



## MKS PAMP GROUP

### Daily Asia Wrap

2<sup>nd</sup> July 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1252.05/25	16.10/12	851/53	954/56
<b>HIGH</b>	1254.10/30	16.12/14	852/54	956/58
<b>LOW</b>	1247.75/95	15.97/99	842/44	949/51
<b>LAST</b>	1249.70/90	15.98/00	843/45	950/52

#### MARKETS/MACRO

Chinese service sector activity picked up modestly during June according to data released on Saturday. The non-manufacturing PMI improved to 55.0 (exp: 54.8) from 54.9 previously, while the manufacturing PMI eased to 51.5 (exp: 51.6) from 51.9 previously. U.S. consumer prices accelerated during May, seeing the Federal Reserve's preferred inflation measure hit the 2% target for the first time in 6 years. Personal consumption expenditures (PCE) improved +0.2% MoM during May (exp: +0.2%) to match April's increase, while on an annualised basis PCE jumped +2.3% YoY (exp: +2.2%) from +2.0% previously. Core PCE (ex food and energy) pushed +0.2% MoM higher during May and +2.0% YoY, the highest print since April 2012. Personal income rose +0.4% MoM (exp: +0.4%) from +0.2% previously. The Chicago PMI index spiked to the highest level in five months during June, printing 64.1 (exp: 60.0) from 62.7. The headline print was underpinned by strength across prices paid, hitting the highest level in seven years, while new orders also firmed. The University of Michigan's consumer confidence index was revised lower during June, sliding to 98.2 (exp: 99.0) from 99.3 previously. Consumer expectations declined from 87.4 to 86.3, while current conditions fell from 117.9 to 116.5. Equity markets in the U.S. ended Q2 on a positive note, as a broad-based rally saw the major bourse's close higher. The DJIA added +0.23% to 24,271.41 points, ending the week -1.2% lower, the month -0.6% lower, however gained +0.7% over Q2. The S&P 500 tacked on +0.08% with gains underpinned by energy stocks (+0.65%) leading 8 of eleven components higher. Over the week the bourse declined -1.2%, over the month posted a +0.5% return on the way to a +2.9% Q2 gain. The greenback closed out a strong quarter on a negative note, sliding -0.8% on Friday as majors reclaimed ground against the benchmark. The euro posted notable gains following an agreement between European Union leaders on immigration issues, consolidating back above 1.16 to book a +1% return. Over Q2 the greenback jumped 5.8% to mark the first positive quarterly result since late 2016 as the pound was off -5.9%, the euro fell -5.3% and the yen declined -4.7% over the period.



## **PRECIOUS**

Gold prices traded -3.5% lower during June and collapsed more than -5.5% over Q2, largely in the face of dollar headwinds. The metal struggled to find support on safe-haven appeal as on-going trade tensions continue to trouble investors, while in recent times, calm on the Korean peninsula and softer Chinese currencies have also hurt the metal. Gold was able to close above USD \$1,250 on Friday, seeing some respite from a softer USD/China throughout European and U.S. hours after the Chinese currencies battled early offers in Asia. Interest in the yellow metal in Asia was generally limited to mild Chinese physical demand, while bids underneath USD \$1,250 across Globex were evident to underpin price action. A leg higher to the euro in London helped support price action through USD \$1,250, while New York saw a brief spike through USD \$1,255 to mark the session high.

A Hong Kong holiday today saw bullion kick off Q3 in a rather muted fashion, with the metal adding a few dollars in early flows to touch USD \$1,254 leading into the Chinese open. Gains to the euro and the yen on Friday were extended in early trade, with the yen notably printing above 111.00. It wasn't long however until the greenback regained the ascendancy, pushing USD/China higher and reversing early session gains to majors. The yellow metal broke underneath USD \$1,250 in afternoon flows as USD/CNH jumped to a 6.665 high, almost +0.6% on the session. A mild stop loss run through the Friday low saw USD \$1,247.90 marked as the session low today. COTR data shows positioning continues to lighten, while ETF outflows have seen holdings condense to just over 70 million ounces, down around -2.3% in June. It will be interesting to see whether the producer selling we have been seeing in recent weeks dissipates now we have finished Q2, possibly freeing up some resistance to top-side moves. Supportive price action is still evident underneath USD \$1,250 through to USD \$1,246, while below this target extend to USD \$1,236.

A historic day in Mexico as Andres Manuel Lopez Obrador looks to have secured victory in the presidential race. In a landslide result, President-elect Lopez Obrador is estimated to have received over 53% of the vote, more than double of his closest rival. President Trump has already passed on his congratulations via twitter, noting that he "...very much looks forward to working with him." President-elect Lopez Obrador has vowed to stamp out political corruption and drug violence. Data releases today include Markit manufacturing PMI prints from Italy, France, Germany, the Eurozone, the U.K. and the U.S. We also see Eurozone PPI, the Eurozone unemployment rate, U.S. construction spending, U.S. ISM manufacturing and U.S. ISM prices paid.

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