



MKS PAMP GROUP

Daily Asia Wrap

17th January 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1338.20/60	17.18/20	998/00	1095/97
HIGH	1343.70/10	17.28/30	1007/09	1109/11
LOW	1336.30/70	17.15/17	997/99	1095/97
LAST	1337.60/00	17.17/19	1000/02	1105/07

MARKETS/MACRO

The Dow Jones closed modestly lower on Tuesday, paring earlier gains that saw it trade through 26,000, as investors weighed political developments against quarterly earnings reports and economic data. The Index closed down -10.33 points (-0.04%) at 25,792.86, the S&P500 retreated -9.82 points (-0.35%) to 2,776.42 and the NASDAQ composite dived -37.375 points (-0.51%) to 7,223.688. The best performing sector was REITs (+1.03%), while the gong for worst performing sector went to Materials (-1.25%). European markets were mixed, the FTSE100 softer on the back of poor performing mining stocks (Rio -3%, BHP -2.4%) and BP (-2.7%). The Euro First 300 Index remained flat at 1,565.83 and the Euro Stoxx 600 Index rose a modest +0.52 of a point (+0.13%) to 398.35. Regionally the FTSE100 dipped -0.17%, DAX inclined +0.35% and CAC40 +0.07%. Crude oil prices were also weaker by -\$0.40 (-0.62%) to \$63.90, as traders took a breather from the recent buying spree that has seen WTI rise by +6% since the start of the year. With little fundamental news to go on, investors took cues from the currency markets where the USD paused from its recent sell-off. The market is now looking ahead to this week's EIA report, with expectations of a large draw down still high. In FX, the EUR's recent strength eased a bit overnight as it appears that the market was not expecting this run up to go so quickly (+3% since the lows last week) and reacted to dovish ECB headlines by Weidmann. USD pain continues, though we are starting to see some opinions circulate that tactically the USD may be at a good level to buy—the looming potential government shutdown and Mueller headlines notwithstanding.

It was a fairly subdued evening in terms of data releases, the only news out of the U.S the NY Fed's Empire Manufacturing Index which kicked off 2018 on the back foot. The NY Fed in a report said that its general business conditions index fell to 17.70 (19.0 expected) this month from a reading of 19.60 in December, which was revised up from an initial reading of 18.00. Unfilled orders and delivery times increased slightly, and inventory levels were higher, the report indicated. In Europe, U.K inflation came in at +3.0% YoY as expected, down slightly from a prior reading of 3.1%, while German and Italian CPI came in as expected at +1.7% YoY and +1.0% YoY respectively.

The Crypto-currency sell-off got fresh impetus on Tuesday when Bitcoin slumped as much as ~20% (\$10,963), as the prospect of regulatory crackdowns appeared to spread. Speculators across the globe are struggling to determine when or how market watchdogs may rein in an industry that's decentralised and derives much of its value from anonymous ownership. In South Korea, shutting down crypto-currency exchanges is still an option, Finance Minister Kim Dong-yeon said in an interview. But measures first need "serious" discussion among ministries, Kim added, holding out hope for traders that a crackdown won't go that far. Kim said there's irrational speculation and that rational regulation was required. Ethereum was down -23.95% to \$992.56 and Bitcoin cash plummeted -27% to \$1,797.40.

PRECIOUS

Gold traded lower overnight, though managed to recover late in the session, faring much better than its industrial peers on the day. The metal opened in Asia yesterday just above \$1340 and chopped between \$1339 and \$1342



leading into the major Asian futures markets open. The SGE premium started at around \$7-8 over the loco London price and was maintained throughout the morning session, with persistent buying observed throughout, warding off Comex sellers. As London traders began to walk in for the day, the selling began to mount and after some heavy 2-way trade, gold pushed through \$1339. The decline was largely led by a collapse in silver, which after trading above \$17.30 for most of Asia, was ravaged some -\$0.50 down to a low of \$16.805. There was no clear catalyst for the move, although stops were plentiful through \$17.00 and again at \$16.90. The snap sell-off for the white metal was short lived however, sharply trading back above \$17.00 and angling higher throughout NY, ultimately recovering back to \$17.20 by the close. Gold was far more measured, slowly declining towards \$1332 and holding a few times. During NY it then recovered back to \$1338, only down a few dollars on the day. Palladium was the hardest hit of the precious complex, relinquishing -3.0% on the day and closing just off the lows at \$1098, after trading to an all-time high of \$1139 in the previous session. While further strength probably cannot be ruled out for palladium, we think it becomes increasingly harder to maintain the pace without further significant shifts in fundamentals. Given the increase in positioning for Pd too, we see some sharp and swift corrections on the horizon.

The buying seen from Asian investors continued on today, despite a slightly lower premium on the SGE. The gold kicked off proceedings trading at \$1338.50 and slowly made its way higher leading into the Tocom and SGE open. Chinese banks were showing some signs of demand early in the day which pushed gold higher towards \$1343, although price action remained lethargic despite decent volume through Comex and the SGE. Silver continued to recover following last night's wash-out, progressing back towards \$17.30, but running into some selling there. PGM's were also strong on the day, platinum gaining momentum up through \$1000 and palladium, after doing some work around the \$1100 mark, climbing higher during the middle of the day up toward \$1110. Just leading up to the Shanghai lunch break, all the metals stalled however and gave back most of the mornings gains and are still limping along as I write. In other markets, the USD was softer against most of the majors, AUDUSD the stand-out currently trading at 0.7985 (+25 pips on the day) and testing 0.8000 after better than expected consumer confidence data. Equities were generally lower with the exception of the Shanghai Composite which is up +0.7% at present. The Nikkei (-0.45%), Hang Seng (-0.30%) and ASX200 (-0.45%) are all weaker. WTI has so far traded in a narrow range and is slightly lower -\$0.15 (-0.2%) at \$63.75 a barrel. Have a good day ahead.

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