



**MKS PAMP GROUP**  
**Daily Asia Wrap**  
**20<sup>th</sup> September 2018**

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1203.80/20	14.25/27	822/24	1037/39
<b>HIGH</b>	1206.50/90	14.34/36	825/27	1039/41
<b>LOW</b>	1203.00/40	14.23/25	820/22	1034/36
<b>LAST</b>	1206.00/40	14.31/33	822/24	1038/40

**MARKETS/MACRO**

Equities were on the rise overnight with treasury yields up a couple of basis points and the USD declining. The DJIA gained +158.80 points (+0.61%) to 26,405.76, the S&P500 tacked on +3.64 points (+0.13%) to 2,907.95, while the NASDAQ composite took a bit of a breather, down a marginal -6.069 points (-0.08%) to 7,950.038. European stocks also exhibited strength led by banking stocks, the EuroFirst 300 Index inclining +4.96 points (+0.33%) to 1,485.99 and the EuroStoxx 600 matching that, up +1.25 points on the day (+0.33%) to 379.98. Crude oil prices rose after data showed further falls in inventories, the WTI gaining +1.47% to \$70.88 a barrel. U.S stockpiles fell -2.08 million barrels last week, according to EIA data, slightly less than the market was expecting. However, investors were buoyed by data showing that refiners utilisation rates were around 10% higher than this time last year, indicating that demand remains strong. The tightness in the global oil market and a wide spread between Brent-WTI (~\$8.50 a barrel) also enticed the highest level of U.S exports since July at 2.37m million barrels per day. Brent crude prices were helped by reports that Iraq's exports were weaker, dropping to 3.93 million barrels a day in the first half of September from 4.093 million barrels per day in August. The base metals sector was broadly higher, as investors took a 'glass half full' approach to the lower-than-expected 10% tariff on Chinese imports into the U.S. Investors appetite was also supported by a weaker USD in this space, LME copper gaining +0.6% to \$6121 per tonne. In the G10 space, most of the focus was on \$CAD last night after headlines broke that US-Canada trade talks were unlikely to materialise into an agreement this week, helping to send the pair briefly above 1.30 while Cable continues its recent advance, helped by a stronger than expected inflation print yesterday.

On the data front yesterday the U.S current account deficit narrowed to \$101.5 billion or 2.0% of GDP from a downwardly revised \$121.7 billion gap or 2.4% of GDP (\$103.5 billion expected). The goods deficit decreased to \$203.2 billion from \$220.8 billion in the first quarter of 2018, as exports rose faster than imports and the services surplus increased to \$69.3 billion from \$66.8 billion. Still in the U.S, housing starts jumped +9.2% from a month earlier to an annualised rate of 1282k in August of 2018, recovering from a -0.3% drop in July and beating market expectations of a +5.8% advance. Starts increased in the South, the Midwest and the West and remained flat in the Northeast. In the UK CPI rose to an annual rate of 2.7% in August 2018 up from 2.5% in the previous month and comfortably above market expectations of 2.4%. It was the highest inflation read since February mainly boosted by rising prices of transport, recreation & culture and food & non-alcoholic beverages.

U.S. and Canadian negotiators facing a deadline at the end of the month are working long hours to keep Canada in a North American trade bloc. Canada's Minister of Foreign Affairs Chrystia Freeland resumed talks Wednesday with U.S. Trade Representative Robert Lighthizer. "Our negotiators have been really hard at it, including an all-night session last night that ended at 7 a.m." Freeland told reporters. Among other things, the negotiators are battling over Canada's high dairy tariffs and policies meant to keep the country's culture from being overwhelmed by U.S. movies and



television. Canada also wants to keep a dispute-resolution process that was part of NAFTA, the Trump administration however wants U.S. courts to have jurisdiction.

## **PRECIOUS**

Gold once again printed a higher peak than the previous session, despite relatively muted price action overall yesterday. We opened in Asia around \$1198 and after spending a few hours around that level began to rise as we approached the Shanghai open. This was soon followed by the headline "CHINA PREMIER SAYS WON'T DEVALUE CURRENCY TO STIMULATE EXPORTS", which helped to improve the overall risk sentiment, sending USDCNH lower and gold higher through towards \$1204. Throughout the European day the yellow metal chopped between \$1202-1204.50 on very light volumes, hitting the intra-day peak just as U.S traders came online at \$1205.95. We did run into some selling pressure above \$1205, particularly as it was around this time the USD began to rebound. Despite the selling though, the metal managed to hold above \$1200 for the remainder of the session which was certainly positive, rounding the day out at \$1204. It was generally real money and system accounts on the bid and producer accounts on the offer for most of the day. The PGM's were again the most interesting constituents within the precious complex yesterday. Palladium continued its solid form from the previous day, extending its rise through the 200 dma resistance (\$988.50) and hitting a fresh cycle peak of \$1043, taking the 2 day gain to an impressive +\$50 (+5.15%). Platinum, although not to the same extent, has been robust, pushing through the 50 dma Tuesday (\$808) and closing just off the intra-day highs yesterday at \$823. Volumes have been noticeably higher over the past two days for both PGM's. Elsewhere, the World Gold Council said India should not alter their gold import import duties or or impose other curbs to support the Rupee. The council indicated towards the low current demand for gold during 2018 and said that gold is not the core of India's current account deficit problem.

Gold continued to grind higher in Asia today, in fairly uneventful trade despite some decent volume going through. The yellow metal opened around \$1204 this morning and hovered around there for the opening few hours before the China came in. There was a brief rush of bids right on the open and spot gold as a result pushed through \$1205 and continued up toward the overnight high (\$1205.95). It pushed through there eventually and remains above that level as I write. Silver had a good run also, opening around \$14.24 and pushing as high as \$14.35 before easing a little into the AM session close. PGM's are quieter today, dipping initially on some initial profit taking, but then rallying to their respective highs following the Chinese open in line with a softer dollar. Ahead today look out for UK retail sales, Eurozone consumer confidence and U.S jobless claims and existing home sales. All the best.

*Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.*