



## MKS PAMP GROUP

### Daily Asia Wrap

19<sup>th</sup> October 2017

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1280.80/20	16.98/01	920/23	957/59
<b>HIGH</b>	1281.70/10	17.00/03	921/24	962/64
<b>LOW</b>	1276.10/50	16.90/93	917/20	957/59
<b>LAST</b>	1277.80/20	16.92/65	917/20	959/61

#### MARKETS/MACRO

The major U.S equity indices hit fresh intra-day records and the Dow traded above 23,000 Wednesday as U.S. stocks gained momentum propelled by the latest round of corporate earnings. Comments from U.S treasury secretary Mnuchin that the tax reform bill will be ready for Trump's signature in December also buoyed stocks. The Dow Jones Industrial Average rose +160.16 points, or +0.7%, to 23,157.60, the S&P500 rallied +1.90 points, or +0.07%, to 2,561.26 and the NASDAQ inched up +0.563 of a point, or 0.01%, to 6,624.22. Financials (+0.58%) were the best performers while the Energy sector lagged (-0.73%). European equities were boosted by falls in the EUR and the GBP as investors monitored the earnings and economic data. The EuroFirst 300 Index jumped +4.61 points, or +0.3% to 1,539.83 and the Euro Stoxx 600 rose a similar +1.12 points, or +0.29% to 391.56. Regionally the DAX rose +0.37%, FTSE100 +0.36% and CAC40 +0.42%. Crude oil prices remained underpinned by geopolitical risks, despite concern that inventories in the US may not fall as much as expected, WTI Crude rose +\$0.12, or +0.23%, to US\$52.00 a barrel. IEA data showed crude oil inventories dropped 5.73 million barrels to 456.5 million barrels and the recent hurricanes had taken their toll on oil production, which was down over 1 million b/d to 8.4 million b/d. Despite this, the market remains fixated on events in Iraq. Elsewhere, the USD traded more balanced, the dollar index trading water down -0.09% to 93.399. EURUSD gained ground breaking the key 1.1780 resistance level, while USDJPY and XXXJPY surged seemingly driven by the US curve bear steepening. U.S treasuries slid, the 10y yield up +3.77bps to 2.3375% and the US 2y firmer by +1.66bps to 1.5629%.

On the data front, U.S. housing starts fell -4.7% in September (-0.4% expected) to a seasonally adjusted annual rate of 1.127 million. Single-family starts declined -15.3% in the south, driven almost exclusively by the effects of hurricanes Irma and Harvey, which caused builders to delay beginning new projects and made labour and building material significantly more expensive. It is important to note though that housing starts data are volatile from month to month and can be subject to large revisions. Looking beyond monthly volatility, starts in the first nine months of the year were up +3.1% from the same period in 2016. Still in the U.S, the Fed Beige book showed that the pace of growth amongst it's 12 districts ranged from modest to moderate, with the hurricanes impacting the southern districts. Dallas experienced an increase in auto sales because of storm damaged vehicles and Richmond saw heightened manufacturing prices, particularly some raw materials. The Atlanta district reported hurricane related effects on its energy, agriculture and tourism sectors. Overall inflation remained modest since the Fed's last report, matching other recent sluggish price change readings. On the sector-level, transportation, energy and construction materials prices rose, though this would likely be due to the hurricane activity.

#### PRECIOUS

The precious complex remained under pressure yesterday as international equities and the USD continued to climb and equities softened. Gold began the day on a semi-positive note with some light Japanese and SE Asian based demand lifting the market a few dollars prior to China opening. Chinese banks were on the bid in early SGE trade,



which pushed the premium out to the right to around a \$10 premium. This influenced spot gold, which marched up to the highs of the day at \$1288.90. After an hour or so of trade however, the banks demand was exhausted and the yellow metal made a very slow retreat, meandering lower throughout the Asian afternoon back below \$1285. The strength in equities kept a lid on the precious metals with any small jump met with firm selling on Ecomex. The gold continued steadily lower throughout the European day posting the intra-day low right before NY opened for trade (\$1277.60). The metal quickly bounced on the open back toward \$1283.50 and then traded a very narrow and dull range of \$1280-83 into the close. Enthusiasm for gold has certainly been dented following its failure above the \$1300 mark, and longs patience is likely to be tested further into the end of the week. Key downside levels to look out for now are \$1275.50 (100 dma), \$1260.50 (6 Oct low pivot) and then \$1257.00 (200 dma). To the topside \$1297-1305 now looks a fairly heavy barrier. Elsewhere, palladium had a terrible session yesterday, down some - 3.7% at one stage from the Asia highs and closing about -2.8% lower on the day. The \$975 support was tested once during the NYK session and held but a lack of liquidity around there on the second test saw it quickly drop through and down toward \$955. There was a modest recovery into the close finishing up around \$960. Interesting price action for the metal, with it seeming like the fall was more just a lack of liquidity than any large scale selling. It was also good to see some lending go through in Pd, although it had little effect on the forward rates overall which still remaining in heavy backwardation.

In Asia this morning gold remained fairly flat initially with very little in the way of buying going through, which was interesting given we were trading lower than the previous day. There was also very little volume going through which just prompted the metal to cruise between a very narrow \$1280.50-1282.00 range into the China open. Shanghai opened and spot edged a dollar or so to the days highs, yet demand on the SGE was minimal. The premium on the exchange had also fallen back below \$10 and eased further over the opening 30 minutes towards \$8 over Loco London. This put pressure on the spot price which fell through \$1280 and continued to push below the overnight low at \$1277.60. We briefly touched \$1276.50, before stabilising around \$1277-78 over the afternoon. Volumes remained fairly light and price action slowed from then on. This was the case across silver and the PGM's too. China released a host of data around the middle of the session that came mostly in line with forecasts and had a minimal impact on markets. 3Q GDP YoY came in as expected at +6.8% (+6.9% prior), Retail sales YoY was increased by +10.3% (10.2% expected, +10.1% prior), Industrial production YoY rose +6.6% (+6.5% expected, +6.0% prior) and fixed assets fell to +7.5% (7.7% expected, +7.8% prior). The dollar remained flat against the majors and equities were mixed, Shanghai Composite at time of writing sitting at -0.4%, Nikkei +0.65%, Hang Seng flat and ASX200 +0.15%. Crude is off a touch, down -\$0.05 or -0.15% to \$51.96 currently. Looking ahead at today's data, watch out for U.S jobless claims and Philly Fed Business Outlook. Have a good day ahead.

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