MKS PAMP GROUP
Asia Market Update
15th August 2018

Range Asia Markets (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1194.10/30	15.06/08	801/03	898/00
HIGH	1194.90/10	15.06/08	801/03	899/01
LOW	1186.30/50	14.94/96	788/90	891/93
LAST	1188.10/30	14.94/96	788/90	893/95

MACRO

The market got some relief overnight as the Turkish Lira recovered somewhat (~7%). President Recep Tayyip Erdogan yesterday said Turkey would boycott US electronic goods like the iPhone in retaliation for punitive sanctions from Washington, as the Turkish lira finally clawed back some of the ground lost in its stand-off with Washington. While the TRY recovered somewhat, the underlying issue however remains unsolved. This though did not deter a return to 'risk on' activity across markets. U.S equity indices bounced Tuesday, with the S&P500 snapping its longest losing streak since March, rising +18.03 points (+0.64%) to 2,839.96. The DJIA also rebounded +112.22 points (+0.45%) to 25,299.92 as did the NASDAQ Composite, up +51.189 points (+0.65%) to 7,870.895.

European stocks crept higher to mark the first advance in three sessions, as Turkey's currency meltdown showed signs of steadying. Germany's economy saw growth of +0.5% in the second quarter which was better than expected, yet global trade tensions and Turkey's currency crisis are clouding the business outlook. The FTSE EuroFirst 300 inched up +0.89 of a point (+0.06%) to 1,506.77, while the EuroStoxx was flat at 384.92. Regionally the DAX was flat, FTSE100 was down -0.4% and the CAC40 lost -0.16%. The energy sector was slightly higher, helped by gains in the natural gas markets. However, crude oil prices remained under pressure as concerns over rising inventories weighed on sentiment (WTI -$0.55 or -0.85% to $66.63 bbl). Rumours emerged during the day that the American Petroleum Institute's stockpile report would show a decent rise in inventories last week and this was eventually the case, with a 3.66m barrel rise reported. That comes in face of expectations of a large fall in the stockpiles when the weekly EIA report is released tomorrow.
However, investor appetite was already waning on the back of a stronger USD. Reports that Libya's crude oil output has risen to more than 1mb/d also weighed on sentiment. In the G10 space, the Euro was well offered, taking another leg lower to the mid 1.13 level after breaking through the 200 DMA at 1.1365. Flows yesterday were relatively quiet despite the price action with some macros and corporates being strong buyers of Euros on the dip.

In the U.S export prices showed signs of President Trump's tariffs with agricultural prices falling sharply. Farm prices fell -5.3% MoM, the largest drop since 2011, while soybean prices fell -14.1%. Overall, export prices fell -0.5% MoM, moderating to 4.3% YoY (from 5.3%). Import prices were flat on a monthly basis but are up 4.8% YoY, from an upwardly revised 4.7% (previously 4.3%). Import prices from China were down 0.2%. Small business optimism in the U.S remains elevated, rising to 107.9 in July from 107.2 in June and beating expectations. The index sits at the second highest level in its 45-year history. Across the Atlantic, Q2 GDP growth in Germany was stronger than expected at +0.5% QoQ (+2.0% YoY) boosted by an increase in private and government spending. For the euro area as a whole, growth was estimated at +2.2% YoY, however, industrial production fell -0.7% in June. Encouragingly, there was a rebound in investor sentiment in August with the ZEW survey of current situation rising to 72.6 from 72.4 and expectations rebounding to -13.7, from -24.7. Inflation in Germany and France was confirmed at 2.0% and 2.3%, respectively. UK unemployment continued to fall, dropping to 4.0% in the three months to June, the lowest level since February 1975. Employment rose by +42k, less than forecast, but the participation rate dipped to 75.6%. There was a record drop in employment among EU nationals, falling -86k, as Brexit impacts reverberate through the business community. Weekly earnings were up 2.7% YoY excluding bonuses. Overall, the labour market continues to tighten, however the BoE is likely to remain cautious in policy normalisation.

PRECIOUS

A relatively muted session for gold on Tuesday, even amid stronger U.S. equities and further dollar strength. Early Asian session weakness gave way to interest out of China to halt a test toward the previous session low print. We saw the Chinese premium trade around USD $5 as USD/CNY failed to extend recent gains, supporting bullion through USD $1,195 or through USD $1,200 December futures. Offers above the key futures figure kept a lid on any further top-side gains, while a leg higher to the greenback in New York reversed the Asian session gains to have bullion end relatively flat on the session. Silver found short-term support to hold the USD $15 handle, while platinum failed to see interest at USD $800 and slipped below the figure.

Gold extended declines during Asian trade on Wednesday, pressured through the USD $1,192 support level leading into the Chinese lunch break. We once again saw interest in Shanghai as the on-shore premium held above USD $5, however a firmer greenback outweighed the demand to see gold to a fresh cycle low of USD $1,186.30. The ongoing global trade disputes remain supportive for bullion and we should see interest toward USD $1,180 and USD $1,172 restrict further declines over the near term. Of note is the further extension of short positioning and we may see some of this unwound should gold break through top-side targets at US $1,200 and USD $1,210. Silver slipped through the USD $15 support level in Asia today and may see weakness extend toward USD $14.80, while both the white metals retreated.

Data releases today include U.K. CPI, U.S. mortgage applications, U.S. Empire manufacturing, U.S. retail sales and U.S. industrial production.