



MKS PAMP GROUP
Asia Market Update
3rd January 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1286.30/70	15.54/56	794/96	1260/64
HIGH	1290.60/00	15.59/61	796/98	1264/68
LOW	1285.00/40	15.48/50	792/94	1260/64
LAST	1289.80/20	15.58/60	795/97	1261/65

MACRO/MARKETS

Those looking for a slow easing into the new year were left disappointed yesterday with markets opening the first full trading day of the year in a slightly jittery fashion with risk on the back-foot. According to Deutsche Bank FX traders there was decent demand for USDJPY downside throughout the day yesterday as investors face a string of short term vulnerabilities including what may look like an increasingly prolonged partial government shutdown. This comes after the much anticipated transition in the House later today (Thursday). Trump and key lawmakers were unable to strike an agreement at a White House meeting last night, with Republican leader Mitch McConnell maintaining that “no particular progress” has been made on talks with the Democrats. As a result, equities opened much lower, however, managed to gradually recover by the close to post modest intra-day gains. The DJIA inched up +18.78 points (+0.08%) to 23,346.24, the S&P500 added +3.18 points (+0.13%) to 2,510.03 and the Nasdaq Composite firmed +30.661 points (+0.46%) to 6,665.938. European equities were choppy, the broad averages inching lower (Stoxx 600 -0.13%, EuroFirst 300 -0.13%) but most of the larger economies indices remaining stable after the strong rally the previous session (DAX +0.2%, FTSE100 +0.09%, CAC40 -0.87%). In FX, as mentioned earlier USDJPY continued to edge lower flirting with the 109 level a number of times overnight, AUDUSD was also under pressure, off 1% for the day and pushing below 0.70 for the first time since early 2016. These 2 pairs were crushed early in Asia this morning, USDJPY tripping stops through 108.50 with algo’s/systems quickly kicking in and pummeling the pair to a low of 104.90 in a matter of moments. AUD was caught in the cross fire with heavy selling seen in AUDJPY (falling from 76.00 at the open to trade as low as 70.70, ~-7.0%) and AUDUSD trading swiftly from 0.6970 to 0.6740. Liquidity was non-existent on the move for both JPY and AUD with spreads blowing out to over a big figure for about 10 minutes. As I write USDJPY has recovered to 107.20, AUDUSD to 0.6940 and AUDJPY to 74.40 (2 pm Sydney time). The other big mover was GBPUSD which fell from a 1.2607 open to 1.2441 (-1.3%) and has since recovered to 1.2545, while EUR has weathered the storm well.

For US data yesterday, we only had the final reading for the US private sector Markit manufacturing which was revised down slightly to 53.8 from 53.9 initially. In China, the private sector Caixin PMI manufacturing slipped into contraction territory, at 49.7 from 50.2 previously, although this was not a big surprise given the official PMI had already posted a reading at 49.4.



PRECIOUS

Precious metal markets were closed during the brutal moves in JPY and AUD this morning, although when they opened investors were friendly to gold as the smoke began to settle. The yellow metal opened at \$1286.50 – more or less where we closed – and pushed higher as investors looked for a safe-haven. We pushed through \$1290 to a peak of \$1290.60 before we began to see some producer offers filter in. Given the rapid fall in the AUD during the hour the metals were closed, XAUAUD opened an astonishing ~\$35 higher at \$1875 and continued to push toward \$1880 in the opening few minutes. Australian producers were slow to realise the move but have since been seen consistently on the offer, taking advantage of the very bullish move. As the morning progressed XAUUSD was unable to maintain the momentum above \$1290, and with the AUDUSD and USDJPY beginning to bounce back investor demand began to wane. XAU fell back towards \$1285 and in AUD terms, all the way back to \$1855. China were modest sellers when they commenced their day, USDCNY and USDCNY remaining stable throughout the morning, premiums much the same as yesterday (\$5-6 over spot price).

For the other metals in the complex it was pretty much business as usual, silver pushing higher in line with gold at the open (~\$0.07), dipping and then pushing back over the lunch break towards the mornings highs. PGM's took a back seat to action in the currencies and gold, XPD and XPT sitting flat as I write.

Stay tuned today for any developments in the US government shutdown saga, which if rectified, could exert a bit of pressure on gold. We also have US ADP employment, initial jobless claims, mortgage applications and ISM manufacturing to keep an eye on. Best of luck for the day ahead.

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