



## MKS PAMP GROUP

### Daily Asia Wrap

20<sup>th</sup> December 2017

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1261.40/80	16.12/15	913/15	1025/27
<b>HIGH</b>	1264.80/20	16.16/19	914/16	1025/27
<b>LOW</b>	1261.30/70	16.10/13	910/12	1023/25
<b>LAST</b>	1264.00/40	16.12/15	913/15	1024/26

#### MARKETS/MACRO

U.S. stock market indices cooled on Tuesday after a recent strong run, as the House of Representatives passed a bill that would deliver sweeping corporate tax cuts, before sending it to the Senate. The Dow Jones Industrial Average fell -37.45 points, or -0.15%, to 24,754.75, the S&P500 retreated -8.69 points, or -0.32%, to 2,681.47 and the NASDAQ slumped -30.91 points, or -0.44%, to 6,963.852. The best performing sector was Consumer Staples ( 0.18%) and the worst performing sector was REITs ( -1.90%). European stocks closed lower as investors weighed US tax cuts against a disappointing reading on German business sentiment. The Euro First 300 Index slumped -7.95 points, or -0.51% to 1,538.29 and the Euro Stoxx 600 fared better but still dipped -1.64 points, or -0.42% to 391.02. Regionally the DAX declined -0.72%, CAC40 slid -0.69% and the FTSE100 bucked the trend up +0.09%. Crude oil prices inched higher on expectations of another strong draw-down in U.S inventories, WTI crude up +\$0.30 on the day (+0.52%) to +\$57.46. A Bloomberg survey showed that investors are expecting crude oil stockpiles to fall by 3.15m barrels. Repairs continue on the Forties pipeline which has stopped crude oil flowing from the North Sea, with Ineos having a 2-4 week restart target from when the line was shut down on 11 Dec. There was a sharp rise in U.S bond yields in what seemed to be a delayed reaction to the tax plan after holding steady for the past few months amidst the debate.

On the data front, U.S housing starts rose +3.3% in November (-3.1% expected) from the prior month to a seasonally adjusted annual rate of 1.297 million. Last month's gains were buoyed by new single-family construction, which grew to its highest levels in a decade. Single-family building in the South and West both reached their highest monthly rates since July 2007. Residential building permits, which can signal how much construction is in the pipeline, fell -1.4% to an annual pace of 1.298 million last month (-3.5% expected) after being revised upwards to +7.4% a month earlier. In Germany, the IFO business climate index dropped to 117.2 in December, down from 117.6 in November and missing forecasts of a 117.6 reading. The Expectations reading also fell short at 109.5 (110.7 expected), down from a 111.0 reading a month earlier. In Australia, the RBA's last formal communication for the year was up-beat about the outlook for the local and global economy. Its main note of caution was that, "household consumption continued to be a significant risk". It also noted the strength in the labour market and its increased confidence that this, and an improvement in price growth, will continue over the next year. The outstanding question for the Bank is how much more improvement is needed to see a bolstering of wage growth?

The U.S House of Reps gave its final approval Tuesday to the Republicans sweeping \$1.5 trillion rewrite of the tax code, putting law-makers one step away from delivering their first major legislative victory since President Donald Trump took office. The 227-203 vote sends the bill to the Senate, where Majority Leader Mitch McConnell said law-makers will pass it later this evening. Trump is expected to sign it as soon as Wednesday if passed.



## PRECIOUS

There was very subdued price action across the precious complex overnight, despite rates trading firmer and stocks easing. In Asia, the gold opened yesterday around \$1263 and similar to the previous session was initially under pressure. By the time the SGE opened up for trade it was trading a little lower, with the premium dropping back a few dollars to \$9 over spot. Chinese banks were on the offer initially which drove the price a few dollars lower towards \$1260. Things steadied from there as some light short covering began to take place and drive gold higher into the London open. This continued throughout much of the European day hitting a peak of \$1265 spot, where there were some decent resting sell orders in Comex. Gold reversed a little as the 10y UST rate took off from 2.4% to 2.47% and news began to circulate about the passing of the tax bill through the House of Reps. It was slow going though, the metal eventually ticking through \$1260 briefly, but rallying toward the close to finish the day around \$1262.50. Silver ground steadily higher into the NY open, but then turned sharply lower in line with the gold and bonds to below \$16.10. Both platinum and palladium closed slightly higher on the day, trading modest volumes throughout.

It was another slow day for the metals in Asia with the gold opening more or less where we did yesterday. Some light bids for gold and silver crept in ahead of the Shanghai open and the former began to edge higher. The buying accelerated after the SGE opened with a strong premium of around \$11-12 over the loco London price, after trading around \$9 the day before. Spot gold ticked higher following the SGE open pushing up towards \$1265, but running into some thick offers around there (overnight high). Silver also ticked higher but to lesser degree than gold running into some Comex offers around \$16.15 (cash) and remaining there into the afternoon. PGM's remained flat on the day so far. In other markets equities are currently narrowly mixed with the Nikkei -0.05%, Shanghai Composite -0.2%, Hang Seng +0.1% and ASX200 +0.05%. Crude has carried on its ascent, WTI up +\$0.10 (+0.17%) to \$57.75 at last check and Brent is up +\$0.15 (+0.2%) at \$63.92. USD is narrowly mixed against the majors. A slow night for data tonight, German PPI and U.S existing home sales and mortgage applications the only thing of note.

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