



MKS PAMP GROUP

Daily Asia Wrap

7th August 2018

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|-------------|---------------|-----------------|------------------|
| OPEN | 1207.40/90 | 15.30/32 | 823/25 | 907/09 |
| HIGH | 1212.00/40 | 15.40/42 | 832/34 | 912/14 |
| LOW | 1207.20/60 | 15.29/31 | 821/24 | 905/07 |
| LAST | 1212.00/40 | 15.40/42 | 832/34 | 912/14 |

MARKETS/MACRO

The main theme overnight was seemingly resilient risk-appetite in the U.S despite the latest notch up in trade tensions. A Global Times editorial said China is prepared for a “protracted war” and doesn’t fear sacrificing short-term economic interests. The U.S also resumed sanctions on Iran effective today followed by another set of tougher sanctions to begin in November targeting oil sales. For equities the Dow Jones Industrial Average edged up +39.60 points (+0.16%) to 25,502.18, the S&P500 advanced +10.05 points (+0.35%) to 2,850.40 and the NASDAQ Composite rose for a fifth straight session up +47.664 points (+0.61%) to 7,859.678. European stocks were not however as resilient the EuroFirst 300 index dipping -2.32 points (-0.15%) to 1,521.61 and the EuroStoxx 600 ticking down half a point (-0.13%) to 388.66. Regionally the DAX shed -0.14%, CAC40 -0.03% and FTSE100 crept up +0.06%. In the G10 space, we saw cable take a leg lower, sliding to a YTD low versus the USD below 1.2950, as the market shrugged off a statement from UK PM May’s spokesperson that May still believes a deal with the EU is the most likely outcome, and instead focused on weekend headlines that UK International Trade Secretary Fox believes there is a 60% chance of a no-deal Brexit. The yield on the U.S 10-year note fell -1.5bps to just below 2.94%, while earlier falls in the major European 10-year bonds were 1-3bps. Crude oil prices rose strongly amid warnings of falls to output from major producers. Reports emerged suggesting Saudi Arabia’s output had fallen in July to around 10.3m bbl/d, this is against a stated output level of 10.498m bbl/d in June. This is despite the kingdom agreeing to increase output at last month’s OPEC meeting to make up for losses elsewhere in the group. The re-imposition of sanctions on Iran following the move by the U.S to pull out of the Iran nuclear deal was also bullish. Finally strike action by workers in the north sea has seen output from Total’s operations impacted.

Secretary of State Mike Pompeo said the White House is ready to enforce sanctions against Iran that will be re-imposed starting Monday — an effort by the U.S. to “push back” against Tehran’s “malign activity”. The renewed sanctions follow President Trump’s decision in May to withdraw the U.S. from the multi-nation nuclear accord with Tehran. The 2015 agreement, known as the Joint Comprehensive Plan of Action, of JCPOA, brought a suspension of U.S. sanctions in exchange for Tehran’s agreement to end its nuclear and ballistic missile programs. Trump has long contended that the Obama-era deal was flawed from the start and in his May announcement that the U.S. would withdraw, the president said the structure of the accord was “decaying and rotten”. Washington has said the only way Iran could avert the sanctions would be to agree to new negotiations to abandon its missile and nuclear programs. In a televised address, Mr Rouhani said there could be no talks as long as Washington was renegeing on the deal. “We are always in favour of diplomacy and talks.. but talks need honesty. Trump’s call for direct talks is only for domestic consumption in America ahead of elections.. and to create chaos in Iran”. European allies tried and failed to persuade Mr Trump not to walk out of the 2015 agreement, under which Iran agreed to curbs on its nuclear program in return for the lifting of international sanctions.



PRECIOUS

On the first day after China imposed a 20% reserve requirement on CNY forward transactions, the desired effect of a fall in USDCNY never eventuated. Consequently, given the close correlation between gold and CNY and CNH recently, it also meant gold bulls were disappointed from the ongoing heavy gold price. Yesterday in Asia, there was decent buying seen at the Asia open which picked the gold up a few dollars before China came in. Half an hour after the SGE opened the spot gold jumped a few dollars to the intra-day high, as the initial move from the USDCNY after the fix was lower. The premium on the Shanghai exchange was improved and trading around \$7 over spot, which prompted demand. It was not sustained however and the yellow metal began a very slow and orderly decline throughout the rest of the Asian day and the USDCNH and USDCNY headed higher in line with a soft Shanghai stock market. The premium pulled all the way back to the usual handle of \$4 and demand continued to waiver into the European morning. The rising USD continued to weigh on the metal throughout London, falling as low as \$1207 just prior to NY opening. There was a little respite early on in NY the metal pushing back through \$1210 although it was short lived the metal dipping off into the afternoon and closing just off the daily lows. It still feels like a test of \$1200 is imminent, with rallies over the past few days continually being sold into. We continue to watch the USD for direction of gold. Supports sit at \$1204.50-1205.00 (July 2017 low + previous low) and then the \$1200 psychological level, while topside resistance sits at \$1220-25.

It was a quiet day today across markets, gold slowly tracking higher throughout. We opened at \$1207.50 this morning and similar to yesterday saw some very light physical interest initially which held the metal in place. In the lead up to the Shanghai some bids surfaced and we pushed up towards \$1209. The action on the SGE throughout the morning was fairly flat with the premium around that anchor level of \$4 once again. Spot gold ticked sideways trading quietly throughout the remainder of the morning testing \$1210 but running into resistance above there. Once the SGE closed we have traded above \$1210, but there is a lack of demand to chase it higher at this stage. The USD has remained fairly flat so far, Asian equities are firmer at time of writing and crude is also a touch higher. Ahead today look out for German trade numbers and IP, UK house prices and U.S JOLTS report and consumer credit. Have a great day ahead.

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