



MKS PAMP GROUP

Daily Asia Wrap

4th April 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1332.80/20	16.41/43	924/26	932/34
HIGH	1335.70/10	16.45/47	924/26	933/35
LOW	1331.40/80	16.39/41	920/22	928/30
LAST	1334.20/60	16.43/45	922/24	931/33

MARKETS/MACRO

U.S equities closed higher Tuesday, following a volatile session that saw major indices fluctuate widely as investors digested a sharp retreat a day earlier and gauged the likelihood of both trade risk and further weakness in tech names. The Dow Jones Industrial Average gained +389.17 points, or +1.65%, to 24,033.36, the S&P500 bounced back +32.57 points, or +1.26%, to 2,614.45 and the NASDAQ Composite added +71.16 points, or +1.04%, to 6,941.282. The best performing sector was Energy (+2.14%), while REITs struggled but still managed to close in positive territory (+0.31%). European stocks finished lower, dogged by the soggy technology sector and ongoing concerns about a full-blown trade-war with China firing back at the U.S this week. The EuroFirst 300 index slumped -6.5 points, or -0.45% to 1,445.81 and the EuroStoxx 600 slid -1.80 points, or -0.49% to 369.07. Regionally the FTSE100 shed -0.37%, the DAX lost -0.78% and CAC40 dipped -0.29%. Crude oil ended the day higher (WTI +\$0.56 , +0.89% to \$63.57) after the American Petroleum Institute reported a surprise draw of 3.28 million barrels of United States crude oil inventories in the week ended March 30. Analysts had anticipated a modest build in crude oil inventories of +246k barrels. In FX, JPY was the worst performing currency in G10 as macro risks seem to have dissipated post yesterday's large equity sell off. Positioning still suggests that there's a decent amount of JPY longs, though Japan's inflation figures on Friday did little to substantiate Kuroda's comments that there could be a BoJ exit anytime soon and offers keep USDJPY rallies well capped. The rates market saw yields grind higher throughout the day as a result of the higher equities and some decent corporate supply. Goldman Sachs analysts note that positioning is now much cleaner and with no clear catalyst to propel the next leg of the sell-off, shorts have been reduced dramatically, particularly in the front-end. The U.S 2y yield closed up 3.23 bps at 2.278% and the 10y yield accelerated +4.5 bps to 2.775%.

The trade war rhetoric has heated up again with China officially notifying the World Trade Organisation it is imposing \$611.5 million worth of retaliatory tariffs on \$2.75 billion worth of U.S. imports - including pork, nuts and ethanol. The move was in response to U.S. duties on aluminium and steel, a WTO document showed. The document, dated last Thursday but posted only after the Easter public holidays, came after China said late on Sunday it has increased tariffs by up to 25 percent on 128 U.S. products, escalating the dispute between the world's two largest economies. China has fulfilled its legal duty to notify the WTO and other member states of its retaliatory measures.

On the data front it was a fairly quiet day yesterday. Euro-zone manufacturing PMI was finalised at 56.6 in March, unrevised, yet down from February's final reading of 58.6. It's also the biggest fall in the series since mid 2011. Markit noted a broad slowdown across "all nations", with increased signs of "supply chain constraints". The German manufacturing sector sank for a third month running, its Markit PMI reading hitting 58.2, its lowest level since July 2017 and lower than last week's flash estimate of 58.4. The survey reported that growing demand for input materials



was increasing the prices of inputs, including of raw materials like steel, and placing suppliers under pressure to keep up. German retail sales however improved YoY, up +1.3% in Feb.

PRECIOUS

Gold struggled to hold on to Monday's gains as a steadier risk sentiment descended on global markets, in particular it was a stronger USD and U.S equity market that took the wind out of gold's sails. Gold opened the session at \$1341.50 in Asia yesterday with flows skewed to the sell-side in early trade. Once Shanghai opened the flows seen on the offer only increased, with the SGE premium relaxing towards \$6-7 over the spot price. Spot dipped below \$1340 during the Asian hours although didn't really accelerate too much through there, with some steady buying on Comex absorbing much of the Asian supply. There was a brief spike right around the time European traders took the books, although there were a number of investors happy to book profits above \$1340 and we quickly sank back below that level. Again on the NY open there was a spike brief spike back to \$1342 - a third time - before the USD and equity market began to exhibit some strength. This saw the metal lose ground fairly rapidly and trade as low as \$1329.15. Some intra-day profit taking then pushed us back into the mid \$1330's, where we remained for the rest of the session, ultimately closing at \$1332.50. We seem range-bound for now in gold with producer/spec selling still weighing up towards the range highs \$1345-55, while concerns over a continuing trade war have kept the market buoyant on dips - expect good support between \$1300-1315. Either way, at this juncture it appears it will take a significant trigger to break out of the current range. Silver had a spectacular fall from grace, touching a high \$16.60 right after the NY open and then sharply tumbling to \$16.39 and settling just off that. Platinum was very soft, off more than -1.0% while palladium was extremely volatile yet managed to close fairly flat, despite good auto sales out of the U.S.

It was a slow day in Asia today and the last day China will be in for the week, out Thursday and Friday for their Ching Ming Festival holiday. Gold opened at \$1333 and tracked sideways for the majority of the morning leading into the SGE open. With the lower gold price the SGE premium had ticked up a little on the previous day to USD \$7-8 over loco London. This drew out some light demand although in all honesty the volume was very muted, with Chinese investors appearing to have already done the majority of their pre-holiday business. Gold edged up a few dollars after China came in and continued up toward \$1336.00 and has since gradually traded down to \$1334. Silver and the PGM's have been similarly quiet. On the data front today Australian retail sales came in better than expected at +0.6% (+0.3% expected, +0.2% prior), while Chinese Caixin PMI services and composite came in lower than expected at 52.3 and 51.8 respectively. In other markets equities are currently mixed the Hang Seng is down -1.7%, Shanghai Composite - 0.2%, while the Nikkei and ASX200 are modestly higher at present +0.15% each. The dollar remains flat against the G10 and crude is currently softer on the day, May WTI down -\$0.28 (-0.45%) to \$63.30. Have a good day ahead.

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