



MKS PAMP GROUP

Daily Asia Wrap

8th August 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1210.80/20	15.37/39	828/30	909/11
HIGH	1215.20/60	15.44/46	832/34	913/15
LOW	1210.40/80	15.37/39	827/29	902/04
LAST	1212.90/30	15.37/39	829/31	907/09

MARKETS/MACRO

Global risk sentiment continued its positive run for yet another day with U.S equities higher, firmer UST yields and a slightly weaker dollar on the back of some profit-taking. In FX, we saw most commodity currencies generally outperform last night as stronger commodity prices and a run up in oil assisted the likes of the Aussie and CAD. Elsewhere in the G10 space, we continue to see mainly sellers of Cable, with the pair struggling to engage in the dollar weakness, despite PM May's recent comments over the weekend saying a Brexit deal with the EU is perhaps the most probable outcome. U.S equities were firmer Tuesday, the S&P500 moving within 0.5% of record highs set earlier in the year, boosted by strong corporate earnings that offset ongoing global trade concerns. Similarly the NASDAQ Composite rose for a sixth consecutive day - its longest stretch since March - buoyed by a surging Tesla stock price (+11%). In the end the S&P500 rallied +8.05 points (+0.28%) to 2,858.45, the DJIA advanced +126.73 points (+0.50%) to 25,628.91 and the NASDAQ Composite increased +23.986 points (+0.31%) to 7,883.664. European equities enjoyed some respite with the EuroFirst 300 Index climbing +8.24 points (+0.54%) to 1,529.85 and the EuroStoxx 600 jumped +1.83 points (+0.47%) to 390.49. Crude oil rose for a second day to its highest level in a week as the resumption of U.S. sanctions against Iran threatened to whittle global supplies at a time when American surpluses are shrinking. U.S. crude inventories that were already close to a 3.5 year low probably declined again last week, according to a Bloomberg survey of analysts. API was said to report U.S. crude stocks fell -6.02M Bbl last week (-3M Bbl expected). WTI closed up +0.1% at \$69.08 Bbl and Brent rose +1.0% to \$74.51.

The United States will begin collecting tariffs on another \$16 billion in Chinese goods on Aug. 23, the U.S. Trade Representative's (USTR) office said on Tuesday as it published a final tariff list targeting 279 import product lines. The USTR said that only five product lines were deleted from a list initially proposed on June 15, but semiconductors, among the largest categories, remained on the list. The latest list brings to about \$50 billion in goods that now face a 25% tariff that U.S. President Donald Trump has imposed on Chinese imports in an escalating trade war over China's intellectual property practices and industrial subsidy policies. China has vowed not to be 'bullied' and match Washington's tariff moves with duties on an equivalent worth of U.S. products.

On the data front, the number of job openings in the U.S rose to 6.662 million in June from an upwardly revised 6.659 million a month earlier, above market expectations of 6.646 million. The number of job openings was little changed for total private and for government, while job openings increased for educational services (+20,000) and fell for transportation, warehousing, and utilities (-84,000). Meanwhile, the number of hires was little changed at 5.7 million people. Across the Atlantic, German industrial output dropped by -0.9% MoM in June, worse than market expectations of a -0.5% fall and following a downwardly revised +2.4% rise in May. The decline was led by lower production of consumer (-1.6%), capital (-0.6%) and intermediate goods (-0.8%). In addition, construction activity shrank 3.2%, while energy production rose +2.9%. In the April-June period, industrial output rose by +0.4% QoQ.



PRECIOUS

It was a positive day for gold throughout Asia and London yesterday, on the back of a risk on move in China, although once again offering on COMEX in NY parred the gains. Gold opened in Asia on the intra-day lows and very slowly ground its way higher throughout over the first few hours. As China opened the initial move was lower, wiping out the mornings gains on the back of a stronger USDCNY. Risk sentiment improved however as the pair stabilised and Chinese equities shot up +2.8%, dragging USDCNH and USDCNY lower. The premium was firm over the course of the afternoon and as a result spot gold continued to push, up around \$1213 by Asia close. It surged higher in London just shy of \$1216, although again we saw demand waiver in NY which was a little surprising - especially given the soft USDCNH.

The market today continued to trade within the recent range, although we again have seen strength in Asia. We opened around \$1211 and ticked up a few dollars after the open on some light SE Asian physical demand and spec profit taking. By the time China opened for business we were back at the lows/opening level, but quickly ripped \$3 higher, with an improved premium to boot. The gold has since held at or above \$1212.50, with noticeable and consistent Chinese demand. Currently within the middle of the recent range (\$1205-1235), we look to the next data which could potentially drive markets being U.S PPI today and CPI tomorrow. Wish you all the best for the day ahead.

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