



## MKS PAMP GROUP

### Daily Asia Wrap

26<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>	1277.80/20	16.94/97	922/25	961/63
<b>HIGH</b>	1281.00/40	17.00/03	926/29	969/71
<b>LOW</b>	1277.30/70	16.94/97	922/25	961/63
<b>LAST</b>	1279.80/20	16.98/01	924/27	967/69

#### MARKETS/MACRO

Despite solid data across the board, there was certainly a less 'Gung Ho' attitude toward risk assets overnight, although a clear catalyst for moves wasn't obviously apparent. Softer earnings reports (Boeing, Coca Cola, Chipotle), concerns over the Fed chair, the upcoming ECB meeting and renewed bickering in U.S political circles (raising concerns over the passage of tax reform), were all flagged as drivers. The Dow Jones Industrial Average fell -112.3 points, or -0.48%, to 23,329.46, the S&P500 sold off -11.98 points, or -0.47%, to 2,557.15 and the Nasdaq slumped -34.539 points, or -0.52%, to 6,563.891. The best performing sector was Healthcare (-0.12%) and the worst performing sector were Teleco's (-2.28%). European stocks ended with losses as investors took risk off the table ahead of a much anticipated ECB decision on monetary policy today. The FTSE Euro First 300 index relinquished -9.38 points, or -0.61% to 1,522.07 and the Euro Stoxx 600 Index fell -2.20 points, or -0.57% to 387.13. In FX, USDJPY was range bound and closed slightly lower at 113.70, AUDUSD slumped -0.9% to 0.7700 following the softer than expected Q3 CPI report and EURUSD gained +0.4% to 1.1810 ahead of the ECB. The Dollar Index closed slightly lower by -0.1% to 93.71. Bond yields continued to lift, with the U.S 10y up +1.6bps to 2.435% (intra-day it had lifted to a 7 month high of 2.47%), while the U.S 2y yield rose +1.79bps to 1.599%. The yield on the 10y German bund rose +0.6bps to 0.48% and peripheral spreads narrowed. Crude oil prices put in a rather lacklustre effort, as the market failed to get excited about strong global demand. EIA data showed that US oil exports climbed to a record 7.66mio barrels last week. The weekly report also showed that gasoline stockpiles fell by 5.47mb, while distillate fell by 5.25mb. Any exuberance was quelled by a rise in overall production and inventories. Dec WTI crude sold off -\$0.26, or -0.50%, to US\$52.21 a barrel. Elsewhere, Iron ore was basically unchanged and coal markets were subdued.

It was pretty much a clean sweep in terms of positive data surprises overnight. New orders for durable goods in the U.S rose +2.2% (+1.0% expected) in September from +2.0% a month earlier. The higher figure was led by a +5.1% rise in transportation equipment orders, the biggest increase since June. Orders for civilian airplanes and parts rose +31.5%, reflecting strong demand for the nation's largest aerospace firm, Boeing. It had 72 orders in September, up from 33 in August. Durable goods ex the volatile transportation component rose +0.7% (+0.5% expected) from +0.5%. Still in the U.S purchases of newly built homes increased to a seasonally adjusted annual rate of 667k (+18.9%) in September from the previous month, putting new home sales at the highest level in a decade. Most surprisingly, the report said that home sales in the south, which includes Florida and Texas, jumped by +25.8%. An aging population moving to warmer climates and relatively affordable home prices have helped make the south a growth market, and that might have outweighed the effect of the recent hurricanes. Across the Atlantic, GDP growth in the U.K edged up in Q3 to +0.4% QoQ (+0.3% expected), based on the preliminary estimate. Annual GDP growth was +1.5% YoY in Q3 (+1.5% expected), similar to that in Q2. Manufacturing output rose 1.0% QoQ, more than reversing the fall in Q2, while output growth for the services sector was steady at +0.4% QoQ. In Canada, the BoC kept its benchmark interest rate steady at +1.0%.



## PRECIOUS

It was a choppy session for the precious complex, gold, silver and palladium particularly, with the former again managing to hold onto support in the low \$1270's despite the spike in U.S yields to 7 month highs. The Asian session was fairly subdued with gold gradually ticking lower into the SGE open with specs still looking to play intraday moves on the short side. Gold opened at \$1277 and slowly meandered lower to \$1275.50 by the time China came online. There was very little demand from them though and gold continued to trickle lower into the afternoon briefly hammering down to \$1272.50 before recouping and trading quietly round \$1273-74 into the Europe open. The rising U.S yields kept a lid on the gold throughout much of Europe despite softer equity markets. In early New York there was a considerable jump of around \$8 to \$1279.50, with some 10,000+ lots of Dec gold exchanging hands on the move. It was most likely fast money types being stopped out on the move back through the 100 dma (\$1275.50), spooked by the U.S yields easing off their peaks. Over the proceeding hour gold dropped off back to \$1272.50 but quickly recouped again from there to \$1278. It was a choppy affair in a tight range into the close, finishing at \$1277.50. Gold really has held well above \$1270 over the past 3 sessions, despite a number of factors weighing on it such as rallying yields and stock markets as well as better than anticipated U.S data. That said the market still feels like it wants to try lower, there may just be a short squeeze to the topside first (\$1295-1300?).

Gold opened in Asia on the front foot with some light buying going through on Ecomex early on, pushing the spot price a few dollars higher towards \$1279.50. There was some decent sell orders accumulated up around that level, also corresponding with the overnight highs, however gold remained fairly well bid pressing against this level leading into the China open. The SGE opened much the same as yesterday, the premium a touch lower at \$7-8 over the loco London price and with modest volume going through. The USDCNY fixed around 60 pips lower prompting some follow through buying from Chinese traders. It was only brief, although was enough to tease spot gold through \$1280 and up to the days peak. The Chinese buying didn't last long however and with good Comex based selling above \$1280 gold clung to \$1280 into the afternoon. At time of writing we remain chopping either side of this level on modest volumes. Silver followed gold higher over the morning running into a little resistance at \$17.00, but holding there into the afternoon and palladium continued slowly higher throughout the day.

In other markets equities were mixed, the Nikkei and Shanghai Composite currently up +0.2% and +0.45% a piece, while the Hang Seng and ASX200 are modestly lower at -0.15% and -0.05% respectively. WTI Crude edged -\$0.10 lower currently trading at \$52.09 a barrel and the USD is a little softer on the day vs. the majors. AUDUSD tried below 0.7700 but has so far held. Ahead today look out for U.S jobless claims, wholesale inventories and pending home sales, although the main event is undoubtedly the ECB rate decision - so expect things to remain quiet until then. Have a good day ahead.

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