



MKS PAMP GROUP

Daily Asia Wrap

25th July 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1224.10/50	15.45/47	831/33	914/16
HIGH	1227.30/70	15.51/53	838/40	919/21
LOW	1223.00/40	15.43/45	831/33	912/14
LAST	1227.10/50	15.50/52	838/40	919/21

MARKETS/MACRO

Risk traded broadly higher last night, continuing the momentum from the previous session as stronger U.S earnings saw the S&P etch out another moderate gain while UST's remained relatively stable. We saw the dollar take a step back against most G10 pairs with firming commodity prices helping AUD and CAD higher while trade tensions remained in focus ahead of today's meeting between President Trump and European Commission President Jean-Claude Juncker. The US president fired off a series of tweets last night and this morning calling for the EU to drop all tariffs and trade barriers while also tweeting that tariffs are the 'greatest'. U.S. stocks pared early gains, but were still trading higher on the day, powered by a number of positive earnings results, including the parent company of Google that posted results that came in much stronger than expected. The Dow Jones Industrial Average gained +197.65 points (+0.79%) to 25,241.94, the S&P500 advanced +13.42 points (+0.48%) to 2,820.40 and the NASDAQ Composite remained flat, inching down -1.105 points (-0.01%) to 7,840.768. The best performing sector intra-day was Telecom Services (+1.76%), while the worst performing sector was REITs (-0.32%). European equity markets enjoyed one of the best daily climb's since late June amid well received corporate results (Peugeot +15.0% / UBS +4.3% / Randstad +3.9%) and improved manufacturing data. The EuroFirst 300 jumped +13.55 points (+0.9%) to 1,521.21 and the Stoxx 600 index gained +3.3 points (+0.86%) to 388.18. Regionally the DAX ran +1.12%, FTSE100 +0.7% and CAC40 +1.04%. Crude oil prices rose as investors become increasingly confident that inventories would continue to fall. A Bloomberg survey showed that the market is expecting a draw-down of around 3m barrels in the U.S last week. WTI crude rose +\$0.63 (+0.9%) to \$68.52 and Brent rose +\$0.74 (+1.0%) to \$73.80. Fixed income markets traded water yesterday, with the U.S 10y yield down -0.55 bps to 2.948% and 2y yields up +0.44 bps to 2.633%.

On the data front the IHS Markit U.S Manufacturing PMI edged up to 55.5 in July from 55.4 in June and above market expectations of 55.4, flash estimates showed. The reading pointed to a slightly stronger growth of the manufacturing sector amid a robust rise in new orders and a solid upturn in both production volumes and employment. IHS Markit U.S Services PMI however, dropped to 56.2 in July from the previous month's 56.5 and below market consensus of 56.5. Still, the latest reading signalled a robust rise in service sector output, due to another sharp rise in new business intakes. Also, backlogs of work fell for the first time since April 2017 and business optimism regarding the outlook for the year ahead improved, while employment growth eased to a six-month low. On the price front, input cost inflation remained high and prices charged rose the most since the survey began in October 2009. In the Euro Area, IHS Markit Eurozone Manufacturing PMI rose slightly to 55.1 in July from the previous month's 19 month low of 54.9, and above market consensus of 54.6, while the services PMI fell to 54.4 in July from a four month high of 55.2 in June, and missing market expectations of 55.0.



PRECIOUS

Gold closed the session almost unchanged yesterday, the metal still floundering around towards the recent lows and still trading beneath the 200 dma on the weekly chart (\$1234.30). Asia opened around \$1225 Tuesday, with the metal initially sagging as the USD strengthened against a number of G10 currencies. USDCNH also began to surge an hour prior until the the SGE open, running from 6.8130 to 6.8330 by the time Shanghai opened for business. The pair continued it's upward trajectory to hit a peak of 6.8446, with gold struggling and trading back towards \$1220.50 after the opening half-hour of Shanghai trade. Chinese banks were good sellers by volume, with the on-shore SGE premium soft at around \$1.75-2.25 over the loco London price. The gold continued to sell-off over the Asia afternoon, falling through \$1220 to an intra-day low of \$1218.50. It bounced once European traders came, partially due to the USD easing and partly due to some early profit taking. USDCNH did a sharp about face and the yellow metal continued to climb hitting the days pinnacle of \$1229.10 just after U.S traders kicked off their day. There was still plenty of visible selling around \$1230 cash on COMEX, which prompted some selling later in the day, the metal then remained quiet between \$1224-1226 into the close. Gold seems to be trying to find a base at present, so we feel a little bit of work is likely to be done between \$1205-1235 in the coming week or so. Further, we feel a break and close below/above either of these levels will likely build momentum in their respective directions. This week has seen some positive inflows for ETF's after a month of heavy liquidation, which when coupled with COMEX spec short positioning sitting at multi-year highs, may finally be giving bulls some form of encouragement. Elsewhere, Swiss gold exports to China during H1 2018 came in at 274.7 tons compared 299.8 tons exported to China for the whole of 2017. This suggests a major change in the way the Chinese are sourcing imports, with more direct imports and less indirect imports via HK. PGM's had a strong rally throughout the day yesterday on the back of strength in base metals, after Beijing signalled that it is prepared to defend growth and has shifted its policy stance away from the original de-leveraging and towards fiscal stimulus. The rally did not last however as there was some eager profit taking into the back-end of NY. Both Pt and Pd did manage to close in the green on the day though.

It was a slow day for the precious complex today, gold remaining confined to a tight \$3 range for the majority. Light two-way trade was seen during the lead up to Shanghai, with the gold slowly making its way a few dollars higher. The SGE opened and was very quiet throughout the morning, with the premium remaining at the low end of the recent range and generating little in terms of interest. Light selling was seen throughout the backend of the Asian AM session, but there was no real follow through and we held around \$1224, after dipping to the lows. As I write we have ticked up to the days highs with early European traders showing mild demand. Not a great deal to report today. Ahead on the data calendar, look out for German IFO and U.S new home sales and mortgage applications as well as the Trump Juncker meeting. All the best.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.