



## MKS PAMP GROUP

### Daily Asia Wrap

20<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>	1346.10/50	17.22/24	934/36	1031/33
<b>HIGH</b>	1346.10/05	17.24/26	936/38	1033/35
<b>LOW</b>	1341.10/50	17.15/17	932/34	1027/29
<b>LAST</b>	1341.50/90	17.17/19	934/36	1029/31

#### MARKETS/MACRO

U.S. stocks ended lower on Thursday as the risk on sentiment cooled, Consumer Staples, Real Estate and Tech all sliding. The Dow Jones Industrial Average fell -83.18 points, or -0.34%, to 24,664.89, the S&P500 retreated -15.51 points, or -0.57%, to 2,693.13 and the NASDAQ Composite slumped -57.18 points, or -0.78%, to 7,238.06. The best performing sector was Financials (+1.52%), while losses in Consumer Staples (-3.14%) dragging the market lower. European bourses on the other hand closed with very modest gains, buoyed by a stack of corporate earnings releases. The Euro First 300 crept up +0.28 of a point, or +0.02% to 1,496.57 and the Euro Stoxx 600 trickled up +0.09 of a point (+0.02%) to 381.95. The dollar, meanwhile, continued to trade with a bid bias with the dollar index trading just shy of the 90 handle again, helped in part by a big pull back in the Pound. This after comments from BoE Governor Carney who said that an interest rate rise this year is 'likely', which was interpreted by markets as an explicit attempt to bring down the May meeting's market pricing after softer wage and inflation data earlier this week. The Euro remained relatively unchanged, buoyed in part by the weakness in Sterling, while the commodity currencies fell in line with softer oil prices. The rally in base metals which has been relentless this week took pause overnight with most constituents lower on the day. Aluminium lost -2.0%, its first pull-back in four days, while Nickel and zinc were both down -1.3% respectively, though not before Nickel had surged to a three year high. Media reported that the Russian Government is considering aid to the world's largest aluminium producer Rusal, following LME and Comex delivery sanctions. Bond markets suffered a heavy session as sovereign supply concerns and rising commodity prices pushed yields higher and curves steeper. Swap spreads narrowed slightly, but credit widened as supply lifted and the market remains vulnerable. The U.S 10yr yield increased +3.7bps to 2.909% and the 2yr yield fell -0.18bps to 2.427%.

On the data front U.S initial jobless claims dipped -1k to 232k in the week ended April 21, slightly higher than what economists surveyed by Bloomberg at 230k, while continuing claims fell by -15k to 1.863 million (1.845 million expected). Claims rose sharply in New York and California, but those increases were offset by declines almost everywhere else. Still in the U.S the Philadelphia Fed said its diffusion index for current general activity inched up to 23.2 in April (21 expected) from 22.3 in March, with a positive reading indicating growth in regional manufacturing activity. The modest uptick by the headline index was partly due to stronger job growth, as the number of employees index rose to 27.1 in April from 25.6 in March. Across the Atlantic, U.K. retail sales missed forecasts, the headline figure falling -1.2% MoM in March (-0.6% expected) after freezing cold weather last month kept shoppers home. Ex Autos and Fuel the retail sales figure dropped -0.5% MoM (-0.4% expected, +0.4% prior). The Eurozone's current-account surplus eased to 35.1 billion Euro's in February, down from 39.0 billion Euro's in January, with the annual surplus of 3.7% of GDP, now sitting +0.3% higher than a year ago.

Bank of England Governor Mark Carney on Thursday dampened wide-spread expectations for an interest rate hike in May, pointing out there were also "other meetings" this year. Sterling dropped almost a cent against the U.S. dollar



to its lowest level since early April on the back of the comments, in which Carney highlighted "mixed" economic data. "I don't want to get too focused on the precise timing, it is more about the general path", he told BBC news, while adding that a rate hike this year was "likely". He said Britain should prepare for "a few interest rate rises over the next few years". A firm majority of economists in a Reuters poll published earlier this week said they expect the BoE will raise interest rates to a new post-financial crisis high of 0.75% in May.

## **PRECIOUS**

It was another volatile day for the precious complex gold pushing higher during Asia and early London, only to erase the gains and some by close as the USD changed course. USD was broadly sold off from the Asia open which helped gold trade through \$1350 and gain support beneath that level despite some early Chinese liquidation. USDCNY+CNH was sold off fairly aggressively thereafter however and AUD was strong which led to some demand during the Asia afternoon. Base metals also began to surge again which lifted the complex further, the yellow metal trading through \$1352 then receding slightly. Gold was not necessarily the centre of attention but it continued to push to the daily high of \$1354.35 (just shy of the previous days high) as European traders walked in. The dollar then began to recover and UST 10y yields began to accelerate higher which dampened golds sheen and it pulled back towards \$1352 again. Around this time a headline came out that the sanctioned Russian company Rusal (world's largest producer of aluminium), which is at the centre of the issues surrounding the base metals market, may be nationalised in order to prevent it from failing. Aluminium plummeted \$2400 on the news, copper fell back underneath \$7000 and the precious metals all fell in sympathy. Stops in gold were triggered on the move through \$1350 sharply dropping to \$1345. From there the yellow metal continued to slide, although found some support in the low \$1340's before recovering into the close at around \$1346. Palladium was exceptionally volatile once again, surging during the Asia PM/Early London in line with the base metals to the highest level since late Feb (\$1056.00). When the base turned though so did the Pd, right back off to \$1024.50 and closed the day ultimately softer at \$1030 (-0.5%).

It has been a choppy week across most markets, yet today was a little quieter in Asia with traders enjoying the breather, gold trading slightly lower on the day. The yellow metal opened right where we left off and traded sideways between \$1345-46 leading into the SGE open. There was some small net buying from Chinese investors on the open, although this soon gave way and spot gold fell a few dollars 30 minutes later towards \$1342. There were some bids on Comex around that cash level and the market held there into the afternoon. Silver tracked gold throughout the day, coming off following the SGE open, yet holding above \$17.15 and the PGM's flat-lined. In other markets, equities are lower the Nikkei currently -0.15%, Shanghai Composite -1.2%, Hang Seng -0.4% and ASX200 -0.2% and the USD is firmer against the G10 (USDJPY +0.3% to 170.65). Crude is currently flat and the base metals are all softer (Aluminium -2.5% and Nickel -3.5%). Have a great weekend.

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