



## MKS PAMP GROUP

### Asia Market Update

5<sup>th</sup> September 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1191.20/40	14.14/16	777/79	981/83
<b>HIGH</b>	1194.40/60	14.16/18	780/82	986/88
<b>LOW</b>	1190.90/10	14.11/13	776/78	980/82
<b>LAST</b>	1192.10/30	14.11/13	776/78	982/84

#### MARKETS/MACRO

Global equities have started September on the backfoot, losing a little more ground overnight amid growing EM concerns and ongoing uncertainty regarding the NAFTA deal. The small losses came despite Amazon Inc becoming only the second publicly listed company in the U.S to exceed a market cap of USD \$1 trillion – its stock price doubling in less than a year. The DJIA slipped -12.34 points (-0.05%) to 25,952.48, the S&P500 relinquished -4.80 points (-0.17%) to 2,896.72 and the NASDAQ Composite decreased -18.292 points (-0.23%) to 8,091.246. Europe fared even worse on the day, the EuroFirst 300 index toppling -0.74% to 1,484.91 and EuroStoxx 600 lost -0.7% to 379.83. Regionally the DAX shed -1.1%, the FTSE100 dropped -0.62% and CAC40 plunged -1.31%. Crude oil prices started the session strongly, amid ongoing concerns about falling Iranian oil exports. Reports of a tropical storm in the Gulf of Mexico also added to these fears of supply disruptions. However, the re-emergence of emerging market turmoil in currency markets saw the USD push sharply higher, which resulted in the earlier gains being quickly wiped out. After briefly pushing above USD \$71/bbl, WTI prices fell to below USD70/bbl where they remain. In the G10 FX space, commodity currencies continued to underperform as crude took its step back, while the Euro continues to consolidate after failing to convincingly break through the 1.17 level last week – EURUSD at last count is 1.1605.

Emerging market concerns remained at the fore yesterday, with the South African economy contracting -0.7% QoQ annualised in Q2 vs expectations of a +0.6% rise after the -2.6% contraction in Q1. This was the weakest growth in over two years and the first recession for the country since 2009. USDZAR rose +3.3% to 15.34 as result, the highest level in more than two years. There was also no respite for the Argentinian peso as USDARS rose another +1.2% to 38.95. The Mexican peso also came under selling pressure on contagion from the EM sell-off with USDMNX up +1.1% to 19.40.

The Institute for Supply Management's Manufacturing PMI in the U.S jumped to 61.3 in August of 2018 from 58.1 in the previous month, beating market expectations of 57.7. The reading pointed to the highest expansion in factory activity since May of 2004 amid faster increases in new orders, production, employment, inventories and lower inflationary pressures. However, manufacturers remain overwhelmingly concerned about tariff-related activity, including how reciprocal tariffs will impact company revenue and current manufacturing locations. Elsewhere, U.S construction spending edged up +0.1% from a month earlier to a seasonally adjusted annual rate of USD \$1.32 trillion in July 2018, following a downwardly revised -0.8% drop in June, missing market expectations of a +0.5% rise. Investment in public construction projects rose +0.7% in July (-1.7% in June), boosted by a rebound in spending on federal government construction projects. Meanwhile, private residential project outlays fell -0.1% as spending on private non-residential structures, which includes manufacturing and power plants, dropped -1.0%, the biggest decline since August 2017.



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## PRECIOUS

Bullion extended recent weakness on Tuesday amid a stronger greenback, with the dollar hitting the highest level since late July against the Canadian dollar as trade talks between the two parties continue to show no signs of progress. Price action during Asian trade was relatively robust to see the yellow metal hold around USD \$1,200, however it wasn't long until the dollar regained the ascendancy to weigh upon bullion. Early offers out of London saw gold sharply lower through USD \$1,200, with the metal finding some respite around USD \$1,193 leading into New York trade following Monday's Labor Day holiday. Price action in the U.S. was mixed, however skewed to the downside, briefly flirting with a break underneath USD \$1,190 before recovering back toward the support level found in Europe into the close. After failing to capture the USD \$14.50 pivot point in recent sessions, silver was resoundingly sold on Tuesday, in essence leading the remainder of the precious lower. The grey metal hit stops around the previous USD \$14.40 low and extended losses throughout the session to test USD \$14 in New York and book a staggering -2.5% decline. Platinum shed -1.37% and moved further away from the important USD \$800 handle, while palladium collapsed -2.6% in Europe, only to turn bid in New York and sharply reverse declines to end flat on the session.

Bullion experienced a mild bid tone during Asian trade today, however participants remained cautious following the recent precious weakness and firming dollar, notably against emerging market currencies. Interest was predominately Chinese driven as USD/China softened in early trade, however heavy offers through USD \$1,194 restricted further top-side gains. The metal is precariously poised and could well see further weakness toward USD \$1,180 and even the recent low of USD \$1,160 should the greenback continue to strengthen. Emerging market currencies are unable to gain a foothold against the dollar and the recent correlation between the euro and gold continues to hold. Vols have ticked higher following the recent price action, with 1m pushing toward 10, while ETF's shed a further 250,000 ounces on Tuesday Silver held above USD \$14 during Asian trade today, however remains subject to high volatility and could see weakness extend toward USD \$13.70 - \$13.80. Data releases today include Markit services/composite PMI prints from Italy, France, Germany, the U.K. and the Eurozone. We also see U.S. trade balance and U.S. mortgage applications.

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