



MKS PAMP GROUP

Daily Asia Wrap

5th October 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1274.90/30	16.58/61	913/16	925/27
HIGH	1275.50/90	16.60/63	914/17	926/28
LOW	1273.20/60	16.56/59	912/15	924/26
LAST	1274.10/50	16.58/61	913/16	925/27

MARKETS/MACRO

US data releases continued to point to robust momentum in the economy as the Q3 data trail draws to a close. That helped to steady the USD which was on the back foot during the London morning session. The crisis in Spain, meanwhile, is continuing to rumble on with the Catalan's expected to declare independence from Madrid shortly. This prompted a near -3% drop in the IBEX 35 and further widening in bond spreads (Spanish 10y bond yields up 6 bps). U.S benchmark indices continued on their recent upward trajectory, the Dow Jones rising +19.97 points, or +0.09%, to 22,661.64, the S&P500 rallied 3.16 points, or 0.12%, to 2,537.74 and the NASDAQ crept up +2.913 points, or +0.04%, to 6,534.627. European indices snapped a nine day winning streak on the back of weakness in Spanish equities. The FTSE Euro First 300 index dipped -2.01 points, or -0.13% to 1,533.43 and the Euro Stoxx 600 inched down -0.32 points, or -0.08% to 390.40. Regionally the DAX increased +0.53%, FTSE was down -0.01% and CAC40 -0.08%. The USD closed fairly flat overnight as the market contemplates Friday's U.S employment report in a 'wait and see' fashion. Oil prices underwent a bit of a roller-coaster ride, as traders tried to make sense of conflicting signals ultimately closing the day down -\$0.56, or -1.11%, at US\$49.86. Prices were stronger earlier in the day as the impact of the strong draw down in inventories in the US continued to reverberate through the market. The fall of 6.02 million barrels was the biggest drop since mid-August. However, the big increase in U.S crude oil exports saw prices reverse course. Exports jumped to 1.98m b/d last week, while production was also higher. Reports that Russia was considering supporting an extension of the production cut agreement beyond March 2018 failed to support prices. U.S yields were flat, the 10y yield unchanged at 2.322% and the US 2yr yield up 0.01bps to 1.471%.

There was a fair bit of data to digest overnight. Starting in the U.S, the Institute of Supply Management (ISM) said its index of non-manufacturing activity rose to 59.8 in September (55.5 expected) from 55.3 in August. This marks the highest reading in over 12 years, when the index registered a 61.3. "The surge in the ISM non-manufacturing index is a clear sign that the economy is recovering quickly from any hurricane related disruption and that the underlying pace of GDP growth remains strong," said a JP Morgan economist. Markit's U.S services activity index inched up to 55.3 from 55.1 in August (55.1 expected), while the composite PMI also edged up to 54.8 in September from 54.6 in August. "Measured across both manufacturing and services, future optimism is at its lowest since February, suggesting companies have become increasingly cautious about the outlook," said Chris Williamson, chief business economist at Markit. "However, while optimism has slipped, the 'hard' survey data on recent output, new orders and hiring trends remain solid" he said. Still in the U.S, payroll processor ADP reported that firms across the country added 135k workers to their ranks in September, down from 228k a month earlier. This dip was mainly borne by small businesses with a spokesman reporting, "This is in part due to Hurricanes Harvey and Irma which significantly impacted smaller retailers. In addition, the continued slow down we have seen in small business hiring could be due to a lack of competitive compensation to attract skilled talent".



PRECIOUS

Gold closed the day a few dollars higher Wednesday, with a surge of short covering around the NY open taking the metal above \$1280 briefly, before data pointing toward continued robust momentum in the U.S quickly eroded investors zeal. During the Asian and London hours, the USD was correcting against recent strong sessions and gold as a result began to tick higher. Volumes however remained subdued with China still off enjoying a week long holiday. After opening at \$1272 the metal pushed up towards \$1275-76 where there was some modest two-way interest throughout much of the day. Early London traders pushed it higher towards \$1278 although this was brief as some weak Asian longs were still looking to lighten positioning on the rise. The metal retreated back toward \$1275-76 leading into the U.S morning, upon which there was a surge in demand and gold rallied to a peak of \$1282.20 pretty sharply. The ADP employment report, which was in line with expectation then kicked off a rise in the USD. This picked up pace with the better than expected Markit Services and composite PMI's and ISM non-manufacturing shortly after. Gold and silver as a result retreated for much of the morning hitting lows of \$1270.95 and \$16.55 respectively or trading lower -0.9% and -2.0% from the intra-day highs. Gold closed at \$1275 and silver \$16.60. I think a lot of bulls will be weary of the price action overnight and eager to see what Friday's NFP's will bring. For gold, support sits around the recent lows and 100 dma (\$1268-73) while there still appears to be good selling above \$1280 (50% retracement July-Sep rally) and weekly high.

Another extremely quiet day in Asia for metals, with both China, HK and Korea out for holidays. The gold opened the day where it left off in NY and ticked a dollar or so higher on the open. Volumes were extremely limited through Ecomex and Tocom in early trade and the gold only traversed a minimal \$3 range over the initial 6 hours. At time of writing (3pm Sydney) only 15k lots of GCZ7 have traded hands which is about 60-65% the average when China and HK are in. Silver has done very little too, plodding either side of \$16.60 and PGM's have been flat all day. Very little to report in the precious in what has been the quietest day in an already quiet week. In other markets, currencies were very quiet across the board with the only real mover of note the AUD, with AUDUSD currently sitting at 0.7832 (-34 pips, or -0.43% on the day). The sharp dip in the single currency was the result of a weaker than expected August retail sales figure coming in at -0.6% (+0.3% expected). The July reading was also revised lower to -0.2% from flat, with weakness across the 2 months notable in food, restaurants and housing. There were a number of traders buying the dip however with some seeing opportunity in the move. Equities are currently up slightly on the day the Nikkei +0.02% and ASX200 +0.06%. All the best.

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