

PRECIOUS: Palladium Sags as Prices Gyrate on Auto Demand Concern
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By Justina Vasquez

(Bloomberg) -- Palladium headed for the first decline in four sessions as U.S. President Donald Trump's threat to shut down the border with Mexico added to concerns over the outlook for the auto industry, the biggest consumer of the metal. Analysts said a border closing would rapidly ripple through a U.S. economy in which supply chains are closely integrated with Mexico, especially hitting the carmakers. Volatility in palladium, used in auto catalysts to curb pollution, has surged in the past week as investors assess slowing vehicle sales against the outlook for supply shortfalls that drove prices to record highs last month.

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Drivers

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The automotive industry in North America would be affected if U.S. President Donald Trump closed the border with Mexico, says Jean-Marc Germain, CEO of aluminum-parts producer Constellium U.S. companies added the fewest workers in March since late 2017 as construction and manufacturing cut jobs, according to ADP Chinese Vice Premier Liu He will resume negotiations with his U.S. counterparts in Washington on Wednesday Theresa May asked opposition leader Jeremy Corbyn to help work out a plan for Brexit Stocks advanced globally and bonds retreated after upbeat economic reports and renewed hopes for a trade deal tempted investors into riskier assets Holdings of gold-backed ETFs have sunk to lowest since March 14; investors are yanking their money out as hints of improving global growth and surging stocks lure them into riskier assets

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Prices

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Spot palladium -2% to 1,404.13/oz at 1:45pm in N.Y. NOTE: A measure of 30-day volatility reached the highest since Dec. 2015 Gold slipped 0.1% to \$1,290.88/oz, heading for second decline in three days

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Market commentary

“Any time you get a situation where the market starts believing that auto sales are not going to be as robust as they previously thought, that automatically will reset expectations of how strong the demand will be” in palladium, Bart Melek, the head of commodity strategy at TD Securities in Toronto, says by phone “The downside could be limited for gold due mainly to the recent falls in global bond yields and the fact that the Fed has dropped its hawkish bias,” said Fawad Razaqzada, an analyst at Forex.com After reports showed improving factory data in the U.S. and China, “we would suggest that the better numbers we are seeing are just a temporary upward blip and that the declines, particularly in China, are not yet over,” Edward Meir, an analyst for INTL FCStone, says in a note

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Other precious metals

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Silver little changed, while platinum advances

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--With assistance from Ranjeetha Pakiam and Rupert Rowling.

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