



MKS PAMP GROUP

Asia Market Update

2nd October 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1188.60/00	14.49/51	823/25	1058/60
HIGH	1193.00/40	14.58/60	826/28	1061/63
LOW	1188.60/00	14.48/50	823/25	1058/60
LAST	1192.00/40	14.53/55	824/26	1059/61

MARKETS/MACRO

US equities rocketed higher overnight, on the back of the news that the US, Canada and Mexico reached a long awaited agreement on NAFTA. The news helped to alleviate some of the markets concerns surrounding global trade which has weighed on investors' minds for several months. The Dow Jones Industrial Average surged 192.90 points, or 0.7% to 26,651.21, the S&P500 climbed 10.61 points, or 0.4% to 2,924.59 whilst the Nasdaq posted a slight loss, falling 0.11%, or 9.05 points to 8,037.30. Q3 was the best quarter for equity returns in five years, surging an astounding 8% with further gains looking likely. Most European bourses were firmer with the Euro STOXX up 0.4%, the German Dax adding 0.8%, the CAC 40 gaining 0.2% whilst the UK FTSE retreated a marginal 0.2%. The greenback was mostly firmer against the G10 with the EUR trading down to a low of 1.1564, and the USDJPY topping out at 114.06, meanwhile the CAD bucked the trend and surged higher against the USD following the NAFTA trade agreement. US treasury yields were mixed with the 2 year yield falling 0.2 bps to 2.821%, the 10 year yield firmed 1.5 bps to 3.084%, whilst oil prices continued their upward momentum, which saw WTI trade up to a four year high of \$75.67 per barrel, up 2.9% on the day.

With regards to the unexpected breakthrough in the US and Canada trade negotiations, President Trump called the deal "truly historic", whilst for the first time the deal sets rules for categories of financial services and digital businesses that have been created since the agreement was created in 1994 that governs more than \$1.2 trillion worth of trade. The new deal won't take effect until the start of 2020 as three leaders need to sign the agreement and then Congress and the legislators in Canada and Mexico are required to approve it. In other trade related news, China has announced it will cut import tariffs on a wide range of products such as textiles and metals such as steel products from 11.5% to 8.4%, effective 1 November 2018.

On the data front, the US September ISM eased to 59.8 (expected 60.00), but still remains at an elevated level. New orders eased to 61.8 from 65.1, production rose to 63.9 from 63.3 whilst construction spending came in weaker than expected at 0.1% m/m to be up 6.5% y/y. Across the Atlantic, the Europe Market manufacturing PMI fell 0.1 points in September to 5.30, which was slightly below market expectations, whilst the UK PMI rose 0.3 points to 53.80 which was marginally better than the market consensus. The Euro area unemployment rate continued its descent, falling 0.1% to 8.1% which was mainly on the back of the Italian unemployment rate dropping back under 10% to 9.7%.



In other news, there were headlines that the UK Prime Minister Theresa May is reportedly preparing to make a significant new Brexit offer, which will most likely be presented to the European Union sometime this month. Reports state that May is willing to loosen the UK's objections to check goods crossing the British mainland and Northern Ireland which was a prerequisite of the EU before an exit deal can be made.

PRECIOUS

It was a quiet start to the final quarter for gold, the metal easing off throughout the Asian and European sessions, spiking back towards the opening levels in NYK briefly before closing around \$4 lower for the day. We opened in Asia around \$1192 which was pretty much the high for the day. Mainland China, HK and Australia were all out for public holidays, so flows were fairly light. The silver, after a fairly impressive rally on Monday, underwent some moderate sized profit taking and with the lack of liquidity pulled back some 10+ cents, dragging the rest of the complex lower. Gold continued to ease back through \$1190, holding around \$1189 for most of the afternoon in Asia. When the early European traders manned their desks the gold had another pullback hitting the days lows just underneath \$1185. There were some resting bids from Chinese and Indian names under that level which was enough to support any further dip. On the open of the NY session gold rallied sharply to \$1191.75, however as the Dow opened some 300 points higher following news of the NAFTA agreement between Canada and the US, gold began to sink back through \$1190 to \$1185 again. Ultimately the yellow metal found its feet at the back end of the session and closed a touch softer on the day at \$1189. Silver once again was in focus, the market recoiling a further \$0.30 from the open into NY (\$14.385 low), although Asian banks were quick to scoop it up there, trading at \$14.50 by the time we closed. Palladium continued to look shaky for most of the session yesterday falling toward \$1050, after trading at \$1095 only 2 sessions ago, and closing down about \$20 on the day (\$1058).

Metals clawed their way higher today, again on smaller volumes with China and India out today for holidays. Gold opened on the lows and there was small but persistent buying from retail and macro accounts. There was some light selling seen around \$1190, although eventually we broke through this and continued up to \$1191.50. As we moved into the afternoon gold continued to run higher up toward \$1193. We had the RBA rate decision around this time with the central bank deciding to leave rates on hold as expected at 1.50%. The AUD after jumping higher initially, dropped back towards 0.7200, which propelled XAUAUD through \$1650 and as high as \$1656 at last glance. Silver and the PGM's have also pushed higher over the course of the day. Ahead on the data calendar today we have Eurozone PPI, UK construction PMI and U.S vehicle sales. All the best.

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