



## MKS PAMP GROUP

### Asia Market Update

22<sup>nd</sup> January 2019

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1279.70/10	15.25/27	796/98	1363/67
<b>HIGH</b>	1280.40/80	15.27/29	797/99	1363/67
<b>LOW</b>	1277.60/00	15.19/21	792/94	1355/59
<b>LAST</b>	1278.70/10	15.20/22	792/94	1355/59

#### MARKETS/MACRO

It was a slow night for markets owing to the Martin Luther King holiday in the US. European markets were quiet too as a result, equities under a bit of pressure as anxiety over the global growth outlook was heightened following a soft GDP print from China and downgrade for the global growth outlook by the IMF. The Euro Stoxx 600 fell -0.69 of a point (-0.19%) to 356.36 and the EuroFirst 300 index slipped 3.00 points (-0.21%) to 1,401.87. Regionally the DAX relinquished -0.62%, the CAC40 dipped -0.17% and FTSE100 was flattish. Crude oil prices inched higher amid signs of slowing supply growth in the US. Data showed that drilling activity in the US fell by the most in three years, with drillers cutting the number of rigs operating by 21, according to Baker Hughes. At the same time, oil services company, Schlumberger, said the North American shale drillers were likely to slow activity in the coming year as their finances come under pressure. However, renewed concerns about the US-China trade talks tempered the gains, BBG reporting that the two sides have made little progress on the key issues of intellectual property.

Prime Minister May's update to Parliament on how to proceed with Brexit contained little new detail. May wants to talk with the DUP this week to see if there is any wriggle room/compromise on the Irish border question. She will also speak with Brussels about tweaking the backstop to make her withdrawal agreement acceptable to Parliament. That didn't work in December or early January, so it is difficult to see how it will work now? May has also ruled out amending the 1998 Belfast Peace Agreement and revoking Article 50. Parliament will vote on May's plan on 29 January. The strategy appears to be one of running down the clock into Brexit and it raises the probability of growing support for amendments by MP's to prevent a 'no deal'. The GBP rallied slightly on the statement.

The IMF shaved -0.2% from its 2019 global growth forecast to 3.5%, citing softer momentum in H2 2018 and marking the weakest pace in 3 years. The 2020 outlook was also trimmed -0.1% to 3.6%. This is now the second downgrade in a row and while there have been some positive developments in recent weeks - some rebound in manufacturing data and progress towards US-China trade talks - risks remain skewed towards weaker growth, with a 'no deal' Brexit and sharper-than-expected slowdown in China getting special mentions. China's 4Q 2018 GDP in fact was released yesterday, coming in at 6.4% YoY (6.4% expected, 6.5% prior) and printing the lowest read since the Global Financial Crisis.



## PRECIOUS

With the US out for the Martin L. King holiday yesterday, the yellow metal continued to dwindle and test through the \$1280 support. The market opened in Asia around \$1282 and there was already some light physical demand seen during the morning which helped push the price a few dollars higher. We plateaued around \$1283-1283.50 and held there for the majority of the SGE am session dipping of slightly into the close. The premium still remained fairly firm at around \$10 for onshore traders. Over the PM SGE session the yellow metal held firm edging back towards \$1283, but again was unable to climb any higher. Once Asia dropped out, Au started to break lower through \$1280 to \$1278. We touched a low of \$1277.05, then there was a bit of work done around that level with light volume ticking over, before running back above \$1280 and hovering there until the early close (1pm NYK). Despite the price fall over the past few sessions, physical demand remains fairly strong from Chinese participants. ETF's have also remained quite resilient, the SPDR accelerating at the fastest rate for the year last Friday and holdings only coming off very slightly since. Silver moved in tandem with gold holding the 200 dma (\$15.30) throughout Asia, although then succumbing to the sell-off in Europe and dipping down to \$15.20. It did manage to recover into the close finishing at \$15.27 – just below the 200 dma. We expect to see some decent support for silver in \$15.00-15.20 zone. Finally, palladium after jumping an extraordinary +14.1% since January 1<sup>st</sup>, continues to work its way lower as speculators book profits.

So far it has been a fairly flat session in Asia, gold gently drifting a few dollars off from opening levels on very light volumes. Chinese demand has been prevalent in pockets, although the yellow metal at this stage appears to be balancing between \$1278-80. The SGE premium remains fairly steady at \$9.50-10.00 over the loco London price for onshore traders and continues to keep demand ticking over. Silver has followed gold lower and as I write hovers just above the overnight lows, as have the PGM's to a lesser degree. It will be very interesting to see later today how US traders react to the lower precious prices. In other markets the USD is fairly flat vs. the G10, AUDUSD off 15 pips to 0.7143, EURUSD flat at 1.1365 and USDJPY a touch lower at 109.50. Equities are lower, led by the Shanghai Composite and Hang Seng both down -0.7% respectively, Nikkei down -0.05% and ASX200 off -0.6% at time of writing. Data releases today encompass – UK employment, German ZEW and US existing home sales. Have a good day ahead.

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