



MKS PAMP GROUP
Daily Asia Wrap
2nd November 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1233.40/60	14.73/75	860/62	1094/96
HIGH	1234.60/80	14.78/80	865/67	1100/02
LOW	1231.10/30	14.64/66	860/62	1093/95
LAST	1234.50/70	14.77/79	865/67	1100/02

MARKETS/MACRO

Equities in the U.S. booked their third consecutive gain on Thursday on hopes of an agreement on trade between the U.S. and China. It was the first time the S&P 500 had booked three successive wins since mid-September as the bourse finished +1.06% higher at 2,740.37 points, matching the DJIA as the industrial average also booked a +1.06% return to end at 25,380.74 points. The Nasdaq Composite (+1.75%) meanwhile outperformed as the FAANG stocks ended generally higher. Initial jobless claims in the U.S. eased modestly during the week ended October 27, sliding 2,000 to 214,000 (exp: 212,000), while the four-week moving average added 1,750 to 213,750. Continuing claims edged down 7,000 to 1.631 million during the week ended October 20 (exp: 1.640 million). The Markit U.S. manufacturing PMI for October increased to 55.7 (exp: 55.8) from 55.6 in September as expansion in new business underpinned the headline figure. The ISM U.S. manufacturing PMI meanwhile fell to a six-month low of 57.7 (exp: 59.0) from 59.8 in September, driven by weakness across new orders and production. The greenback reversed previous session gains on Thursday to trade into negative territory for the week. The DXY handed back -0.84% as the pound surged nearly +2% following reports that the U.K. had reached a tentative deal to allow U.K. banks to keep operating within the EU post-Brexit. The euro also found support from the Brexit news to gain +0.85%, while the yen ended marginally firmer to see USD/JPY off -0.22%. The Chinese currencies also found strength against the greenback following recent declines, with the on-shore CNY adding +0.6% to draw away from the 7.00 figure, while USD/CNH pulled back -0.84%. Both had tested a break through 6.98 in recent sessions (CNH 6.9804 high and CNY 6.9799 high), however have retreated as the U.S. – China trade talks move closer.....

The Bank of England, as expected held rates unchanged at the November meeting, voting unanimously to hold the key lending rate at +0.75%. Stocks in the U.K. saw headwinds from the firmer pound, pressuring the FTSE 100 -0.2% lower to 7,114.66 points as heavy trade to exporters outweighed gains across the financial sector. Across Europe equity markets managed to book modest gains following mixed earnings results, seeing the Euro Stoxx 600 +0.24% higher to 363.08 points and the German Dax tacked on around +0.2% to end at 11,468.54 points.



PRECIOUS

Gold prices rallied on Thursday to print a USD \$1,237.25 session high, a stunning turnaround considering the USD \$1,212 low marked the session prior. The yellow metal found support amid an ailing dollar, managing to shrug off continued equity strength (over the past three sessions at least) to find renewed interest on a stop loss run broadly through USD \$1,220 - \$1,225 (100 DMA \$1,218.6) and again as the metal pushed above USD \$1,230 to the USD \$1,235 pivot. A sharp late session push above USD \$1,235 marked the session high at USD \$1,237.25 before profit taking wiped a few dollars off the metal. Vols tightened marginally, which is surprising considering the price action, while ETF's recorded a further 210,000 ounces of inflows. Having held the early October lows toward USD \$14.25, silver had a day out on Thursday, leaving shorts pulling their hair out as the volatile metal ripped +3.6% higher. There was sustained interest once above USD \$14.50, however once again USD \$14.80 remained a formidable resistance. The metals inability to move through the top-side was not surprising considering the magnitude of the rally, with short term specs layering offers around the previous high printed in mid-October around USD \$14.80 (early Oct saw USD \$14.90 tested however).

Asian trade on Friday saw a modest extension of the overnight bid tone, notably evident late in the session toward the European open as USD/China and the AUD led further greenback weakness. Interest toward USD \$1,230 remained evident as resting bids restricted any test of the figure, albeit the metal was held in a relatively narrow range throughout the day and encountered offers around USD \$1,235. Firmer export currencies may be mitigating gains to gold in the crosses and as such we aren't seeing producer selling to the extent we typically would on dollar denominated strength (AUD gold off over -3% from the Oct 26 high). Although the recent reversal in bullion was significant (USD \$1,243 - \$1,212), having eventuated on 31st October and vulnerable to a move underneath the 100 DMA following the sharp declines in previous sessions, the impact of month end is likely to have been more significant than initially thought. The key going forward over the near-term (post the expected whippy pricing around NFP's) will be a close above USD \$1,235 and more broadly support toward USD \$1,230. A test through USD \$1,245 - \$1,250 will be met with strong resistance, however a sustained move through this level, notably the psychological USD \$1,250 handle, should squeeze the majority of remaining shorts and set-up an extension toward USD \$1,300. Silver targets a break through the recent high prints and will look to the base complex for support, while platinum hasn't put a foot wrong since moving above USD \$850 and palladium is seeing ETF inflows and modest tightening to forwards buoying the metal back above USD \$1,100.

All eyes tonight on October U.S. payrolls data, with market expectations centred around 200k to follow the weather impacted 134k in September (possible upwards revision). We will also see the U.S. unemployment print (no change from 3.7% expected), U.S. factory orders and U.S. durable goods.

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