



## MKS PAMP GROUP

### Daily Asia Wrap

18<sup>th</sup> April 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1347.30/70	16.78/80	935/37	1013/15
<b>HIGH</b>	1347.40/80	16.80/82	943/45	1015/17
<b>LOW</b>	1342.20/60	16.72/74	934/36	1012/14
<b>LAST</b>	1343.70/10	16.78/80	941/43	1012/14

#### MARKETS/MACRO

U.S. stocks rallied on Tuesday, with major indices closing at the highest levels in about a month as the latest round of corporate earnings supported the thought that valuations are supported by improved economic activity. The Dow Jones Industrial Average gained +213.59 points, or +0.87%, to 24,786.63, the S&P500 advanced +28.55 points, or +1.07%, to 2,706.39 and the NASDAQ Composite added +124.814 points, or +1.74%, to 7,281.099. The best performing sector was Information Technology (+2.01%), while Financials trailed the pack (-0.07%). European stocks logged their best close in some 2 months, as attention shifted from geopolitical concerns to the earnings season. The EuroFirst 300 Index rallied +11.82 points, or +0.80% to 1,491.80 and the EuroStoxx 600 inclined +3.03 points, or +0.80% to 380.77. Regionally the DAX was a top performer up +1.57% on the day, with the CAC40 also impressive at +0.76% intra-day. In FX, dollar shorts were added during the Asian session yesterday and this was continued as London came on line, however, the market looked to fade this move thereafter. In particular, both the pound and the Euro pared back some of their gains in the NY session, with the former being closely watched as it continues to hover near post-Brexit highs. USDCHF was the biggest mover in the G10, up +0.6% on the day despite no news and very light flows. RUB continues to dominate the conversations in FX, ultimately finishing down -0.65% after new headlines that there once again may be additional sanctions on Russia. In fixed income, the US 2-year Treasury yield was up 1bp to 2.39%, a new decade high. The 10-year yield was lower by 1bp to 2.82% and spreads between these two maturities was the lowest since August 2007. The Geman10-year Bund yield fell 2bps to 0.51%.

China's central bank announced yesterday it would reduce the reserve requirement ratio (RRR) for most of the commercial banks in order to replace the maturing medium-term lending facility (MLF). The central bank said this move is to lower the cost of funds to the real economy, and the replacement will only increase the money supply incrementally. In Germany, the April ZEW index fell by 13 points to -8.2 (-1.0 expected), which is the first time in almost two years that it has fallen below zero. In addition to the recently weaker economic data, this is likely to be due to the trade conflict between the USA and China, the escalation of which would probably have a noticeable negative impact on the global economy. However, these are only fears of the analysts surveyed by the ZEW, and the ZEW Index has frequently given false signals in recent years. The extent to which the economy is actually losing momentum due to Trump's protectionism and other factors will be shown next week by the PMIs and the IFO business climate. In the U.S, building permits increased more than expected in March to +2.5% (+0.7% expected). The rise came amid a rebound in the construction of multi-family housing units. Weakness in the single-family segment suggested the housing market was slowing.

#### PRECIOUS

Gold had an inside day yesterday, trying lower through \$1340 during NY, though ultimately closing fairly flat. We opened in Asia around \$1346 and the initial move was higher, with some early specs looking to pick up gold cheaply ahead of what they predicted to be Chinese buying. A brief headline stating 'Missile targets Syria's Shuairat Airbase'



helped the metal along as well, although Comex selling in the lead up to the \$1350 cash level, capped proceedings. Later the USD started to strengthen which weighed on the yellow metal around the Shanghai open and it began to recede from \$1349 to \$1344, where some light two-way interest went through during the Asia am. Chinese demand was modest and it was largely fast money specs on the other side holding the market steady. Late in London/early NY the metal was swept lower following a headline that 'China was willing to cooperate with U.S on trade disagreement', and the metal dropped through \$1340. There was a small stop-loss driven run to the days low of \$1337.65, before quickly reversing. The general market sentiment was 'risk on' throughout NY, so it was a little surprising that the yellow managed to recover all the way back to the opening levels and close at \$1347. Palladium continued its recent volatility with supply concerns continuing to worry traders, especially with the likelihood of further sanctions on Russia - the worlds largest producer. Pd flatlined throughout Asia around \$1005 then ticked up to \$1010 in London, before some swift and brutal profit taking was seen in a very thin market. The metal plummeted to \$986.50, although found buyers down there. As the base metals began to tick higher, the palladium followed suit and shot to its highest level since early March (\$1015), closing firm only a dollar or so off that level. The grey metal is now within striking distance of the 100 dma (\$1021.50), with a clear break likely to extend towards \$1045 resistance. Silver has again been pushing up against the topside of the range overnight (\$16.80-95), with big resistance at the 200 dma (currently \$16.80) keeping the brakes on - as it has very effectively since early February. There has been a lot of talk about how short the silver market is of late and an extended break through \$17.00 would be very precarious for a number of specs out there.

A quiet session in Asia again for the metals gold steadily trading lower throughout the day. The yellow metal opened at the day's highs and slowly meandered its way lower prior to Japan and China opening towards \$1345. The volume exchanged throughout the morning was extremely light however and traders were taking direction from the USD which was slightly stronger vs. most of the G10. Once the SGE opened up for business the premiums were largely unchanged from the previous day, sitting at \$6-7, so interest was very limited. So some light buying flows were seen, yet gold continued to quietly edge lower over the afternoon towards \$1343, where we currently sit. Silver followed gold and eased a few cents lower, while the PGM's are flat, palladium holding onto the gains seen overnight around \$1015. In other markets, Asian equities are currently all in the black, the Nikkei +1.4%, Hang Seng +0.65%, Shanghai Composite +0.25% and ASX200 +0.35%, the USD is mixed and crude is stronger, WTI is up +\$0.37 (+0.55%) to \$67.05 and Brent has gained +\$0.50 (+0.75%) to \$72.10. On the data front today look out for UK and Eurozone CPI, BoC rate decision and U.S Mortgage applications and Beige Book. Have a good day ahead.

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