



## MKS PAMP GROUP

### Daily Asia Wrap

15<sup>th</sup> June 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1302.10/50	17.16/18	904/06	1009/11
<b>HIGH</b>	1303.00/40	17.21/23	906/08	1011/13
<b>LOW</b>	1300.20/60	17.10/12	901/03	1007/09
<b>LAST</b>	1301.30/70	17.17/19	904/06	1010/12

#### MARKETS/MACRO

Despite the ECB becoming more hawkish on policy, markets interpreted the statement as dovish, with the EUR plummeting vs. all the G10 (EURUSD low 1.1564 after trading briefly at 1.1850 following the initial release). Stocks across Europe surged by the most in 2 months in line with the crumbling Euro. The FTSE Euro First 300 Index rallied 18.97 points (+1.25%) to 1,536.42 and the Euro Stoxx 600 leapt +4.79 points (+1.23%) to 393.04. Regionally, performance was strong across the board with the DAX up +1.68%, CAC40 +1.39% and FTSE100 +0.81%. U.S. stocks closed higher on gains by big technology and media companies, outweighing laggard financial and industrial shares. A flurry of stronger-than-expected economic data also lent support to stocks, while investors were mostly supportive about the European Central Bank detailing a timeline for its bond-buying program. The Dow Jones Industrial Average fell -25.89 points (-0.10%) to 25,175.31, the S&P500 crept up +6.86 points (+0.25%) to 2,782.49 and the NASDAQ rallied +65.343 points (+0.85%) to 7,761.042. Base metals were lower following the weaker-than-expected China industrial production and fixed asset investment figures out yesterday. Sentiment was in no way assisted by the strength in the dollar either with Copper (-1.10%) and Nickel (-2.18%) bearing the brunt of the sell-off. U.S treasury yields were lower on the day, 10y dipping -3.1 bps to 2.935% and 2y off -0.4 bps to 2.564%.

The European Central Bank will shut its hallmark bond purchase scheme by the close of the year, it said on Thursday, taking its biggest step yet toward dismantling crisis-era stimulus a decade after the start of the Euro zone's economic downturn. Yet in a balanced announcement reflecting the uncertainties hanging over the economy, it signalled that any interest rate hike is still distant, raising the prospect that ECB chief Mario Draghi might leave office in October 2019 without having raised rates in his eight year term. The timid move to roll back stimulus contrasted with the U.S. Federal Reserve's rate hike a day earlier, which signalled a break from policies used to battle the 2007-2009 financial crisis and a return to normalised central banking. The ECB will halve its bond buys to 15 billion EUR a month from October then shut the program at the end of the year. It also sees interest rates steady "at least through the summer of 2019" - a vague definition that gives policy-makers a wide window and the flexibility to push back any move.

The Trump administration is preparing to release a refined list of Chinese products to be hit with tariffs that hones in on technologies where China wants to establish itself as a leader, according to five people familiar with the matter. The U.S. is scheduled on Friday to release an updated list of Chinese tariff targets - which according to some sources could effect as much as \$50 billion worth of Chinese imports. The White House has said the duties will be implemented "shortly" after the release of Friday's list, though no date has been set. The tariffs could be applied in stages, according to two of the people briefed on the administration's plans. Duties will take effect on some products within weeks. Tariffs on any products added to the U.S. Trade Representative's list would be subject to a period of public feedback.



## **PRECIOUS**

An interesting session for gold overnight, the yellow metal finally breaching topside resistance at \$1305, although tapered off as the EURUSD was whacked some 300 points from the highs. Gold opened around \$1300 yesterday in Asia and ever so slowly made its way lower throughout the Asia AM session - hitting the intra day low of \$1297.90. As the European day commenced gold started to catch a bid with investors suspecting that the ECB would be announcing a timeline to ending QE in a matter of hours. EURUSD pushed higher and the gold followed, nudging against its resistance at \$1305 for about an hour pre-ECB. Silver too, showed strength late in the Asia day, with Chinese bank selling dissipating in the afternoon. We managed to punch through the previous days highs, and settle between \$17.10-15 - despite base metals taking a hit. Things got a little messy when the ECB announcement dropped. On the one hand the CB announced the path to abolish QE by the end of 2018, yet on the other, it mentioned that rates will likely stay low until at least the summer of 2019. EURUSD initially spiked to 1.1850 on the news, although aggressive selling then entered the market and it continued for the rest of the session, leveraged and systematic accounts in particular hitting offers in droves and sending the pair some 300 pips lower by session close. Gold travelled a similar trajectory, initially rallying to the high (\$1309.55), although coming under the pressure as the EUR buckled and USD in general rallied. We closed out the NY session at the top end of the recent range (\$1302).

The gold opened this morning and there was some light profit taking seen very slowly marching the market a dollar or so lower. Volume had noticeably picked up from what we have seen over previous sessions although price action remained tight throughout the morning (\$1300.50-1303.00). The whole complex tapered off into the China open this morning, although there was decent buying seen across the board today from Chinese investors, likely the result of a firmer USDCNY for onshore traders. Premium was again fairly contained, still trading around \$4.50-6.00 over the loco London price. Silver retained the ground made last night holding fairly close to \$17.20 throughout, while the PGM's have also remained fairly stable. The main data release today was that of the BoJ, which failed to really move the markets. The central bank left rates on hold as expected, although their tone had shifted somewhat. Board member Kataoka was quoted as saying that the BoJ "should clarify it will ease further if domestic factors delay achievement of price target", so there does seem to be a little dissent among the ranks. As mentioned, the markets failed to react in any meaningful way, the USDJPY about 20 pips higher to 110.80 immediately after the release. Ahead today look out for the new Chinese tariff announcement from the White House, which likely has the greatest likelihood of moving markets. *The Wall Street Journal* has mentioned today that insiders say Trump has now signed off on these tariffs and we are only just awaiting the details. We also have Euro Zone CPI, U.S Empire manufacturing, Industrial production and University of Michigan sentiment. Have a good weekend.

*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.*