



MKS PAMP GROUP

Asia Market Update

16th May 2019

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1296.50/90	14.78/80	845/48	1343/47
HIGH	1297.00/40	14.80/82	847/50	1344/48
LOW	1294.80/20	14.75/77	843/46	1332/36
LAST	1296.20/60	14.77/79	845/48	1334/38

MARKETS/MACRO

Another positive day for risk with US equities posting solid gains for the second consecutive day led by technology and cyclical names, following heavy selling seen earlier in the week. This comes even as Trump up-ed the ante, issuing an executive order that paves the way for a ban on Chinese consumer technology from reaching the United States. Although the Trump administration has tried to distance this decision from the trade backdrop, citing national security concerns with the executive order, this comes in the shadow of the recent trade flare up and has many speculating as to whether or not we will see similar retaliatory non-tariff measures. The DJIA ramped up +0.45% on the day to 25,648.02, S&P500 gained +0.58% to 2,850.96 and the NASDAQ Composite led the charge up +1.13% to 7822.148. European equity indices were similarly upbeat, the DAX rising +0.9%, FTSE100 +0.76%, CAC40 +0.62% and Euro Stoxx 600 advancing +0.46%. The USD was mixed against its G10 peers, EURUSD holding steady around 1.1200 and USDJPY also remaining flat at 109.60. Crude oil futures reversed earlier losses as a bigger-than-expected drawdown in gasoline inventories stoked hope of strong demand. The weekly EIA report showed that gasoline stockpiles fell by 1.123m bbl, which was over four times the fall investors were expecting. This helped offset a 5.43m bbl increase in crude oil stockpiles; although that gain was also smaller than expected. Geopolitical risks remain high, following the drone attack on Saudi Arabia's oil infrastructure. Saudi Aramco said that the East-West oil pipeline was restarted three days after the attack. Tension remains high, though, with the US pulling out non-emergency personnel from its embassy in Iraq citing threats from Iranian-backed forces. Prices had been under pressure earlier in the day amid uncertainty around the US-China trade talks.

On the data front yesterday Chinese domestic indicators disappointed, following signs of stabilisation in Q1. The pullback in April mainly came from China's manufacturing sector, with industrial production (5.4% y/y vs. 8.5% prior) and fixed asset investment (6.1% y/y vs. 6.3% prior) both registering slowdowns. Retail sales also disappointed, falling to 7.2% y/y compared to 8.7% in March, but property investment held up. Moving to the US, industrial production fell -0.5% m/m in April. Manufacturing fell -0.5% m/m and has now fallen in three out of the first four months of this year. For 2019 so far, manufacturing output has fallen at an annualised -4.8% pace. US April retail sales were weaker than expected, falling -0.2% m/m, however, March was revised up to a solid +1.7% gain. The three-month average of retail sales is 0.4% m/m and the annual rate is up 3.0% y/y, which is around the norm of 2.5-3.0% annual growth.



PRECIOUS

Gold had a subdued session yesterday, moving within a ~\$7 range and ending up largely unchanged at \$1296.50. Prices were under pressure early in the session as safe-haven buying dried up amidst hope that the US-China trade negotiations were back on track. The yellow metal slid slowly throughout the morning session eventually hitting the daily low of \$1293.50 in late Asia/early Europe, around which time some macro and trading house demand began to pick up. The metal legged higher pushing through \$1300 briefly but ran out of steam above there. Some decent producer offering was seen up around those levels, particularly in XAUAUD, which hit its highest levels in a month yesterday trading briefly through \$1880/oz. Late in NYK some light profit taking took us a few dollars lower and we ended up almost exactly where we began. Silver tracked gold for the most part throughout the day, while PGM's were fairly volatile, drifting steadily lower through the front end of the day and rallying strongly early in NYK (palladium jumping some \$40 in a matter of minutes!).

A quieter affair today in Asia with the yellow metal locked in a tight range throughout. We opened at \$1296.50 and hovered either side of that level into the Shanghai open. Once the SGE commenced trade there was a brief \$1 pop to \$1297, after which the gold meandered to the morning low of \$1295.30. All the other metals have remained flat as well up until time of writing. On the data front, Aussie employment figures came in better than expected, +28.4k jobs created over April (+15k expected). Unfortunately, when looking at the make-up of the gain, full time jobs receded -6.3k, while part time jobs jumped +34.7k. The decrease in the full-time component, coupled with a rise in the unemployment rate to 5.2% (5.0% expected, 5.1% revised up prior) dragged the AUDUSD lower, trading briefly through 0.69 to the lowest level since Jan 3rd. This propped up XAUAUD and again we saw producers happy to sell into the strength. Data released today includes French employment data, Italian CPI, Eurozone trade balance and US housing starts, building permits, Philly Fed business outlook and initial jobless claims. All the best.

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