



MKS PAMP GROUP

Daily Asia Wrap

2nd February 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1348.70/10	17.20/23	1005/08	1036/38
HIGH	1349.60/00	17.23/36	1005/08	1038/40
LOW	1346.40/80	17.18/21	1000/03	1035/37
LAST	1347.90/30	17.20/23	1001/04	1036/38

MARKETS/MACRO

US equities were mixed in a choppy session sandwiched between Wednesday's FOMC announcement and tonight's non-farm payroll data. The Dow added 37.32 points, or 0.14%, to 26,186.71; the S&P 500 edged lower 1.83 points, or 0.06% to 2,821.98, while the Nasdaq fell 25.619 points, or 0.35%, to 7,385.863. There were wins for telecoms (+2.48%) and energy (+1.10%) while REITs (-1.86%) and utilities (-1.58%) weighed on the markets. European shares were lower as investors remain nervous that the increase in bond yields will continue, the EuroSTOXX lost 1.97 points, or 0.57%, to 393.49, the German DAX dropped 185.58 points, or 1.41%, to 13,003.90, and the London FTSE 100 shed 43.16 points, or 0.57%, to 7,490.39. In the currencies, the US dollar index lost 0.57% to 88.629, the EUR traded up to 1.2517, while USD/JPY was as high as 109.72 before pulling back. The sell off in US bonds continued with the market still feeling the effects of the Fed's mildly hawkish statement on Wednesday. The 2 year yield rose 1.83 bps to 2.1589% and the 10 year yield climbed 7.71 bps to 2.7821%, posting a fresh 4 year high in the process. In commodities news, oil markets were given a boost as Goldman Sachs released a report revising its price forecast significantly higher. The 3 month forecast for Brent is now \$75 and the 6 month has been revised to \$82.50, the basis of their revision is the view that the rebalancing of the oversupplied oil market already occurred in late 2017, some 6 months earlier than originally expected. Brent rallied 1.31% to \$69.79 while WTI rose 1.93% to \$65.98. Base metals were broadly higher, with nickel (+1.84%) leading the way. In US economic data, fourth quarter productivity fell at a seasonally adjusted annual rate of 0.1%, the first quarterly decline since 2016. Unit labour costs increased at a 2% rate for the quarter. For the full calendar year, productivity rose 1.2%. The ISM manufacturing index fell to 59.1% in January from 59.3% in December; new orders, production, and employment fell, while the prices paid index posted a strong gain. The Markit manufacturing PMI rose to 55.5 in January from 55.1 in December, remaining unchanged from the flash estimate. Initial jobless claims fell by 1k to 230k in the week ending January 27. Continuing jobless claims increased by 13k to 1.95M. In Asia today, as I write the Nikkei is at -1.01, the Shanghai composite is at -0.41%, the Hang Seng at +0.13%, and the ASX S&P 200 is at +0.40%. Tonight investors attention will be focused on the non-farm payroll numbers out of the US, along with the unemployment rate, average hourly earnings, consumer sentiment index, and factory orders; we will also see PPI data out of the Eurozone.

PRECIOUS

Strong finish for the precious as rising US treasury yields cause jitters elsewhere in the markets. Gold opened at \$1344 and after an early pop over \$1346 settled around \$1342-44 with the SGE premium a touch softer at \$8. The market started to look soggy late in the day as USD/JPY started to tick up and the EUR dipped below 1.24, ending up at \$1338 by the time London came in. Gold looked tired during the London AM session, printing the days low of \$1337 just before NY open. Things took a turn from here as a sell off in USD began to pick up steam, the yellow metal climbed steadily higher through NY hours, eventually making a move on the \$1350 resistance level as the EUR traded back above 1.25. Resting



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orders at this psychological level capped the market and gold finished the session at \$1348. Silver traded quickly to the days high \$17.35 which seemed to trigger some profit taking, the grey metal ultimately closing lower at \$17.18. Platinum was able to halt its recent slide, finishing in the black at \$1040 despite posting a 6 week low \$1014 during Asian hours. Platinum found enough interest to close back above the \$1000 level. The Philadelphia gold and silver index slipped 0.7%. The SPDR Gold trust physical holdings were unchanged 841.35 metric tonnes. In today's trading, gold made a couple of attempts on \$1350 but has been ultimately range-bound, the SGE premium is constant at \$8 over loco London. The yellow metal is at \$1347.90 as I write. Silver has been quiet, the grey metal is flat at \$17.20 as I write. Little action in the PGMs either, platinum is looking a little softer but has held above the \$1000 level thus far. All eyes on the NFP numbers tonight, a figure outside the consensus forecast could rattle the markets where volatility has already crept in over the last week or so. Gold is close to the first resistance at \$1350 and the Jan high \$1365 should be the target after that. On the downside, the metal should find first support at the weeks low of \$1334. Have a good day ahead.

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