGH	1498.50/90	17.04/06	859/61	1489/92
LOW	1494.10/50	16.97/99	856/58	1481/84
LAST	1495.30/70	17.01/03	859/61	1483/86

MARKETS/MACRO

Trading in the US equity markets was choppy overnight on mixed data and indications from Fed members that a further rate cut won't be necessary. The Dow ticked up +0.19% to 26,252.24, the S&P500 inched lower -0.05% to 2,922.95 and the Nasdaq Composite eased -0.36% to 7,991.387. European stocks closed the day softer following the ongoing concern regarding Brexit. The Euro Stoxx 600 fell -0.40% to 374.29, the DAX lost -0.47% to 11,747.04, the FTSE100 retraced -1.05% to 7,128.18 and the CAC40 relinquished -0.87% to 5388.25. In the G10 scene, the biggest mover was again Sterling which ended the session up another 1% against the Euro and the dollar after headlines reported that Merkel suggested a backstop solution could be found by October 31st. The market reaction has perhaps been a little overdone, Merkel's comments seem to have been misread as there has not been a softening of the EU position on the Irish backstop.

German Chancellor Angela Merkel on Wednesday challenged Britain to come up with alternatives to the Irish border backstop within 30 days, but French President Emmanuel Macron cautioned there would be no renegotiation of the Brexit deal. Johnson repeatedly

said that the Irish border backstop - which is a protocol of the Withdrawal Agreement struck by his predecessor Theresa May - needed to be removed in full. "It was said we will probably find a solution in two years. But we could also find one in the next 30 days, why not?" Merkel said. Johnson confirmed that she had given him 30 days to come up with alternatives and said there was ample scope for a deal. But just an hour after Merkel spoke, Macron said the demands made by Johnson for a renegotiation of the divorce deal, including the removal of the Irish backstop, were not workable as they currently stood. Johnson is due to meet Macron in Paris today.

On the data front, the Markit Eurozone Manufacturing PMI rose to 47.0 in August 2019 (46.5 prior, 46.2 expected) a preliminary estimate showed. The latest reading pointed to the seventh consecutive contraction in factory activity, as output continued to fall albeit a slower pace and job cuts were recorded for the fourth month running. Markit Eurozone Services PMI increased to 53.4 in August 2019 (53.2 prior 53.0 expected). The reading pointed to a stronger expansion in the services activity as output rose markedly with growth recorded in Germany, France and across the rest of the Euro Area. Across the Atlantic, Markit's US Manufacturing PMI dropped to 49.9 in August (50.4 prior, 50.5 expected). The latest reading pointed to the first month of contraction in the manufacturing sector since September 2009, as new orders fell the most in ten years led by the largest decline in exports since August 2009. US services PMI declined to 50.9 (53.0 prior, 52.8 expected) a flash estimate showed. New orders increased at the weakest pace since March 2016, amid subdued demand conditions. Also, backlogs of work dropped for the first time in 2019 to date. Looking ahead, expectations for the next 12 months slowed to its lowest since series began nearly a decade ago. Elsewhere, the number of Americans filing for unemployment benefits decreased by -12k to 209k in the week ended August 17th, down from the previous week's revised level of 221k and beating market expectations of 216k.

PRECIOUS

It was a reasonably tight range-bound session on Thursday for gold and silver, with investors standing by for Fed governor Powell's Jackson Hole address. Gold remained quite flat throughout Asia yesterday, weighing slightly in line with higher US yields, yet not deviating too far from the \$1500 level. During early NYK some Fed officials hit the wires discussing the split views of a number of Fed members which prompted some treasury liquidation and put downward pressure on the metals. Gold sank to the lows of the day (\$1493) shortly after the NYK open then ramped higher on the back of some macro demand, sharply trading to the high's (\$1504.20) before easing back below \$1500 to close out the day. Jackson Hole will be important for gold today, with any hawkish rhetoric from Powell likely to push gold down to \$1480-85 support and then potentially open the gate for a retracement down to \$1450. We expect markets to remain quiet in the lead up to Powell's talk today.

Not a great deal to report today with the gold and silver both slowly drifting off on very low turnover. We opened in Asia today and there was some light SE Asian based offers around which directed the metal lower. Volume is very light with 24k lots (GCZ9) trading over the course of 7 hours. As outlined above focus will be on Jackson Hole today, with investors trying to gauge the Fed's next move. We also have US new home sales and Canadian retail sales out. Good luck today and enjoy your weekend.

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