



MKS PAMP GROUP

Daily Asia Wrap

5th January 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1322.40/80	17.21/23	962/64	1099/01
HIGH	1323.50/90	17.22/24	962/64	1001/03
LOW	1320.60/00	17.16/18	958/60	1097/99
LAST	1321.90/30	17.21/23	961/63	1098/00

MARKETS/MACRO

Despite a ferocious blizzard in NY, equity markets are on fire with the Dow trading through 25,000 and the S&P500 notching up a third consecutive record close as strong U.S data supported. The Dow Jones Industrial Average advanced +152.45 points, or +0.61% to 25,075.13, the S&P500 climbed +10.93 points (+0.40%) and the NASDAQ composite lifted +12.384 points (+0.18%) to 7,077.915. Financials led the moves, catching a bid on follow through from 2 days of underperformance after a more hawkish fed minutes. In Europe the enthusiasm was shared, with investors pushing indices strongly higher. The Euro First 300 surged +14.34 points (+0.94%) and the Euro Stoxx 600 packed on +3.46 points (+0.89%) closing at 393.68. The rocky start to the year for the USD continued overnight, down again vs. the G10 (with the exception of the JPY) and a host EM currencies. USDJPY was up to 112.72 while EURUSD was trading back up toward 1.21. U.S Treasuries sold off overnight and the curve bear flattened. Yields were higher across the board while European duration started rallying following a heavy auction schedule. This allowed for the U.S back-end to retrace some of its earlier losses despite a strong ADP report and a further sell-off at the front end of the curve. The 10y US treasury yield was up by +0.5 bps to 2.45%, while 10- year German bund was lower by -0.8bps to 0.43%. For crude, lower than expected inventory levels helped extend gains further with the WTI up +0.5% to \$61.91.

On the data front, it was all positive out of the U.S. ADP data suggested that the US job market is in a good shape. The +250k private jobs added in December significantly exceeded consensus expectations for a more modest +190k. The prior month's reading was revised a touch lower to 185k from 190k.. The report likely received a sizeable boost from the post-hurricane rebound in non-farm payrolls over the last two months. Initial jobless claims rose slightly to +250k, while continuing claims fell in the prior week. Still in the U.S, Markit's services and composite PMI were strong, the former up to 53.7 (52.5 expected, 52.4 prior) and latter up to 54.1 (53.0 prior). Chinese Caixin composite PMI, a gauge to track private firms performance, jumped to 53.0 in December, from 51.6 previously. Notably, the services PMI hit a three years high at 53.9. In general, most of the sentiment indicators indicate that the economy is in a decent shape for now, although the long-term outlook remains uncertain.

PRECIOUS

Gold rebounded yesterday in line with a softening dollar, and continues to shrug off strength in global equity markets. We opened at \$1313.50 in Asia yesterday and with Japan returning from the New Year holiday they were seen on the offer early. China followed suit when they came in and with the suppressed premium (\$6-8) Chinese banks remained sellers. Spot gold sharply plunged through \$1310 not long after and continued through the post-minutes low of \$1307.50 and hit \$1306.50. It was around this time though that the USD began to turn for the weaker which provided some much needed support for the metal. We reversed and gold tracked back through \$1310 around the time the books were passed over to Europe. It continued to trudge higher into the NY open, briefly dipping on the release of the strong ADP report (~\$5), though investors swooped in to pay the offers and we



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jumped higher again. Gold continued to advance throughout the afternoon hitting a high above \$1325 before easing back into the close to \$1323. The support for the gold continues to emerge on dips despite us seeing the majority of flows here on the left hand side. January has historically been a strong month for gold, with prices rising on average a little over 4% for the past ten years. This has traditionally been tied into strong physical demand leading into Chinese new year - which has yet to materialise this year. Palladium was strong yesterday crossing \$1100 for the first time since 2001, with prices now close to the all-time high of \$1125. Given the persistence of the uptrend, it feels like the market may test these highs sometime soon. We tend to remain a little cautious here however, with a test of the all-time highs having the potential to trigger a consolidation. Net long positions are elevated at over 80% of the all-time high, so some consolidation may be warranted to take some of the froth out.

It was a very quiet day today as is usually the case leading into tonight's NFP's. The gold opened at \$1322.50 today and flows were very light and mixed to kick things off. This continued into the Tocom and Shanghai open's with volume light and price action narrow (\$1321-\$1323.50). It was much of the same for silver and the PGM's which were respectively contained to a \$0.05 and \$5 ranges. In other markets, Asian equities are currently trading firmer (Nikkei +0.4%, ASX200 +0.75%, Shanghai Composite +0.2% and Hang Seng +0.2%), WTI crude is a touch softer - 0.15% at \$61.92 and the USD is narrowly mixed. As mentioned previously it's the first NFP of 2018 later today, so the market will probably be in wait and see mode until then. We'll also see U.S Dec ISM Non-Manufacturing Composite, Factory Orders; there'll also be remarks from Fed President Harker in the AM. Have a great weekend all.

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