



MKS PAMP GROUP

Daily Asia Wrap

11th October 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1194.50/90	14.31/33	823/25	1068/70
HIGH	1195.00/40	14.33/35	824/26	1071/73
LOW	1191.10/50	14.26/28	814/16	1067/69
LAST	1193.10/50	14.28/30	816/18	1067/69

MARKETS/MACRO

It was a sea of red spattered across equity investors screens last night, with major indices in the US plunging substantially. There is no single reason here that can be singularly accused of driving the sell off but rather a confluence of multiple factors – US/China trade tensions, US housing market stalling, upcoming mid-terms, narrowing breadth to the equity rally and concern about how far yields will rise – causing investors to take risk off the table. Technology and luxury goods led the declines with confirmation that Sears, once an icon of retail, is to file for Chapter 11 bankruptcy protection adding to negative sentiment. The Dow Jones capitulated -831.83 points (-3.15%) to 25,598.74, the S&P plunged 94.66 points (-3.29%) to 2,785.68 and the NASDAQ Composite cratered -315.966 (-4.08%) to 7,422.051. It was much the same in Europe, although to a lesser degree, with rotating to safety. The FTSE EuroFirst 300 dropped -23.03 points (-1.57%) to 1,443.10 and EuroStoxx 600 retreated -6.00 points (-1.61%) to 366.93. A bearish EIA monthly report along with a risk-off tone of the market weighed on crude oil prices. According to EIA's latest monthly report, US crude oil production is estimated to rise by 1.39mb/d to 10.74mb/d against last month's estimates of 1.31mb/d to 10.66mb/d. This suggests production could average 11mb/d in Q3 this year. Further, 2019 production estimates have been revised higher to 11.76mb/d from 11.5mb/d. On the other hand, US oil demand growth has been revised lower by 20,000b/d to 450,000b/d. WTI closed down -3.11% as a result to \$71.14/b. In FX, USDJPY fell in line with the plunge in US stocks as investors flew to safety, closing -0.6% lower around 112.30. AUDUSD also fell back on the risk-off tone, down -0.7% to 0.7060, while Sterling rallied as growing expectation mounts that a Brexit deal may emerge next week.

Risks to the global financial system have risen over the past six months and could increase sharply if pressures in emerging markets escalate or global trade relations deteriorate further, the International Monetary Fund said on Wednesday. The IMF, whose autumn meetings with the World Bank get under way on the Indonesian resort island of Bali this week, also noted that while the banking system has been shored up by regulators in the decade since the 2008 global financial crisis, easy financial conditions are contributing to a build-up of vulnerabilities such as high debt levels and "stretched" asset valuations. "Near-term risks to global financial stability have increased somewhat," the IMF said in its biannual global stability update.



On the data front US producer prices excluding food and energy went up +0.2% MoM in September of 2018 after falling -0.1% in August and in line with market expectations. YoY core producer prices increased +2.5%, above +2.3% in August and also in line with forecasts. Wholesale inventories in the US increased 1.0% MoM to USD 642.7 billion in August of 2018, higher than a preliminary estimate of a +0.8% gain and a 0.8% rise in July. Inventories went up faster for both durables (+0.9% vs 0.6% in July) and non-durables (+1.2% compared to +0.5%).

PRECIOUS

Gold once again saw some support in the mid \$1180's yesterday, ending the day on positive footing as equity markets tanked. In Asia the yellow metal opened at \$1189.50 and oscillated in a \$1 range around \$1190 leading up to the Chinese open. Volumes remained decent in Asia, despite the relatively narrow price action, which picked up further around the SGE open. The SGE premium was once again relatively strong at around \$8 on the open pushing a little higher initially (in line with spot), but the demand began to wane as the session progressed, the premium dropping back a dollar or so. London came in on the offer with the elevated USDCNY/USDCNH weighing on the price and pushing us towards \$1186. As the European equities sell-off accelerated later in the day, some light European based demand began to trickle in and we popped back to \$1190. The precious universally sold off on the NY open and it didn't take long for equities to start cascading lower. This saw gold's fortunes change and swing higher, yet unfortunately for the industrial metals it did little with Ag, Pt and Pd all under pressure. Gold climbed steadily over the final 5 or so hours to the daily peak of \$1194.70 and closed just off the highs. So again, we remain confined to the same old range.

Gold opened in Asia at \$1194.70 and remained fairly flat over the first 3 hours of trade this morning. Once Shanghai entered the USDCNH and USDCNY (a little later) began to rise putting pressure on the premium and pushing it lower through \$5.50-6.00. Spot began to fall in line with this edging its way down to \$1191.50 before some light demand curbed the sell-off. We traded back towards \$1193 and held there for the rest of the morning and through the lunch break, again though turnover was sizeable (48k lots GCZ8 after 7.5 hours trade). Ahead today, US CPI data will be the focus, but we also have US jobless claims and French CPI. All the best.

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