



## MKS PAMP GROUP

### Daily Asia Wrap

24<sup>th</sup> May 2018

Range Asian Hours  
(from Globex open)

|             | <b>GOLD</b> | <b>SILVER</b> | <b>PLATINUM</b> | <b>PALLADIUM</b> |
|-------------|-------------|---------------|-----------------|------------------|
| <b>OPEN</b> | 1293.90/30  | 16.46/49      | 900/03          | 978/80           |
| <b>HIGH</b> | 1295.80/20  | 16.47/50      | 907/10          | 982/84           |
| <b>LOW</b>  | 1292.70/10  | 16.40/43      | 900/03          | 976/78           |
| <b>LAST</b> | 1295.80/20  | 16.45/48      | 907/10          | 982/84           |

#### MARKETS/MACRO

Minutes from the FOMC May meeting confirmed the Fed is not likely to raise interest rates too aggressively in the near term. Among the more dovish sentiments was the comment that "it was premature to conclude that inflation would remain at levels around 2%, especially after several years in which inflation had persistently run below the Fed's 2% objective". The probability of three further rate hikes in 2018 was reduced significantly, the markets are pricing in less than a 40% of a fourth rate hike this year. US equities were higher on release of the minutes, the Dow added 52.4 points, or 0.21%, to 24,886.81, the S&P 500 rose 8.85 points, or 0.32% to 2,733.29, while the Nasdaq gained 47.50 points, or 0.64%, to 7,425.956. There were wins for utilities (+0.90%) and REITs (+0.81%), while financials (-0.60%) led the laggards. European equities were lower, the EuroSTOXX lost 4.36 points, or 1.10%, to 392.58, the German DAX dropped 193.08 points, or 1.47%, to 12,976.84, and the London FTSE 100 fell 89.01 points, or 1.13%, to 7,788.44. The FOMC minutes did not have a profound effect on currencies markets, the US dollar index rose 0.37% to 93.952 but for the most part this move occurred prior to the announcement. The EUR dipped below 1.17 for the first time since November last year, and USD/JPY traded down to 109.56 before rallying back above 110. US treasury yields were lower, the 2 year yield eased 3.98 bps to 2.5282% and the 10 year yield fell 6.62 bps to 2.9935%. Oil prices were mixed, Brent added 0.18% to \$79.71 while WTI declined 0.51% to \$71.83. Base metals were broadly lower, with copper (-1.6%) leading the losses. In US economic data, the IHS Markit manufacturing PMI flash reading crept up to 56.6 in May from 56.5 in April, reaching the highest level since September 2014. The services flash reading rose to 55.7 in May from 54.6 in April. The Commerce Department reported that new home sales fell 1.5% to a seasonally adjusted annualised rate of 662k. In Asia today, as I write the Nikkei is at -1.32%, the Shanghai composite is at -0.05%, the Hang Seng is at +0.07%, and the ASX S&P 200 is at -0.05%. Tonight we have weekly jobless claims and existing home sales out of the US; an consumer confidence (flash and ECB monetary policy meeting accounts out of the Eurozone.

#### PRECIOUS

Some volatility creeping back in to the precious complex despite gold closing all but unchanged on the day. Gold opened at \$1291 in Asia, traded quickly up to \$1295, then eased back toward the opening levels as investors were caught in two minds with both EUR/USD and USD/JPY being sold. The SGE premium was around still hovering around \$8-9, though not enough stem Asian selling as the EUR came off further. The market dipped to \$1289 in late Asian hours but London were on the bid immediately and the yellow metal rallied to a week-high \$1297. Conversely, NY were sellers from the opening bell as the EUR dropped below 1.17, dumping gold to the session low \$1288. Trading was whippy through the remainder of NY hours and gold did receive a boost from the FOMC minutes. The metal wound up finishing the day all but flat at \$1293. Silver was dumped to a low of \$16.32 in early NY trading, before clawing back some of the losses through the afternoon. Palladium tumbled back down to test the recent lows at \$966. The Philadelphia gold and silver index rose 1.21%. In Asia today, gold opened at \$1293.90 and has remained within \$1293-96. We



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have seen selling out of China with the SGE premium easing to \$6-7, but USD/JPY falling below 110 has helped support the market. The yellow metal is at the high of \$1295.80 as I write. Silver is flat at \$16.45. In the PGMs, palladium remains unchanged while platinum has firmed to \$907. Gold is still stuck within the recent range but there are some encouraging signs as the metal is trading near the top of the band despite the USD being bid. The topside target remains at \$1300, a break above here would be a positive signal for the market. Support-wise there have been a lot of buyers under \$1290, with the \$1282 2018 low a key support level. Have a good day ahead.

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