



MKS PAMP GROUP

Daily Asia Wrap

13th April 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1334.90/30	16.46/48	927/29	965/67
HIGH	1340.90/30	16.53/55	931/33	970/72
LOW	1334.90/30	16.46/48	927/29	964/66
LAST	1340.00/40	16.51/53	930/32	969/71

MARKETS/MACRO

U.S. stocks closed with solid gains on Thursday as investors looked past the latest headlines and tweets coming from the White House and turned their focus to earnings season, which kicks off today. The Dow Jones Industrial Average advanced +293.6 points, or +1.21%, to 24,483.05, the S&P500 rallied +21.8 points, or +0.83%, to 2,663.99 and the NASDAQ Composite added +71.221 points, or +1.01%, to 7,140.248. The best performing sector on the day was Financials (+1.82%), while Utilities brought up the rear (-1.28%). In Europe, stocks closed higher as the likelihood of military conflict in Syria eased. The EuroFirst 300 Index rose +9.94 points, or +0.67% to 1,485.28 and the EuroStoxx 600 inclined +2.64 points, or +0.70% to 378.82 points. Regionally the FTSE100 was fairly flat +0.02%, DAX rose +0.98% and the CAC40 climbed +0.59%. Price action in the G10 block was rather muted over the past 24 hours, although we did see the Euro come off quite heavily for a period last night on the back of fresh ECB minutes which the market took through a slightly more dovish lens. GBP was the out-performer, EURGBP ~-70bps lower on the day as U.K rates come under pressure. Base metals prices were generally weaker, as a stronger USD weighed on investor appetite. Profit taking was also prevalent after the strong gains chalked up earlier this week. Zinc led the sector lower, with prices falling over -3.3% on fears of hidden stockpiles hitting the market and speculation swirled that China's State Reserve Bureau was planning to release inventory. Inventories on the LME are already up 10% this year, including a sudden inflow of 80kt in early March. Aluminium was the only metal in the complex to push higher, as panic buying from traders continued. The recent surge in crude oil prices eased as U.S President Trump suggested an attack on Syria wasn't a foregone conclusion, however, traders remained on edge with Trump still discussing the U.S response with his advisors and other international allies. May WTI pushed higher on the day up +\$0.34 or +0.51% to \$67.16 a barrel. U.S treasuries continued to unwind with 2y yields up +4.1 bps to 2.348% and 10y yields rallying +5.5 bps to 2.836%.

On the data front, U.S import prices remained unchanged in March, despite markets expecting a small rise. On an annual basis, import prices were up +3.6%, supported largely by USD weakness over the past year (one exception being petrol prices, which were up 19% YoY). U.S initial jobless claims fell by -9k to 233k in the week ended April 7, slightly higher than a BBG forecast of 230k. Continuing claims increased by +53k to 1.87 million (BBG expectation 1.84 million). Layoffs are near a 45-year low and show no sign of rising. Companies increasingly complain about a shortage of skilled labour with the unemployment rate at a 17-year low of 4.1%, making it harder for them to fill a record number of job openings. Across the pond, Euro area industrial production fell -0.8% MoM in February following a -0.6% MoM fall in January - suggesting momentum in the Euro-zone may have peaked. The drop was led by a -3.6% fall in capital goods output (a volatile component) and a -1.6% drop in durable consumer goods. The picture across the euro area was uneven, with output falls in Germany and Italy and production increases in France, the Netherlands and Spain. Elsewhere, Minutes of the European Central Bank's meeting suggest the central bank will move only gradually to phase out its EUR \$30 billion a month bond-buying program and start raising interest rates.



PRECIOUS

Gold continued to track lower overnight trading down towards \$1334 after trading at \$1365 only 24 hours earlier (-2.3%). It marks the fourth attempt now that the yellow metal has pushed through into/through the \$1355-60 area and subsequently sold off some \$25-30 shortly after. It is obviously very heavy going above those levels with heavy spec profit taking as well as producer supply diligently capping the rallies. Yesterday gold opened in Asia at \$1353 and felt a little heavy from the get-go. The metal quietly tracked lower over the first few hours of trade and picked up a little more downward momentum later in the day trading through \$1350. The SGE premium was noticeably lower by around \$2 or so at \$5-6 over spot, which prompted Chinese selling. There was a brief pop back to the opening levels during London, but that was quickly sold into. By the time NY stepped in we were trading around \$1345 and it was mainly specs and producers driving the sell-off, which remained constant throughout the rest of the session. The generally stronger USD, firmer equities and lower treasuries also weighed on metals. Palladium which has been the performing metal in the precious space over the course of this week, was exceptionally volatile overnight, selling off in dramatic fashion during the London session to a low of \$948.50 only to bounce back just as sharply later in NY to hit \$966 and close the day marginally higher. Investors continue to be concerned about sanctions on Russia that would result in supply side disruptions for Pd.

Gold commenced the days trade just above the o/n lows (\$1335) and there was initially some opportunistic demand, with specs punting on Asian names buying when they stepped in. The metal pushed as high as \$1338.50 prior to the SGE open and had a further leg up when it did edging up through \$1340. The SGE premium had increased about \$1 or so from where we were yesterday and demand was modest but persistent throughout the am session. Spot gold pushed through \$1340 and has held in well since with some light two-way trade going through COMEX. Silver has clawed above \$16.50 and is holding onto the 50 handle and palladium is trading north of yesterday's close and above \$970, closing in on the 200 dma which sits at \$976.50. In other markets, equities are mixed at present the Nikkei up +0.50% and ASX200 +0.35%, while the Hang Seng is down -0.10% and Shanghai Composite -0.40%. Crude is slightly softer WTI -\$0.15 (-0.2%) to \$67.02 and the USD is mixed narrowly mixed vs the G10. Ahead today on the Economic Calendar look out for German CPI, U.S Jolts report and University of Michigan Sentiment index. Have a great weekend everyone.

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