



MKS PAMP GROUP

Daily Asia Wrap

22nd May 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1292.30/50	16.50/52	900/02	994/96
HIGH	1292.90/10	16.52/54	900/02	997/99
LOW	1288.40/60	16.45/47	896/98	988/90
LAST	1291.10/30	16.50/52	899/01	997/90

MARKETS/MACRO

Minneapolis Fed President Neel Kashkari voiced concerns on Monday that the Federal Reserve may overdo interest rate hikes and potentially push the economy into a recession. Kashkari noted that the low wage growth is suggesting of continued slack in the labor market and indicated it may be prudent to react once wages pick up. The Chicago Fed national activity index inched higher during April, buoyed by strong performances across factories and jobs that offset a softer contribution from housing. The index improved to 0.34 (exp: 0.30) from an upwardly revised 0.32 in March (prev: 0.10), while the three-month moving average ticked up to 0.23 from 0.11 in March. Production related indicators contributed 0.27 to the index from 0.19 in March, employment related indicators were responsible for 0.10, while personal consumption and housing contributed -0.05 in April. The easing of trade tensions between the U.S. and China buoyed equity markets on Monday, seeing the DJIA back above 25,000 points to mark the highest close since mid-March. The bourse ended the session +1.21% higher at 25,013.29 points, while the S&P 500 added +0.74% to 2,733.01 points as all 11 sectors led by industrials (+1.53%) closed higher. The greenback pared early session gains on Monday, after strong demand in Asia reversed in London and New York to see have the buck finish around -0.20% down on the session. The dollar lost ground against the euro, however was able to inch higher against the yen to break above 111.00. U.S. treasury yields meanwhile were little changed on Monday, holding toward the top of the recent range, however unable to find the impetus for a fresh move higher as 'trade war' tensions subside. The 10-year held around 3.065% and the two-year inched 2bps higher to 2.570%. Oil futures in the U.S. notched a fresh more than three-year high on Monday as fears over fresh sanctions on Venezuela stoked supply concerns. WTI spiked over +1.3% to end the session at USD \$72.40 per barrel, while Brent crude reversed early session weakness to end +0.8% higher at USD \$79.40 per barrel.



PRECIOUS

A volatile session for gold on Monday, pressured to a USD \$1,281.90 session low on the back of dollar strength in late Asian hours, before ripping higher as the greenback reversed. Modest early Chinese buying did little to stem Asian offers, as gold traded underneath USD \$1,290 with little supportive pricing. China's afternoon session saw further weakness as the dollar continued to push higher, taking the yellow metal sharply below USD \$1,285 on a stop loss run amid Comex interest, before finally seeing supportive pricing underneath the level to restrict any further declines. A period of consolidation gave way to a reversal of the Asian session declines in London, with the metal benefitting from a softer greenback and extending to a session high of USD \$1,293 in late New York. Notably ETF's recorded outflows on Monday of approximately 140k ounces. Platinum and palladium were the main movers during the session, with palladium notably seeing volatile top-side moves to book a +2.5% gain on the session, while platinum gained +1.4%.

Asian trade today saw participants taking profits following the previous session's move above USD \$1,290, however demand toward the figure was evident on Comex and acted to restrict any further weakness. It is also worth noting we observed heightened interest out of Asia, particularly evident within the physical space following Monday's reversal. Interest underneath USD \$1,290 should remain and we expect this level to broadly act as a pivot point, with a possible extension as low as USD \$1,286 and support at USD \$1,275 below this. Layered top-side offers continued to crowd the path toward USD \$1,300 and it's difficult to see the metal running away through this resistance level. Silver remains resilient and we look to USD \$16.50 as a directional pivot point, while platinum and palladium have thus far been unable to consolidate above USD \$900 and USD \$1,000 respectively. Data releases today include the U.S. Richmond Fed manufacturing index.

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