



MKS PAMP GROUP

Daily Asia Wrap

9th March 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1322.00/40	16.50/52	952/54	977/79
HIGH	1322.00/40	16.50/52	952/54	978/80
LOW	1316.80/20	16.38/40	949/51	975/77
LAST	1317.80/20	16.40/42	951/53	975/77

MARKETS/MACRO

Draghi's comments that trade tariffs could hurt growth and inflation and the USD could strengthen took the shine off the euro yesterday. The euro initially rallied and bunds sold off, but these moves unwound as the European session progressed. Attention turned to Trump's signing of the announced tariffs on steel and aluminium later in the day and some speculation that they may not be as far reaching as initially announced. U.S equity markets as a result pushed higher towards the close after looking soft during the middle of the day. The Dow Jones Industrial Average gained +93.85 points (+0.38%) to 24,895.21, the S&P500 advanced +12.17 points (+0.%) to 2,738.97 and the NASDAQ added +31.296 points (+0.42%), to 7,427.945. The best performing sector was Consumer Staples, while energy lagged. Across the Atlantic, European equity indices surged to a one-week high after the ECB offered a brighter assessment of economic growth within the Euro-Zone. The EuroFirst 300 rallied +14.85 points (+1.02%) to 1,473.37 and the Euro Stoxx 600 leapt +3.91 points (+1.05%) to 376.62. Regionally the DAX ran +0.90% higher, the FTSE100 inclined +0.63% and the CAC40 rose +1.28%. Crude oil fell overnight, WTI down -\$0.95 (-1.5%) to \$60.33, as the market continues to struggle to shake off an excess supply. The supply is from a growing US shale patch (albeit at a slower rate), which is more than offsetting cuts in output from OPEC and its allied members. A stronger dollar and a rise in equities also did no favours for the oil market. In FX, EURUSD ended a volatile session at the end the day lower by -0.8% to 1.2312 while USDJPY ticked up +0.2% to 106.23. The German 10y bund yield eased - 2.7bps to 0.63% and the US 10y bond yield retreated by -2.6bps to 2.86%.

President Donald Trump followed through on his pledge to impose stiff tariffs on imported steel and aluminium, while excluding Canada and Mexico and leaving the door open to sparing other countries on the basis of national security. The president signed a proclamation authorising the tariffs at a meeting Thursday afternoon with workers from the steel and aluminium industries. The U.S. will levy a 25% duty on steel and 10% on aluminium, the same level Trump promised when he revealed the plan March 1. The tariffs will take effect in 15 days, according to an official who was there. "Today I'm defending America's national security by placing tariffs on foreign imports of steel and aluminium", Trump said, flanked by workers from the industries and economic advisers who had backed the plan.

On the data front, initial jobless claims in the U.S rose by +21k to 231k in the seven days ended March 3, which is the highest level in six weeks. Jobless claims are always a little volatile throughout February because of winter weather and other seasonal quirks, but the latest swing doesn't alter the picture of a vibrant employment scene. Continuing claims fell by -65k to 1.87 million over the period. The ECB left its refinancing rate unchanged at 0%. Mario Draghi said economic growth in the Eurozone is improving faster than the bank had anticipated, leading it to nudge up its 2018 growth forecast to 2.4% from 2.3%. It slightly reduced its 2019 inflation forecast to 1.7% from 1.9%.



PRECIOUS

It was a reasonably subdued session for gold yesterday, the metal edging lower pre-SGE, but finding some demand below \$1325 from Japanese banks and early Chinese investors. Once the SGE opened up for trade the price recovered with the premium jumping back through \$8 and light demand around. The spot price ticked higher throughout the afternoon although there was noticeable supply around \$1330 futures (\$1328.50-1329.00 spot). The EURUSD was volatile following the ECB announcement spiking at first but then gradually making its way lower. This prompted gold to gradually retreat throughout the European day and stabilise around \$1325 leading into the NY open. News headlines began to do the rounds early in NY that perhaps President Trump's tariffs on materials would not be as far reaching as initially expected, with rumours doing that rounds that there may be some exemptions - namely for Canada and Mexico. This saw the safe-haven gold give up some more ground and briefly trade below \$1320. Again though we saw orders for Asian names soaking up the selling around \$1320. It still seems we are trading the range at this point with support between \$1310-20 likely strong and selling interest above \$1335 expected to slow down any bounce.

In Asia today we are expecting a reasonably slow one in lieu of the U.S non-farm payrolls which are to be released later today. Gold traded with a small downside bias leading into the SGE open this morning slowly trickling lower towards \$1320. The selling however began to very gradually pick up steam following the headline: *TRUMP TO ACCEPT INVITE TO MEET WITH N. KOREA'S KIM: WHITE HOUSE. The surprise announcement came from Chung Eui-yong, South Korea's National Security Director on White House grounds following high level talks. Trump has reportedly agreed to meet Kim Jong Un by May, after the latter extended an invitation and offered to suspend nuclear and missile tests. USDJPY rose steadily following the headlines and gold came under further pressure as a result, slipping beneath \$1320. At time of writing gold has failed to recover back through \$1320 despite Asia buying. The relative USD has strength has kept a lid on a move higher. We are currently sitting around \$1317.50-1318.50.

On the data calendar, we have had Chinese CPI which came in over expectation today at +2.9% (+2.5% expected, +1.5% prior) as well as PPI which was a touch under at +3.7% (+3.8 expected, +4.3% prior) - the USDCNY gradually pushing lower on the back of the release. We also had the BoJ, who came back with their fastest decision since June 2016. They maintained the policy balance rate at -0.10% and JGB purchasing targets as expected. They also kept inflation expectations unchanged. Ahead today the main focus point will be the U.S employment report, but we also have German, French and UK industrial production and U.S wholesale inventories. Have a great weekend.

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