



MKS PAMP GROUP

Daily Asia Wrap

27th October 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1267.50/90	16.78/81	918/21	969/71
HIGH	1268.00/40	16.78/81	918/21	969/71
LOW	1265.70/10	16.71/74	911/14	965/67
LAST	1267.50/90	16.75/78	912/15	966/68

MARKETS/MACRO

The European Central Bank will reduce monthly asset purchases to 30 billion euros from 60 billion euros starting in January 2018, the purchasing will extend to at least September of 2018. ECB President Mario Draghi indicated that the 0% interest rate could extend "well past" the end of its quantitative easing program. The dovish comments saw investors dump the euro to a 3 month low against the US dollar. In the US, House Republicans narrowly approved the Senate's budget, a move which will make an overhaul of the tax code far easier to get across the line. By approving the budget, Republicans unlocked procedural powers that allow the senate to pass a tax bill with just 51 votes, removing the need for any Democratic support. US equities were mixed with the Dow and S&P 500 rallying on the tax news while losses in biotech weighed on the Nasdaq. The Dow added 70.68 points, or 0.30%, to 23,400.14; the S&P 500 gained 5.07 points, or 0.20% to 2,562.22, while the Nasdaq eased 7.12 points, or 0.11%, to 6,556.77. There were wins for materials (+1.36%) and financials (+0.55%) while healthcare (-1.03%) and REITs (-0.55%) led the laggards. European shares were higher on the ECB decision, the EuroSTOXX climbed 4.14 points, or 1.07%, to 391.27, the German DAX jumped 179.87 points, or 1.39%, to 13,133.28, and the London FTSE 100 rose 39.29 points, or 0.53%, to 7,486.50. Big move in currency majors as the euro suffered its largest one day loss (-1.37%) since Brexit following the ECB news. The US dollar index surged 1.06% to 94.703, the EUR tumbled to 1.1641, while USD/JPY traded up to 114.06. US treasury yields were higher, the 2 year yield firmed 1.99 bps to 1.6149% and the 10 year yield added 2.19 bps to 2.4536%. In commodities news, oil prices were higher on news that Saudi Arabia support oil production cuts through to the end of 2018. Brent rose 1.52% to \$59.33 while WTI gained 0.90% to \$52.65. Base metals were mixed, with zinc (+1.07%) the best performer. In US economic data, the NAR pending home sales index was unchanged in September at 106, which was the downwardly revised August figure. As has been the case all year, the housing market is experiencing booming demand with very little supply. The US government's advanced report on retail inventories showed a 1% decrease in September, while wholesale inventories rose 0.3%. Analysts are saying that the advanced trade data will not alter forecasts third quarter growth. Initial jobless claims increased by 10k to 232k in the week ending October 21, continuing jobless claims fell by 3k to 1.89M. In Asia today, as I write the Nikkei sits at +1.07%, the Shanghai composite is at +0.28%, the Hang Seng at +0.84%, and the ASX S&P 200 at -0.47%. Tonight we have GDP and consumer sentiment out of the US; and import prices out of Germany.

PRECIOUS

Tough session for the precious as the stronger greenback weighs on the markets. Gold opened at \$1277 in Asia and found an early bid, trading to a high of \$1282 late in the day. The SGE premium at \$6 over loco London saw good supply onshore which capped the market. London were happy to sell into the strength and the market was back down at \$1276 by the time NY came in. The metal metal popped briefly to \$1281 on the news out of Europe but quickly retraced and continued its slide as the US dollar firmed against the tumbling EUR. The XAU broke through the recent support level ahead of \$1270 and printed the low of



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\$1266 just prior to market close. Silver dropped 20c to close at the low of \$16.74. Palladium was the lone success story, rising almost 1% for the session after a dramatic dip and recovery during NY hours. The Philadelphia gold and silver index lost 1.84%. The SPDR Gold Trust holdings fell 0.14% to 851.95 metric tonnes. In today's trading, gold opened at \$1267 and has traded a tight \$2 range around that level for the remainder of the day. The SGE premium is slightly higher at \$8-9 but prompting little demand out of China, in any case the continued strength in USD is impeding any move higher. The yellow metal is at \$1267.50 as I write. Silver trading quietly as well, the grey metal is sitting 2c off the opening level at \$16.75 as I write. PGMs are drifting lower. If buoyancy in the greenback and equities continues, we could see gold testing the support at the October lows around \$1260, with next key level at \$1250. On the upside first resistance at \$1280 followed by the all important \$1300 psychological level. Have a good day ahead.

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