



MKS PAMP GROUP

Daily Asia Wrap

26th June 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1266.60/80	16.32/34	868/70	941/43
HIGH	1267.30/50	16.34/36	869/71	945/47
LOW	1262.80/00	16.29/31	863/65	940/42
LAST	1263.70/90	16.30/32	863/65	943/45

MARKETS/MACRO

New home sales in the U.S. spiked higher during May, increasing +6.7% MoM (exp: +0.8%) to a seasonally adjusted annual rate of 689,000. The monthly gain saw new home sales to the highest level since November 2017, with the headline figure underpinned by a +17.9% gain in the South to a rate of 409,000 units, the highest level since July 2007. Sales in the Northeast sunk -10%, sales in the West were down -8.7%, while the Midwest was unchanged. The median new house price declined -3.3% to USD \$313,000 in May to mark the lowest level in 12-months. The Chicago Fed's national activity index turned negative in May for the first time since January, sliding to -0.15 (exp: 0.30) from an upwardly revised +0.42 in April (prev: +0.34). The monthly print saw the less volatile 3-month moving average to 0.19 from 0.48 in April, also the lowest reading since January. Production related indicators weighed upon the headline print, while employment related indicators edged higher. Equity markets in the U.S. turned sharply lower on Monday, weighed down by 'trade war' headlines to see the DJIA close beneath the 200 DMA for the first time since June 27, 2016. The DJIA dropped -1.33% to 24,452.80 points as 26 of the bourse's components ended lower, taking the blue-chip average to its largest single-session fall since May 29. The S&P 500 (-1.37%) saw technology stocks (-2.28%) lead 9 of eleven components of the bourse lower to end at 2,717.07 points, marking the largest single-session decline since April 6 and the lowest close since May 31. The tech-laden Nasdaq Composite collapsed -2.09% to 7,352.006 to book the largest single-session decline since April 6 on concerns over the blocking of Chinese investment in U.S. technology firms. The greenback ended mixed trade lower on Monday, as gains to USD/China were tempered by strength across safe-haven currencies such as the yen. The DXY index booked a -0.22% decline, easing around -0.2% against the yen, while the euro consolidated above 1.1700 to add around +0.33%. Treasury yields in the U.S. eased on the back of weakness across equities, seeing the 10-year 2.7bps lower to 2.875% and the two-year around 1bp lower to 2.532%.



PRECIOUS

A disappointing session for gold on Monday, failing to capitalise on a softer greenback and falling equities, ending toward the session low print. The metal reversed an initial bid tone in Asia once Shanghai opened, under pressure from a firmer USD/China following the weekend RRR cut by the POBC. A premium of around USD \$4 in China saw downwards pressure on the metal, triggering a stop loss run through USD \$1,270 and opening up a further extension underneath USD \$1,265 in late Asian trade. A reversal to the buck provided support once London opened, as the metal piggybacked a stronger euro through 1.1700 to test briefly through USD \$1,270. The bid tone was however short lived and bullion took pricing cues in New York from a broader sell-off in commodities to end trade around USD \$1,265. Vols firmed marginally overnight, however remain cheap with 1m underneath 9.0. The white metals came under heavy selling pressure on Monday as global equity markets and base slumped, notably palladium collapsed -1.7%.

Gold once again tested support underneath USD \$1,265 during Asian trade on Tuesday, with a robust USD/China continuing to weigh upon interest out of Shanghai. The precious complex is struggling against ETF outflows (holdings down 1.5m ounces in June), while failing to find support from ongoing 'trade war' headlines as President Trump turns focus from China to Europe. It is difficult to see a catalyst for a move outside of the recent range, with expectations that the metal will remain soft into the end of the financial year. Support hold broadly around USD \$1,260 - \$1,262, with the metal likely drawn to this level into today's option expiry of around 1 million ounces at USD \$1,260. Resistance for the metal comes in around USD \$1,272 - \$1,275. Data releases today include U.S. house prices, the Richmond Fed manufacturing index and the Conference Board U.S. consumer confidence print.

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