



MKS PAMP GROUP

Daily Asia Wrap

1st March 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1318.00/40	16.41/43	983/86	1041/44
HIGH	1319.90/30	16.41/43	983/86	1043/46
LOW	1313.80/20	16.34/36	976/79	1040/43
LAST	1314.40/80	16.34/37	976/79	1041/44

MARKETS/MACRO

Markets settled somewhat overnight following the hawkish tilt implied in new Fed chair Powell's Congressional testimony on Tuesday. The USD remained steady, yet still traded with a firm tone, the major outlier the Cable which dropped some -150 pips on the day against the USD. U.S. stocks slid Wednesday amidst data that was seen to somewhat underpin strength in the economy that might warrant the Federal Reserve to turn more hawkish and increase corporate borrowing costs. The Dow Jones Industrial Average retreated -380.83 points, or -1.50%, to 25,029.20, the S&P500 sold off -30.45 points, or -1.11%, to 2,713.83 and the NASDAQ Composite gave up -57.346 points, or -0.78%, to 7,273.009. Across the Atlantic, European equity markets followed Asia lower as investors are beginning to price in the probability that the Fed may ramp up the pace of rate hikes. The Euro First 300 index declined -10.86 points (-0.72%) to 1,487.20 and the Euro Stoxx 600 dropped a similar -2.76 points (-0.71%) to 379.63. Crude oil prices fell after data showed another strong increase in oil inventories in the U.S (WTI -\$1.29, -2.1% to \$61.55). EIA's weekly report revealed that US stockpiles rose by 3.02 million barrels, higher than the market had been expecting. This was compounded by reports that OPEC production had risen in February, JBC Energy estimating that the groups output had increased by 130kb/d to 32.4mb/d. This was driven by a incline in Libyan, Nigerian and Venezuelan production. Treasuries traded higher and the curve flatter overnight with what seemed better selling of the front end against buying further out from real money accounts. The U.S 10y yields decreased -2.37bps to 2.8697% and the U.S 2y yield fell -0.2bps to 2.2580%

The data pulse was mixed overnight and market reaction was minimal. The second estimate of Q4 US GDP eased slightly to 2.5% QoQ (2.5% expected, 2.6% prior). The composition of the revision was more favourable however, as personal consumption growth was unrevised at a solid 3.8% pace, and the modest downward revisions to inventory investment suggest a slightly larger contribution to Q1 growth. The Atlanta Fed GDPNow model is pointing to 2.6% QoQ annualised in Q1. Looking beyond, investment should remain firm and consumption solid amid tax reform/cuts. Elsewhere, U.S pending home sales and Chicago PMI both disappointed. In Europe, core inflation (+1.0% YoY) remains benign despite decent economic growth. This likely leaves the ECB policy debate on forward guidance, rather than any direct policy action in coming months. Lastly German unemployment remained steady, with the trend in strong job growth continuing (+631k in the last 12 months).

PRECIOUS

It was an uneventful, range-bound session for gold yesterday, covering a \$6 range throughout. Good support was seen from onshore China during the Asia session, as the SGE premium traded to a post Chinese New Year highs of ~\$9 over the loco London price. Despite the moderate Chinese demand spot gold remained fairly subdued carving out a quiet \$2 range during the Asia afternoon between \$1316.50-1318.50. London and NY traders welcomed the overnight breather, with the stable USD providing little direction for the metals. The New York open saw a quick sweep lower, but from there quickly traded up to the days highs with some specs happy to cash in on the weeks



MKS PAMP
GROUP

move lower. At the close the metal was unchanged at around \$1318. Gold vols were a bit lower into the close with light selling interest on the front end of the curve. 1m 9.6%, 3m 10.15%, 6m 11.1% 1yr 12.15%. Gold sits right on a support line dating back to early Feb (\$1314-15) and a break of that could see a quick test down to the 100 dma (\$1300.30). On the topside we believe COMEX supply above \$1325 (spot equivalent) will be plentiful. Platinum remains soft after the German courts earlier in the week ruled that individual cities have the right to ban diesel cars – this would affect ~10m vehicle owners in Germany and have a knock on effect across Europe.

Again it was a calm range-bound session through Asia. The gold opened up around \$1318 and after a brief push above \$1320 in the opening minutes cooled and traded lower into the China open. There was modest demand from onshore Chinese sources and the premium of the SGE was again fairly lofty at around \$8-9 over the spot price. Despite the modest demand, spot gold flatlined throughout the proceeding hours pinned between \$1315-1316 with only very light volume going through Globex. In other markets equities in Asia are generally lower (Nikkei -1.6%, ASX200 -0.9%, Hang Seng -0.1%), the Shanghai Composite is currently bucking the trend however, up +0.4% at time of writing on the back of a firmer than expected Caixin Manufacturing PMI (51.6 vs 1.3 expected). The USD remains flat, the only real mover the AUDUSD which is currently off 30 pips at 0.7732 and crude is up around +\$0.20 at \$61.73. Looking ahead, all eyes will be on Fed Chair Jerome Powell who will appear before the Senate Banking Committee for a second day of testimony. Also look out for U.S personal income and spending data, jobless claims and ISM Manufacturing. There are also a host of European and U.S Markit manufacturing PMI's to be released. Have a good day ahead.

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.