



MKS PAMP GROUP

Daily Asia Wrap

30th July 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1223.00/40	15.49/51	830/32	926/28
HIGH	1223.80/20	15.50/52	831/33	929/31
LOW	1219.20/60	15.39/41	821/23	926/28
LAST	1220.70/10	15.42/44	824/26	926/28

MARKETS/MACRO

U.S. stocks closed lower Friday following disappointing results from Twitter Inc. (-20.5%) and bellwethers, including Exxon (-2.75%) and Intel (-8.6%). The highly anticipated release of U.S gross domestic product data also showed that economic growth remains strong but came in a shade below lofty expectations at +4.1%. The Dow Jones Industrial Average relinquished -76.01 points (-0.30%) to 25,451.06, the S&P500 backed off -18.62 points (-0.66%) to 2,818.82 and the NASDAQ Composite was hit hardest due to the sell-off in Information Tech shares (-2.0%), falling -114.765 points (-1.46%) to 7,737.419. European equities finished what was a strong week in the green Friday, with most major indices closing with their best weekly gain in 4 months. More positive earnings continued to drive markets higher on Friday with Carrefour (+11.6%), BT Group (+5.0%) and Reckitt Benckiser (+9.6%) all posting much improved mid-year results. The EuroFirst 300 index advanced +5.86 points (+0.38%) to 1,535.13 and the EuroStoxx gained +1.55 points (+0.4%) to 392.08, while regionally the FTSE100 rose +0.5%, DAX +0.4% and CAC40 accelerated +0.57%. Crude oil prices were under pressure Friday despite lingering concerns over further supply-side disruptions, WTI retreating -\$0.92 (-1.3%) to \$68.69 a barrel. Prices had been supported earlier in the week after Saudi Arabia suspended shipments of oil through the Bab el-Mandeb Strait after two large tankers were attacked by Yemeni militia. The strait is a key waterway for the crude oil market, connecting the Red Sea with the Arabian Sea. Concerns were mitigated somewhat by another gain in drilling activity in the U.S, the rig count rising for the first time in three weeks. In rates, the the U.S 10y yield decreased -2.22bps Friday to 2.954% and the 2y yield fell -1.21bps to 2.669%.

Japan's central bank made its second intervention in a week to support the domestic bond market after the yield on 10-year government debt hit its highest in 18 months. The BoJ on Friday launched a special bond-buying operation to suppress yield, which moves inversely to price, back below 0.1%. Investors had sold out amid reports that the central bank might scale back its stimulus programme this week. In a rare move, the BoJ offered to buy unlimited amounts of the 10y notes at a yield of 0.1%, 1 basis point lower than its operation on Monday at 0.11%. The yield on the 10y note closed a basis point higher at 0.09%.

On the data front, consumers and government spending powered the U.S economy to a +4.1% rate of GDP growth (+4.2% expected) in the second quarter, the fastest pace in almost four years. Consumer spending accelerated to a +4.0% annual pace of growth after a sharp pullback in the first quarter. Government spending also accelerated at both the federal and state levels. Business fixed investment increased +5.4% in the second quarter, down from a +8% gain in the first three months of the year. Still in the U.S, consumer sentiment fell in July according to the University of Michigan. Their index fell to 97.9 from 98.2 in June (97.1 expected), as both the assessment of current economic conditions and expectations fell. "Despite the expectation of higher inflation and higher interest rates during the year ahead, consumers have kept their confidence at high levels due to favourable job and income prospects", the University said in its statement.



PRECIOUS

Gold managed to claw back earlier losses post-GDP release on Friday, closing out the day mostly unchanged (~\$1223) and finishing the week modestly lower (-0.65%). The yellow metal opened Friday around \$1223 and traded slowly sideways throughout the AM session and most of the Asia PM, holding a range of \$1222.50-1225.00, on light volume. As European traders came in there was a flush out to the downside, prompted by a change in the USDCNH - which after being offered all day made its way up to fresh highs (6.8569). The gold fell through \$1220 quite sharply, although as had been the case for the rest of the week, there was support seen below that level - via profit taking spec traders. The U.S GDP was released early during the NY session, missing expectations by 0.1%, yet remaining a historically strong figure overall. Nevertheless, the slight miss was enough to send the metal higher into the afternoon and ultimately closing around \$1223 in what was a muted session. With the August summer holiday period fast approaching, we expect activity to drop off in the metals market to some degree over the coming weeks. CFTC positioning remains heavily skewed to the short side, with non-commercial shorts remaining close to record highs. The market seems to be finding a base in the \$1210-1220 area and we suspect given the positioning in both COMEX and ETF's, there could be a possibility of a relief rally on the horizon. We still believe it is very much a dollar play however and if strength persists gold should remain capped at the lower end of the range.

Gold opened this morning at \$1223 with a very slight downside bias during the early hours. This slowly began to build as we approached the SGE open, with the USDCNH gaining a bit of upward momentum around this time also. The yellow metal traded down through \$1220 again, although we did see some decent underlying offers beneath there and we held above \$1219.50, despite a couple of attempts lower. The SGE premium for onshore traders remained sluggish, around \$1.50-2.50 over the Loco London price and failed to garner any Chinese interest. As I write we are approaching the Shanghai PM open and the gold is sitting quietly just above \$1220, still weighed down by the strong USDCNH and USDCNY trading up +0.4% and +0.35% respectively at 6.8450 and 6.8370 intra-day. Silver is weak on the day, down around \$0.10 at time of writing but holding onto the \$15.40 handle thus far. PGM's are also soft and currently trading on the lows of the day. Looking to the week ahead, we have quite a busy line up of global central bank meetings kicking off with the BoJ on Tuesday, which will be closely scrutinised given the movements and intervention in JGBs lately, the FOMC midweek followed by the BoE on Thursday. On the agenda today, look out for Eurozone consumer confidence, German CPI and U.S pending home sales and Dallas Fed manufacturing activity. Have a good day ahead.

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