



MKS PAMP GROUP

Daily Asia Wrap

29th August 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1201.00/40	14.70/72	789/91	939/41
HIGH	1204.70/10	14.76/78	794/96	945/47
LOW	1201.00/40	14.70/72	789/91	939/41
LAST	1202.30/70	14.71/73	792/94	945/47

MARKETS/MACRO

Risk traded largely sideways overnight following the strong gains in U.S equities the day earlier, with the S&P500 ending the session largely unchanged - albeit closing on a third consecutive record high. U.S stocks dug in on the back of optimism surrounding a Mexico/U.S NAFTA deal and a consumer confidence measure hit a near 18 year high. The S&P500 closed slightly higher up +0.78 of a point (+0.03%) at 2,897.52 after briefly crossing 2900 for the first time ever earlier in the day. The Dow Jones Industrial Average gained +14.38 points (+0.06%) to 26,064.02 and the NASDAQ Composite ran +12.144 points higher (+0.15%), remaining above 8,000 at 8,030.039. European stocks inched lower, after struggling for direction for much of the session amid trade optimism that lifted the Euro to its strongest level against the Greenback since July. UK stocks returned to trading after Monday's Summer bank holiday and posted their best day in almost two weeks. Metals and mining companies propelled the FTSE100's advance (+0.52% to 7,617.22) on the heels of a U.S/Mexico trade deal that brightened the equities outlook. The EuroFirst 300 Index dipped -0.71 of a point (-0.05%) to 1,507.84 and the EuroStoxx 600 edged down -0.11 of a point (-0.03%) to 385.46. In the macro space, we saw 10y yields advance for another day (+3.5 bps to 2.88%) after finding decent support around the 2.81% level earlier in the week, while the dollar finished largely where it started the day against its G10 peers. WTI Crude oil fell from multi-week highs (-0.5% to \$68.53), on news OPEC's oil production is increasing and getting closer to a level of full compliance, according to the U.A.E. Energy Minister & OPEC President. The API is also said to report U.S. crude stocks rose +38K bbl last week.

Markets continue to remain in anticipation of further developments on the NAFTA front with the onus now on the US and Canada to reach an agreement. Both the Canadian PM and foreign minister have expressed optimism, however, significant disagreements exist particularly when it comes to the remedial process with Canada insisting on the existence of anti-dumping panels to resolve disputes. U.S. Treasury Secretary Steve Mnuchin said on Tuesday he believed the United States can reach a trade deal with Canada as early as this week after coming to an agreement with Mexico. "I think our objective is to try to get Canada aboard quickly", Mnuchin said in an interview with CNBC. The United States and Mexico agreed on Monday to overhaul the North American Free Trade Agreement (NAFTA), putting pressure on their northern neighbour to agree to new terms on auto trade and dispute-settlement rules to remain part of the three-nation pact.

On the data front overnight, the Conference Board's measure of U.S consumer confidence rose to the highest level since October 2000 in what was an all-round strong print. Consumer confidence lifted to 133.4 from 127.9 (beating expectations of 126.5), present situation lifted from 166.1 to 172.2 and future situation increased from 102.4 to 107.6. The data suggests consumption will be supported through Q3 and with November mid-terms just around the corner, elevated levels of consumer confidence are very positive for the Republican Party. Elsewhere, the U.S trade deficit widened more than expected to \$72.2bn in July from \$67.9bn, with exports slipping -1.7% and imports up +0.9%. Further, U.S wholesale inventories beat expectations, rising +0.7% MoM in July. If sustained, the lift in inventories will



help certainly boost GDP in Q3. ANZ bank in piece did argue however that "some of the stock build could be related to companies raising inventory levels prior to the introduction of tariffs against key trading partners, particularly China".

PRECIOUS

Gold chalked up a fresh recovery high overnight (\$1214.15), although reversed all the intra-day gains and sold off back toward \$1200 following the better than expected U.S data and positive inroads to a NAFTA deal. The yellow metal kicked off proceedings in Asia yesterday with some modest demand seen around \$1210, assisted by a weaker USD which kept things fairly buoyant up until China commenced their day. Flows were fairly subdued with some moderate sized buy clips going through the SGE, although we think traders were expecting more. As a result, the market dipped throughout the am session trading as low as \$1208 bid, before showing some signs of life again in the early Asia pm session. Some North Korea headlines on Pompeo, helped gold catch a bid during early London and the metal made a gradual climb to the daily high by the time NY opened up shop. The very strong consumer confidence numbers and Richmond Fed activity index, drove the dollar higher and gold came crashing back through \$1210 and never recovered. We held around \$1208 for a time, with some heavy spec driven profit taking late in the day pressuring prices back toward \$1200. Eventually we closed out the session on a soft note at \$1201.50. We feel dips below \$1200 should be supported for the interim and look for a retest of \$1215 in the near term, a break of which will make shorts nervous. Silver rose in conjunction with gold throughout Asia and London yesterday although ran into some heavy selling towards \$15.00. It brushed that level before capitulating throughout the NY session to \$14.70, with some fairly heavy volume going through.

The yellow metal remained quite reserved today in terms of price action, making a slow and steady push higher over the first hour of trade and then continuing at a snails pace into the afternoon. We opened a touch above \$1201 and slowly meandered up toward \$1202.50 by the time Shanghai opened for business. They again had modest demand, although volume was a little disappointing given the overnight roll-back. The premium still remained healthy though and in the middle of the recent range at around USD \$6-6.50 over the loco London price. Over the afternoon the metals continued to creep higher, although there was no real conviction behind it, rather a light softening of the USD through the SGE break. As I write we have just reopened and the USD has turned north against the CNH / CNY and AUD and is consequently dragging the metal a touch lower. Ahead today we have U.S GDP data, which will be the main focus (+4.0% QoQ annualised expected) and we suspect things will remain fairly subdued until then. Also to be released is French GDP, German consumer confidence and U.S pending home sales and mortgage applications. Have a great day ahead.

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.