



MKS PAMP GROUP

Daily Asia Wrap

18th December 2017

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|-------------|---------------|-----------------|------------------|
| OPEN | 1254.80/00 | 16.03/05 | 892/94 | 1024/26 |
| HIGH | 1256.20/40 | 16.05/07 | 896/98 | 1027/30 |
| LOW | 1252.40/60 | 16.01/03 | 891/93 | 1022/24 |
| LAST | 1255.70/90 | 16.05/07 | 896/98 | 1027/30 |

MARKETS/MACRO

Last minute negotiations between Republican leaders and Senator Marco Rubio (R-Fla.) looks to have secured the votes required to pass the \$1.5 trillion tax package, paving the way for President Trump's first major legislative victory. Senator Rubio dug his heels in over demands to expand a child tax credit for modest-income families, however looks to have reached a compromise after announcing on Friday that he would support the bill. It is expected that the House and the Senate will vote on the bill this week, with expectations President Trump would sign it into law before Christmas.

Industrial production in the U.S. edged marginally higher during November, however was unable to sustain October's +1.2% pace. The Federal Reserve reported a +0.2% MoM increase during November (exp: +0.3%) as manufacturing output increased just +0.2% to follow a +1.4% gain during October. Output within the volatile mining sector helped to underpin the headline print, jumping +2.0% during November as oil and gas extraction returned to normal levels following recent storm activity. Capacity utilization edged higher to 77.1% (exp: 77.2%) from 77.0% previously. The Empire State manufacturing index eased modestly during December, sliding to 18.0 (exp: 18.7) from 19.4 previously. Equity markets in the U.S. ripped higher to fresh closing records on Friday, buoyed by expectations over tax reform. The DJIA added +0.58% to 24,651.74 points to see the bourse +1.3% higher over the week, while the S&P 500 surged +0.90% to 2,675.81 points as technology led ten of eleven components higher to see the bourse gain +0.9% over the week.

Oil futures edged higher on Friday, finding modest support following a report that the number of active oil rigs in the U.S. declined by 4 to 747 to follow three consecutive weekly increases. WTI added +0.5% to settle at USD \$57.30 per barrel, while on a weekly basis the U.S. benchmark eased -0.1%. Brent crude ended the session relatively flat at USD \$63.25 per barrel, down around -0.3% on the week. U.S. treasury yields ticked mildly higher on Friday to see the 10-year add 0.4bps to 2.35% and the two-year 2.4bps higher to 1.836%. The greenback clawed back some of its recent session weakness during U.S. hours on Friday, seeing the DXY index end +0.5% higher after making notable gains against the Yen and the Euro.



European markets ended trade mixed on Friday as retail and banking stocks traded heavily. The Stoxx Europe 600 declined -0.19% to 388.19 points, while the French CAC 40 slipped -0.15% and the German Dax bucked the trend to climb +0.27%. In the U.K. the FTSE 100 rebounded from early session weakness to book a +0.57% gain as the pound softened following reports that EU leaders had agreed to move onto the second phase of Brexit talks.

PRECIOUS

Bullion kicked off the week in a quiet fashion during Asian hours today, trading with a mild offered bias in early session flows before Chinese demand underpinned price action throughout the afternoon. The greenback opened with a bid tone following the weekend tax reform headlines, seeing gold underneath USD \$1,255 in early trade to drift below Friday's closing level. Chinese interest once again stepped in to support price action, as the on-shore premium continued to remain elevated toward USD \$11 relative to loco London prices, however not quite reaching last weeks' USD \$12 level. Coming into year-end we expect price action to remain relatively subdued, holding within the USD \$1,260 - \$1,240 range. The recent COTR report has shown a lightening of overall positioning, with gold now sitting around 30% of all-time high positioning, potentially increasing scope for further top-side gains once the dollar settles post tax reform. Data releases tonight are light with Eurozone CPI the main print of note.

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