



MKS PAMP GROUP
Europe / US Market Update
14th June 2018

Range Europe / US Markets

| 14-Jun-18 | GOLD | | SILVER | | PLATINUM | | PALLADIUM | |
|------------------------|-------------|---------|-------------|---------|-------------|--------|-------------|---------|
| | Bid | Offer | Bid | Offer | Bid | Offer | Bid | Offer |
| OPEN | 1294.85 | 1295.35 | 16.8075 | 16.8275 | 895.05 | 897.05 | 1016.00 | 1021.00 |
| HIGH | 1301.25 | 1301.75 | 17.1025 | 17.1225 | 903.75 | 905.75 | 1016.70 | 1021.70 |
| LOW | 1292.05 | 1292.55 | 16.8025 | 16.8225 | 892.55 | 894.55 | 996.30 | 1001.30 |
| CLOSE | 1299.80 | 1300.30 | 17.0525 | 17.0725 | 902.95 | 904.95 | 1010.40 | 1015.40 |
| EFP | 3.40 | 3.60 | 0.0125 | 0.0325 | -0.25 | 0.75 | -8.00 | -3.00 |
| LBMA Prices | AM | PM | 16.9050 | | AM | PM | AM | PM |
| | 1294.40 | 1296.15 | | | 893.00 | 900.00 | 1007.00 | 1013.00 |
| Active Contract | GCQ8 Comdty | | SIN8 Comdty | | PLN8 Comdty | | PAU8 Comdty | |

MACRO

- FOMC raised interest rates 25bps as expected (1.75-2.00% band), with its communication a little more hawkish than expected. The rise marks the Fed's second increase of 2018 to date.
- The median projection for the Fed funds rate nudged higher, showing a 2.375% mid-point rate at the end of 2018, up from 2.125%. While this increase is small - indicating a shift in view from only one member - it shows a little more conviction from the committee as a whole that two more rate increases will occur in 2018 to a total of 4 increases. Market pricing so far remains more circumspect, with around 30bp of tightening priced in by year end.
- The Fed's dot plots were slightly higher in 2019, while the longer-run projection was unchanged, meaning the same degree of tightening is expected by the FOMC, just slightly sooner than previously anticipated. Underpinning the marginally higher dot plots was a slightly higher outlook for inflation, with unemployment set to trend lower.
- "The economy is doing very well", Fed Chairman Jerome Powell said in a press conference after the meeting. "Most people who want to find jobs are finding them. Unemployment and inflation are low ... The overall outlook for growth remains favourable". He added that continued steady rate increases would nurture the expansion, as the Fed approaches a sort of sweet spot with its employment and inflation goals largely met, withstanding higher borrowing costs and no sign of a spike in inflation.
- President Donald Trump is expected to impose tariffs on Chinese goods as soon as Friday or next week, according to two sources briefed on internal deliberations, a move that is sure to further inflame tensions and



spark almost immediate retaliation from Beijing. The administration on Friday is planning to publish a final list of Chinese goods that will take the hit.

- U.S PPI rose +0.5% in May (+0.3% expected) up from +0.1% a month earlier. On an annual basis the PPI increased +3.1% (+2.8% expected).
- UK CPI remained at one-year lows, despite petrol prices climbing to four year highs. CPI remained at +0.4% MoM in May or +2.4% YoY.
- U.S equity markets ticked lower as the Fed raised interest rates. DJIA sank -119.53 points (-0.47%) to 25,201.20, S&P500 gave up -11.22 points (-0.40%) and the NASDAQ Composite shed -8.095 points (-0.11%) to 7,695.699.
- European equities finished higher while awaiting the Fed announcement. EuroFirst 300 edging up +1.35 points (+0.09%) to 1,517.45 and Euro Stoxx 600 gaining +0.72 of a point (+0.19%) to 388.25.
- U.S 10y yield increased 0.55 bps to 2.966% and the 2y rose +2.9 bps to 2.568%.

PRECIOUS

- Despite some volatility surrounding the FOMC announcement gold has failed to break out of the recent range \$1290-1305 overnight and has remained trapped since the beginning of the month.
- Asia and London were very quiet, with investors happy to wait on the FOMC announcement for some clearer direction. Gold remained in a ~\$3 range during this period, with the exception of 1 quick sweep lower during the middle of the day in Europe.
- Premium on the Shanghai Gold Exchange remained unchanged from the rest of the week - comfortably sitting around \$5-6 over the spot price.
- As NY traders manned their stations the yellow metal began to tick higher trading as high as \$1299 leading into the FOMC.
- The initial hawkish tone of the release saw gold trade sharply lower, although as has been a feature of the past few weeks, there was still plenty of buying interest below \$1295.
- We touched the days low briefly, then were catapulted higher as the USD failed to hold its gains against the majors. We hit the days highs and closed just off this.
- Silver managed to break \$16.95-17.00 resistance, ticking up to \$17.10 and close out the session at \$17.04 which was positive.

PRE-ASIA COMMENTS

- Attention now shifts to tonight's ECB meeting where it is expected rates will remain on hold. The market will be specifically looking to flesh out a time line to the end of the central banks QE program, which some members have mentioned over the past week or so, will be up for discussion
- Any early surprise in this respect could see the EUR sharply higher which would be bullish for gold. While failure to reveal a time-frame, or member caution will add more uncertainty and could weigh on the EUR and gold.
- Expect another extremely quiet day for Asia.
- So far gold is slightly lower on the back of some very light spec selling/profit taking.
- Silver has so far failed to hold onto the \$17 handle, pressured by notable Chinese bank selling.
- On the data calendar today:
 - ECB Policy Meeting
 - Australian Employment figures
 - China Retail Sales, IP, Fixed Asset
 - German CPI
 - French CPI
 - UK Retail Sales
 - US Retail Sales and Jobless Claims

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



MKS PAMP
GROUP

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.