



MKS PAMP GROUP

Daily Asia Wrap

1st June 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1298.70/10	16.41/43	905/07	987/89
HIGH	1300.50/90	16.45/47	909/11	990/92
LOW	1298.00/40	16.40/42	905/07	986/88
LAST	1298.50/90	16.41/43	907/09	987/89

MARKETS/MACRO

U.S. stocks finished broadly lower Thursday, with the U.S. decision to impose tariffs on steel and aluminium imports from the European Union, Canada and Mexico sparking promises of retaliation by trade partners and reigniting fears of a global trade war. The Dow Jones Industrial Average retreated - 251.94 points, or -1.02%, to 24,415.84, the S&P500 gave back -18.74 points, or -0.69%, to 2,705.27 and the NASDAQ Composite fell -20.337 points, or -0.27%, to 7,442.117. The best performing sector was Utilities (+0.11%), while the worst performing sector was Consumer Staples (-1.61%). European equity indices also sagged, led by sell-offs in Germany and Spain as the new U.S tariffs imposed on the EU soured sentiment. The EuroFirst 300 Index gave up -10.19 points, or -0.68% to 1,498.60 and the EuroStoxx 600 sank -2.43 points, or -0.63% to 383.06. Regionally the DAX cratered -1.40%, FTSE100 dipped -0.15% and the CAC40 relinquished -0.53%. Crude oil prices were mixed, with Brent prices holding steady (+0.12% to \$77.59) while WTI come under pressure (-1.6% to \$67.10). A drop in inventories in the U.S was overshadowed by U.S output which jumped to a record high level. Inventories fell by -3.62m barrels to 434.5m barrels, while rising U.S output, which rose 44k b/d to 10.769 million b/d. With the markets still concerned about supply-side issues in OPEC, the Brent-WTI spread has blown out to nearly USD11/bbl, the highest level for some three years. Elsewhere, short-end U.S Treasury yields were up a touch, although the benchmark 10 yield was essentially unchanged (2.427%). Italian yields fell sharply (2-year down 58bp) with the political uncertainty present over the past month seeming to come to an end.

Italy's Prime Minister-designate Giuseppe Conte on Thursday presented his cabinet list to President Sergio Mattarella, who will swear in the government today at 4 p.m. (local time) in Rome. The agreement ends three months of political deadlock that began with an inconclusive election on March 4. After being sworn in, the government will face confidence votes in both houses of parliament, where the coalition allies — the far-right League and the anti-establishment 5-Star Movement — have clear majorities.

The United States on Thursday said it was moving ahead with tariffs on aluminium and steel imports from Canada, Mexico and the European Union, ending a two month exemption and potentially setting the stage for a trade war with some of America's top allies. U.S Commerce Secretary Wilbur Ross told reporters on a telephone briefing that a 25% tariff on steel imports and a 10% tariff on aluminium imports from the EU, Canada and Mexico would go into effect at midnight tonight. The move prompted swift retaliatory measures from its three major allies as: i) the EU will impose tariffs on \$3bln of U.S imports from June 20, ii) Canada - tariffs on \$13bln worth of U.S imports from 1 July and iii) Mexico – proportional tariffs on U.S farm and industrial products.

On the data front, it was somewhat of a busy day. In the U.S, Initial jobless claims declined by -13k to 221,000 in the week ended May 26, less than the polled 228,000 reading and; continuing claims dropped



by -16k to 1.726 million (Bloomberg consensus 1.733 million). U.S consumer spending increased more than expected in April, a further sign that economic growth was regaining momentum early in the second quarter, while inflation continued to rise steadily. The Commerce Department said on Thursday that consumer spending, which accounts for more than two-thirds of U.S economic activity, jumped +0.6% last month, the biggest gain in five months. Data for March was revised up to show spending rising +0.5% instead of the previously reported +0.4% increase. Across the Atlantic, Euro-zone inflation indicators flexed some muscle in May, boosting the EUR on Wednesday. Eurostat is projecting a surge this month, with CPI Flash Estimate rising to +1.9%, its highest level since April 2017. Core CPI Flash Estimate improved to +1.1%, marking an 8-month high. Inflation levels are being closely watched by the ECB, which is scheduled to wind up its stimulus program in September. The ECB reduced its stimulus in January, from EUR 60 billion to 30 billion each month. Still, inflation remains well below the ECB target of around 2.0%.

PRECIOUS

Gold remains caught in a range at present, trying for a fourth time in the last week to push through the \$1305-1308 region, yet again failing overnight. The yellow metal opened around \$1302 in Asia yesterday and it appeared that the market was perhaps a little short, with some light spec buying seen throughout the early hours, pushing us a few dollars higher. It seemed some stops went through prior to China open, the thin conditions precipitating a sharp move to \$1305 before dipping back off into the Shanghai open. USDCNY had been heavy throughout the day which diminished the selling pressure out of China and gold ticked higher slowly over the morning. During the China PM session some stops were hit again on the break of \$1305 and it quickly spat up to the days high before consolidating around \$1304. We tried a couple more times above \$1305, yet every time we pushed into this region the market was met with some solid producer supply. Into the NY session the metal sold off sharply below \$1300 although quickly recovered back towards \$1305, where more producer and real money sellers were waiting. Ultimately the metal rounded out the day close to the lows and back beneath \$1300. Gold remains choppy at this juncture and lacking any technical direction at present, although we do believe a short term base has likely formed around \$1280-90.

Not a great deal of price action today for the metals, gold remaining contained to a tight \$2 range so far between \$1298.50-1300.50. China have so far remained fairly neutral, with the premium for onshore traders still hovering around \$4.50-5.50 over the loco London price. China were net sellers although they certainly weren't doing so in any size which kept the market fairly flat. We did see some light retail buying below \$1300 although again it was nothing of notable size. It was a typical pre-NFP session, with traders and investors happy to relax and await the data to reassess direction next week. Equities at time of writing are mostly lower, in line with the U.S and Europe, the Shanghai Composite at time of writing - 0.4%, Hang Seng -0.1% and ASX200 -0.4%. The Nikkei is the outlier which is a touch higher on the day so far, up +0.3%. Currencies are mostly quiet, the G10 generally a little softer vs. the USD, USDJPY currently up through 109 at 109.18 and GBP off -0.25% at 1.3260. Crude is a touch softer WTI -\$0.20 at \$66.90 and Brent down -\$0.05 at \$77.50. As mentioned earlier U.S employment data will be the main focus this evening, although we also have a number of European Manufacturing PMI's and aswell as U.S construction spending and ISM manufacturing data. Have a good day ahead and enjoy your weekend.

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