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Daily Asia Wrap
10th May 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1312.40/80	16.49/51	914/16	976/78
HIGH	1315.50/90	16.54/56	916/18	979/81
LOW	1311.00/40	16.46/48	912/14	975/77
LAST	1314.00/40	16.52/54	915/17	977/79

MARKETS/MACRO

The Dow Jones booked a fifth gain in a row Wednesday and the broader stock market rallied as sharp gains in energy, financials and technology stocks propped up the main benchmarks. The Dow Jones Industrial Average gained +182.33 points (+0.75%) to 24,542.54, the S&P500 advanced +25.87 points (+0.97%) to 2,697.79 and the NASDAQ Composite rallied +73.003 points (+1.00%) to 6,893.21. The best performing sector across the park was Energy (+2.03%), while the worst performing sector was Telecom Services (-1.13%). European stocks climbed to a three month high, helped by a rally for energy stocks (BP +3.9%, Shell +3.4%) as oil prices soared. The EuroFirst 300 Index leapt +11.34 points (+0.74%) to 1,539.61 and the Euro Stoxx 600 added +2.44 points (+0.63%) to 392.44. Crude oil prices surged higher (WTI +$2.20, or +3.16% to $71.24), as the market reflected on the decision by President Trump to pull out of the Iran nuclear deal. The re-imposition of sanctions, which were waived under the deal signed in 2015, could see exports reduced by around 300k b/d later this year. Saudi Arabia and others tried to talk down the market, with reports they would step in in support. Energy Minister, Khalid Al-Falih, said that he will be connecting with other OPEC producers over the next few days to ensure market stability. While geopolitical risks dictated price action for oil, data from the U.S was also supportive. The EIA's weekly report showed U.S inventories fell by ~2.2m barrels last week, which was significantly more than the market had expected. It was driven by a sharp reduction in imports and a rising production, which is now above 10.7 million barrels a day. The firmer oil prices helped to lift U.S treasury yields, with the 10yr now trading with a 3% handle again and treasury break-evens shooting higher as inflation expectations were revised upwards. The U.S 10y yield increased +2.82bps to 3.0042% and the 2y yield rose +2.06bps to 2.5300%. The USD remained rather stable on the day, with the dollar consolidating around the 93 level on the DXY for now.

It was a slow day in terms of data, the only thing of real note being U.S. PPI. Producer price index for final demand edged up +0.1% last month after increasing +0.3% in March. That lowered the YoY increase in the PPI to +2.6% from +3.0% in March. Core PPI had nudged up +0.1% last month also. The data was held back by a moderation in the cost of services such as hotel accommodation and healthcare, which may ease fears that inflation pressures are rapidly building up.

PRECIOUS

Gold was under heavy selling pressure during early European trade yesterday, again probing below the 200dma ($1306.25), yet once again stalling and bouncing back. The market opened in Asia yesterday around $1315 and after creeping slowly higher for the first few hours began to fall as the USD picked up steam. USDJPY rocketed from 109.00 to 109.60 in the space of about an hour as some stops went through the market and the gold consequently plunged from $1316 towards $1310 before finding its feet. China were light buyers over the course of the morning with the premium on the SGE hovering around $6-8, similar to the previous day. The gold traded a tight $2 range throughout the afternoon ($1310-12) throughout most of the afternoon, although began to pick up downward momentum as the Greenback had a second wind. The yellow metal swiftly plunged below $1305 and despite constant supply on COMEX, managed to hold above $1304. It was around this time that crude oil began to surge, jumping a sharp $0.75 and gold in sympathy ran back above $1310. With Trump then officially announcing that the U.S would pull out of the Iran deal, crude continued to climb and there was a little safe-haven buying seen for gold. We hit an intra-day high of $1317.15 before falling back off and trading quietly around $1312.50 into the close. Overall, the gold continues to be driven by USD and rates and has held the range well over the past few weeks. Strong support now lies at $1300-1305, while initial resistance sits at $1320, then $1325, while major topside resistance lies between $1355-60. There does appear to be scope for a relief rally here with positioning not overly long, especially if crude oil can continue to push higher thus raise inflationary pressures and making gold a more attractive investment proposition.

The yellow metal opened where we left off in Asia at $1312.50 and traded in a narrow $1 range either side of this for the opening few hours of trade. Just prior to the China open we were trading just off $1311 and there was some light buying seen from them. The premium was a touch lower from yesterday, with onshore traders in China able to buy at an equivalent premium of ~USD $6-7 over the loco London price. This combined with a slightly softer USD helped the gold creep up a few dollars to just above $1315 over the morning and then consolidate between $1314-15 into the early afternoon. The market in terms of price action remained fairly subdued throughout, although COMEX turnover was healthy at around 45k lots (GCM8) for the first 7.5 hours since market open. In other markets USD continues to trade softer vs. the G10 and equities in Asia are firmer, the Nikkei +0.4%, Shanghai Composite +0.2%, Hang Seng +0.75% and ASX200 +0.22%. Crude has continued its push higher, WTI up at $71.64 (+0.55%) and Brent $77.73 (+0.5%) at present and base metals are very slightly lower. Market focus today will be on U.S CPI data, although also look out for jobless claims, BoE rate decision and UK Industrial production. Have a good day ahead.