



MKS PAMP GROUP

Daily Asia Wrap

22nd February 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1324.40/80	16.49/52	989/91	1022/24
HIGH	1326.80/20	16.51/53	992/94	1023/25
LOW	1322.10/50	16.43/45	987/89	1019/21
LAST	1324.50/90	16.47/49	990/92	1023/25

MARKETS/MACRO

U.S. equities rose to near session highs on Wednesday after the Federal Reserve's policy-setting committee released minutes from its January meeting, with investors finding few reasons to believe that the central bank would quell the buying mood on Wall Street. The Dow Jones Industrial Average gained +31.64 points, or +0.13%, to 24,996.39, the S&P500 rallied +12.16 points, or +0.45%, to 2,728.42 and the NASDAQ Composite added +35.188 points, or +0.49%, to 7,269.496 points. Industrials (+0.59%) were the best performer, while REITs (-1.59%) fared the worst. European markets were mixed as investors received disappointing updates on manufacturing and services activity in the Euro Zone. The Euro First 300 Index rose +1.69 points, or +0.11% to 1,491.58 and the Euro Stoxx 600 inclined +0.59 of a point, or +0.16% to 381.10. Regionally the FTSE100 gained +0.48%, the CAC40 was up +0.23%, while the DAX shed -0.14%. Crude oil was weaker (WTI -\$0.61 to \$61.18) on concerns over higher inventories, along with record U.S output. U.S inventories are expected to have risen some 29 million barrels over the past week, which if confirmed would be the fourth consecutive gain. In FX, the USD gained further ground post FOMC minutes with the DXY index rising +0.3% to 90.00. EURUSD eased for the second consecutive day to 1.2284 and the USDJPY rose +0.4% to 107.78. In rates the U.S 10y yield increased +5.12bps to 2.941% and the U.S 2y yield rose +5.14bps to 2.270%.

The minutes from the January FOMC meeting indicated further improvement in the growth outlook and slightly more hawkish views on inflation. The minutes also supported a hawkish interpretation of the word "further" in the January statement, noting that stronger growth would increase the odds of an upward trajectory in the funds rate. However, the characterisation of wage growth was surprisingly dovish. The minutes again briefly mentioned the possibility of potential alternative monetary policy frameworks, such as an inflation target range or some form of price-level target. Officials concluded that "upside risks" to economic growth had increased thanks to tax cuts, increased consumer spending and confidence and a general plethora of signs that growth was moving along at a sustained pace. "Almost all participants" saw inflation moving up to the Fed's 2% inflation goal over the "medium term" as growth remained above trend and the labour market "stayed strong".

Euro-area February composite PMI slipped a touch to 57.5, but is still at healthy levels, with Manufacturing and services data from France falling short of expectations and German manufacturing activity hitting a six-month low. The drop was led by new orders and a reduction in the backlog of work. Whilst moderating from January's record, the index still points to solid and above trend growth. In the U.S the National Association of Realtors noted that existing home sales dropped -3.2% to a seasonally adjusted annual rate of 5.38 million units (5.60 million units expected) last month. December's sales pace was also revised down to 5.56 million units from the previously reported 5.57 million units. Still in the U.S, Markit's flash manufacturing PMI rose to 55.9 (55.5 expected) from 55.5 and the services barometer climbed to 55.9 (53.7 expected) from 53.3. Chris Williamson, chief business economist at Markit mentioned that even faster growth is signalled for the coming months.



PRECIOUS

Gold traded lower overnight, with significant volatility displayed around the release of the FOMC minutes, the metal initially pushing to the days highs only to be thrashed lower as the USD climbed. Gold opened in Asia Wednesday in what was again quiet trade with China out enjoying the final day of the Lunar New Year holiday. Gold was heavy throughout much of the Asia session, with the USDJPY steadily recouping recent losses and trading up to 107.90. The yellow metal traded through the overnight low around midday triggering some light stops through (\$1328.50) but the metal did find some support ahead of \$1325 and held there. During London and most of New York the metal traded quite comfortably either side of \$1330, with medium sized flows seen via Comex. As soon as the minutes were released however, gold gapped higher from \$1330 to the days high of \$1335.95, in line with a firmer EURUSD (1.2360) and softer USDJPY (107.30). The run higher however was momentary, stalling around \$1335 and then plunging more than \$10 through the previous daily low to \$1322.50. Some Asian names were on the bid beneath \$1325 and steadied the ship, the metal ultimately closing around \$1324.50. Vols were soft most of yesterday, but firmed up a bit on the close with equities culling their gains. 1m atm vol 11.3%, 3m 11.8%, 6m 12.25%, 1yr 12.85%. Gold yields also continue to soften fairly relentlessly from investor desire for USD's. Gold is precariously holding a trend-line from December 2017 lows at present, so we expect some support around here, especially with China back. A break of this \$1322-25 area however, could see gold test down to the 50 day MA of 1319.25 then the 100 day MA of 1298.50 if USD strength persists.

Given that spot gold is trading around \$10 lower from where they last saw it, there was some anticipation today as to what Chinese traders would be looking to do on their first day back - the answer, not a great deal. Spot gold opened and there was some light spec demand and profit taking which angled gold a few dollars higher prior to the SGE open. As soon as Shanghai opened though spot gold quickly tumbled back through the opening levels to \$1323.50. Some light demand emerged around this level with the SGE premium holding fairly close to where it was a week ago (\$4.50-5.50). The metal remained fairly subdued as we moved into the afternoon, confined to a \$2 range either side of \$1324.50. In other markets, equities were mixed with the Nikkei currently -1.3% and Hang Seng -1.1%, while the Shanghai Composite is up +1.95% and ASX200 +0.1%. WTI crude is currently a little softer down - \$0.30 on the day at \$61.06. Ahead today on the data calendar look out for German IFO, UK GDP and U.S jobless claims. Have a good day ahead.

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.