



MKS PAMP GROUP

Daily Asia Wrap

24th January 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1341.60/00	17.05/07	1007/09	1098/00
HIGH	1342.10/50	17.07/09	1007/09	1101/03
LOW	1339.40/80	16.99/01	1003/05	1088/90
LAST	1340.90/30	17.04/06	1004/06	1095/97

MARKETS/MACRO

Markets focused on upcoming U.S corporate earnings with a lack of significant data and the US government shutdown largely ignored. Rosy views on earnings has continued to aid equities this month, with major U.S indices lifting to new record levels and European bourses also climbing. The Dow Jones Industrial Average closed mostly unchanged Tuesday down -3.79 points (-0.01%) at 26,210.81, the S&P500 was modestly higher up 6.16 points (+0.22%) to 2,839.13 and the NASDAQ Composite added +52.257 points (+0.71%) to 6,885.20. The best performing sector on the day was Telecom Services (+1.78%), while the worst performing sector was Materials (-0.53%). European indices were also improved, the Euro Stoxx 600 up +0.70 of a point (+0.17%) to 402.81 and Euro First 300 edging up +1.87 points (+0.12%) to 1,582.91. Regionally the DAX was strong up +0.71%, FTSE100 inclined +0.21% and the CAC40 dipped -0.12%. Crude oil prices rose sharply as the market continued to react positively to the reports that OPEC wants to extend the current cooperation on output into 2019. Growing expectations of another strong draw-down in inventories in the U.S also helped support prices. A Bloomberg survey shows that the market is expecting a 2 million barrel fall in US crude stockpiles, which would put them at a 2 year low. The WTI March contract rose +\$0.60, or +0.91% to \$64.47 a barrel on the day. For treasuries the curve flattened somewhat, with the U.S 2y yield rising 0.03 bps to 2.065% and the 10y down -0.17 bps to 2.658%.

In the first volley before the World Economic Forum Donald Trump imposed tariffs on imported solar panels and washing machines. Outside of stepping away from the TPP, this was the first real shift from protectionist rhetoric to actual action against China and others. This gave investors another excuse to sell the Greenback overnight with the DXY closing at new multi-year lows. EUR is threatening to overcome 1.2300 with German ZEW survey and Eurozone consumer confidence both reaching new cycle highs. Similarly, GBPUSD closed around 1.4000, with the backdrop of a potential soft Brexit outcome and a weak \$ which has seen 1m risk reversals trading at a 5 year high according to Bank of America.

It was a quiet day in terms of data on Tuesday. The Richmond Fed manufacturing index ended up conforming to the moderation trend of other manufacturing indices in December, printing at 14 (19 expected, 20 prior). This decrease resulted from a decline in both shipments and employment. The third component, new orders, held steady. However, manufacturing firms saw an increase in backlogs in January and they expect growth to strengthen in coming months. There was more positive data out of Europe with the Euro Zone consumer confidence figure coming in at 1.3, much better than the 0.6 expected and 0.5 figure prior in December. Elsewhere Germany's ZEW survey came in at an eight month high. The current conditions jumped to a record high of 95.2 and future expectations rose to 20.4 too. The rise likely reflects strong export prospects for German firms both within Europe and further abroad, which is currently superseding political uncertainty, a stronger Euro and higher oil prices for now.



PRECIOUS

Gold continued to rise higher Tuesday, buoyed by the softening USD and uncertainty regarding international trade, as Trump imposed international tariffs on imported solar panels and washing machines. Gold opened the day around \$1333.50 and after a brief downturn, ran higher into the Chinese open. USDCNY tested lower after the fix and some good two-way flows were seen on the SGE as a result. The flows were primarily real money / producer clients who were sitting on the offer vs Chinese banks who were looking for bids, with the SGE premium stable around USD \$8-9. The decent flows continued into the Asian afternoon with the spot price remaining firm between \$1335-\$1337.50. Flows were again mixed during the European day and limited to a tight \$4 range until we moved into the U.S open. Gold was quickly sold off after the NY open to the tune of \$5-6, down to the days lows, which was right around option expiry time with a heavy strike at \$1332. Some 9 mio oz went through the market during this period according to traders and the market remained suppressed for 30 minutes or so. Not long after however, a headline "Pence says to deliver 'America First' message at Davos", combined with Trump announcing the beforementioned tariffs, saw the USD sell off rather rapidly. This was supportive for gold and the metal quickly reversed back to the earlier intra-day highs around \$1339. As the afternoon wore on good buying flows through Comex were seen and the metal pushed through \$1340 and up to a late peak of \$1341.70, then closing just shy of this. Interestingly, the gold has shrugged off any correlation to moves in equities and rates for the time being and is moving more in sync with the dollar. Given that the sell-off in USD looks to continue, for the time being, we see conditions remaining supportive for the metal. Initial support sits at \$1330, while resistance is the previous YTD high around \$1344-45. Gold ETF's continue to see inflows, with the SPDR's holdings increasing 13 tons since the start of January, a similar scenario seen with silver which is also a factor keeping the metals supported.

It was a quieter day in Asia today, with the underlying demand from Chinese banks keeping gold bid. We opened and initially pushed higher, inching through the previous days high to a peak of \$1342.10, however, there were some thick offers in Comex above there. Producers were also eager early sellers happy to cash in on the overnight advance. When China opened up for business there was an initial dip in the spot market, accompanied by a brief sell-off in the SGE in light of a slightly lower premium (\$7-8). This did not last long however, with Chinese banks again quick to buy the dip and curb any further decline. It was mainly moderate sized two-way flows thereafter with spot gold holding above \$1340 throughout the afternoon. In other markets, equities were generally lower with the Hang Seng (-0.3%), Nikkei (-0.5%) and Shanghai Composite (-0.05%) all currently in the red. WTI crude is flat at \$64.45, the dollar is weaker again across the board (USDJPY -0.4% or -45 pips, GBPUSD +0.3% or +40 pips, EURUSD +0.2% or +26 pips) and base metals are firmer. On the data calendar today look out for Euro Zone and U.S preliminary manufacturing, services and composite PMI's, UK employment figures and U.S existing home sales. Best of luck.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.