



MKS PAMP GROUP

Daily Asia Wrap

3rd October 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1203.80/20	14.70/72	832/34	1055/57
HIGH	1208.10/50	14.81/83	833/35	1057/59
LOW	1203.80/20	14.70/72	829/31	1055/57
LAST	1205.70/10	14.76/78	831/33	1057/59

MARKETS/MACRO

Quite a strong risk off tone coming through to global markets yesterday as renewed concerns over Italy's fiscal discipline and internal political rifts within the ruling coalition saw the Euro continue its recent slump and dampen appetite for risk assets. European equity indices retreated with the EuroFirst 300 relinquishing -8.53 points (-0.57%) to 1,498.35 and the EuroStoxx 600 dipping -2.00 points (-0.52%) to 381.94. Regionally most bourses were in the red - FTSE100 -0.28%, CAC40 -0.71%, DAX -0.42%, FTSE-MIB -0.23%. The US with an absence of any meaningful data closed mixed on the day, the DJIA climbing +122.73 points (+0.46%) to 26,773.94, the S&P500 inching down -1.17 points (-0.04%) to 2,923.43 and the NASDAQ Composite slipping -37.755 points (-0.47%) to 7,999.547. Brent oil traded a tad lower with a relative lack of fresh news. Markets remained concerned about the tightening market balance (once the Iranian sanctions kick off next month), while Kuwait and Saudi Arabia talks on pumping oil from the neutral zone came to a halt. This could have added 500,000+ bp/d to supply, and thus the news adds further concern of potential market tightening. US treasury yields were slightly lower the 10y off 2bps to 3.064%, while the DXY rose +0.2% to 95.48.

Italy defied pressure from Brussels and its euro zone partners on Tuesday to water down ambitious budget plans, threatening to sue EU officials it said were to blame for a deepening sell-off on Rome's financial markets. The government last week set a deficit target of 2.4% of economic output for the next three years. That tripling of its predecessor's goal by the EU's second most indebted nation unnerved investors and prompted criticism and calls for a rethink from the European Commission. "We are not turning back from the 2.4% target... We will not backtrack by a millimeter," Luigi Di Maio, deputy prime minister and leader of the anti-establishment 5-Star Movement, said on RTL radio. As Italian bonds and banking shares sold off sharply, Di Maio said there was "no doubt" the leaders of France and Germany wanted the Italian government to fall, while one law-maker suggested the country would be better off without the Euro.

PRECIOUS

It was an active session for gold, particularly during the NYK hours where at one point gold was nearly \$20 higher for the day. The metal opened Tuesday in Asia on the lows (\$1189) and despite China being out again for holidays, there was buying demand seen from the Asian region as a whole. The market gradually ticked higher throughout the morning, traversing \$1190 and after doing a little work there pushing up towards \$1193 during the Asian afternoon. During the late Asian / European hours, USD/Asia became quite bullish and as such the gold slipped off into the NY open to trade briefly back beneath \$1190. The USD move later normalised and in conjunction with comments from Italian officials that they would not retract their deficit target, gold took off. Starting around \$1191.50 gold traded higher with out a glimpse back for nearly 2 hours, trading up towards \$1207 on the back of decent safe-haven demand. The \$1207-1215 area has been well defended since mid August and last night was no exception, with producer offers capping the advance. The buying eventually began to dry up and gold eased back towards \$1202-03



where we rounded out the session. Silver had a good run overnight also, pushing through the previous high from last Friday (\$14.71) and tripping stops in thin conditions up to \$14.90. Profit taking from Chinese/Asian names up there relieved momentum, the metal trading back down just under \$14.70 by session end. PGM's experienced the same sort of moves early in NY, however given they had lost substantial ground during the European session the eventual intra-day gains were not as significant as gold and silver's.

Gold remained fairly robust today, ticking higher throughout the Asia AM, despite the mixed USD and China and Korean holidays. The yellow metal opened a touch higher at \$1204 this morning and traded fairly flat over the first two hours of the day. Some light demand began to trickle in around the time of the TOCOM open with gold steadily pushing towards \$1207.50 on modest flows. Dips were bought throughout the morning and \$1206 was holding fairly well. Gold is currently sitting either side of \$1206 and holding in well on light to moderate flows. Silver has been fairly robust today, rallying back towards \$14.80 and still looking to challenge topside resistance between \$14.90-15.00. Gold and silver's performance I have found a little more encouraging this week, with signs of the metals being able to rally when there isn't necessarily a fall in the USD and with the absence of the SGE. The end of the week remains fairly data heavy with US Markit Composite and Service PMI's this evening, jobless claims and factory/durable goods orders Thursday and NFP's on Friday. These should drive markets over the next few days, along with ongoing Italian developments and trade war chatter. Have a good day ahead.

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