



## MKS PAMP GROUP

### Daily Asia Wrap

26<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>	1201.00/40	14.45/47	822/24	1060/62
<b>HIGH</b>	1202.40/80	14.50/52	825/27	1062/64
<b>LOW</b>	1199.90/30	14.41/43	822/24	1059/61
<b>LAST</b>	1200.40/80	14.44/46	824/26	1062/64

#### MARKETS/MACRO

Trading direction lacked conviction overnight with President Trump sounding relatively composed at the UN General Assembly. U.S equities were mixed with the Dow trailing off -69.84 points (-0.26%) to 26,492.21 and the S&P500 relinquishing -3.81 points (-0.13%) to 2,915.56, while the Nasdaq Composite strengthened slightly up +14.223 points (+0.18%) to push it over over 8,000. European stocks exhibited collective strength on the day, the EuroFirst 300 Index rallying +8.06 points (+0.54%) to 1,505.56 and the Euro Stoxx 600 up +1.75 points (+0.46%) to 383.89. Regionally the FTSE100 advanced +0.66%, DAX climbed +0.19% and CAC40 inched up +0.05%. Oil remained in focus with Crude prices rising sharply amid the ongoing fallout from the weekends OPEC meeting. Brent hit a fresh 4 year high (\$82.55), before settling only slightly higher (Brent \$80.89, WTI \$72.04) following President Trump's call for OPEC to boost global output. Prices had initially rallied on supply concerns as U.S sanctions on Iran come into effect from November 4, with Trump continuing to encourage other nations to isolate Iran also. Elsewhere, the USD was slightly weaker as the Dollar index eased -0.1%. USDJPY rose +0.2% to 112.97 while the EURUSD was up +0.2% to 1.1767. U.S treasury yields rose 1-2bps across the curve at the start of the session with 10y yields touching yearly highs at 3.111%, later falling back to 3.096%. European yields rose also with 10y bunds up 3.3bps.

The U.S. is moving forward on its bilateral trade deal with Mexico even if Canada is left out because negotiators can't resolve their sharp differences over dairy and a dispute resolution system, U.S. Trade Representative Robert Lighthizer said. The Trump administration soon plans to present to Congress a text of the U.S.-Mexico trade agreement that was announced last month to revise portions of the North American Free Trade Agreement - according to Lighthizer. The timeline is important because current Mexican President Enrique Pena Nieto wants to sign the deal before he's succeeded by Andres Manuel Lopez Obrador in December. Meanwhile there is no sign of a thaw in US-China trade relations, but Trump said nothing new in his address to the UN General Assembly. China said yesterday that it "won't negotiate with a knife at its neck" and resumption in trade talks is entirely up to the US.

It's Fed Hike day today as markets have priced in a 100% rate hike with the FOMC meeting later tonight. What remains to be seen is the Committee's signal about the prospects for rate hikes in the coming quarters. The possible change to the description of the policy stance as "accommodative" may be perceived as dovish by the markets also. On the data front, U.S reports highest consumer confidence data in 18 years overshooting street estimates considerably. Ahead of the FOMC meeting, this is a positive indicator for the U.S economy and supports Fed Funds rate hike consensus.

#### PRECIOUS

Gold gained ground yesterday but ran into resistance above \$1200, capped by quarter end producer selling and anticipation of a U.S rate hike today. We opened at \$1198.50 in Asia yesterday and the metal held fairly steady leading into the China open. Once their day commenced on the SGE there was an influx of selling on ECOMEX and



spot gold as a result fell. China were on the offer also and we dipped off briefly to the days lows of \$1197.40, before recovering into the latter part of the AM session. The SGE premium was trading around a premium of USD \$8 to loco London gold which drew out some further demand and pushed the metal back toward \$1199. Volume remained decent throughout the Asia afternoon although price action was limited. We bounced through \$1200 later in the day and held steadily around that level throughout the European day angling quietly higher throughout NY to an intra-day peak of \$1203, before closing a touch lower at \$1201. Silver was more active on the day, mainly the result of thinner conditions than its yellow cousin. Silver was sold down in Asia to \$14.23, before rallying hard in NY to a peak of \$14.55 and then easing back off on some late profit taking to \$14.45. Gold remains in a holding pattern at the moment with the market looking towards tonights FOMC initially, then GDP tomorrow night to potentially shake things up. China will be out for a weeks holiday next week, which traditionally results in lower prices without their natural demand supporting, so will be interesting to see what develops over the coming week or so.

A very quiet day today for the precious, gold confined to a tight \$3 range between \$1200-1202.50. We initially popped higher to \$1202 just after the open in line with a slightly softer USD, although selling mounted as we moved toward the Shanghai open, spot dipping to \$1200. Chinese traders in contrast to yesterday were buyers at the open and helped to bid up the spot market back toward \$1202.00. We remained locked \$0.50 either side of this for the remainder of the day, with good volume churning through both COMEX and the SGE, although once again the lack of price action has produced a dull session. Traders will be looking to tonight's FOMC, where a rate rise is almost 100% priced in, but more importantly investors will be looking for any guidance concerning future rate rises. Have a good day ahead.

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