



MKS PAMP GROUP

Daily Asia Wrap

6th February 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1338.20/40	16.71/73	989/91	1029/31
HIGH	1346.10/30	16.97/99	996/98	1029/31
LOW	1336.20/40	16.71/73	987/89	1011/13
LAST	1343.10/30	16.87/89	996/98	1027/29

MARKETS/MACRO

IHS Markit reported an upturn in U.S. service sector activity during January (final read), however the print was marginally down on December's reported increase. The U.S. services PMI registered 53.3 during January (exp: 53.3), unchanged from an earlier estimate, however softer than December's 53.7. Job creation remained solid, while new orders posted the fastest rise since September. The Institute for Supply Management reported continued growth within the U.S. non-manufacturing sector during January, seeing the ISM non-manufacturing index jump to 59.9 (exp: 56.7) from December's 56.0. U.S. stocks were once again under pressure on Monday, with the DJIA recording its worst single-session performance in history on the way to a -1,175.21 point rout. Broad based weakness saw the major bourse's lower as the Cboe Volatility index surged an astonishing 115% to 37.32, the highest level seen since August 2015. The DJIA plummeted a staggering -4.6% to 24,345.75 points, a result 'flattered' somewhat by a late session bounce after trading as much as -5% down in the final hours of trade. The S&P 500 saw all eleven sectors lower led by financials to slump -4.1% and close at 2,648.94 points, while the Nasdaq Composite posted a -3.78% fall. Following Tuesday's move both the DJIA and the S&P 500 have slipped into negative territory for the year. Treasury yields continued to strengthen during early session trade as the 10-year yield touched a high of 2.883%, however a late flight to safety saw it decrease to around 2.70%. The Greenback saw further strength on Monday, adding around +0.4% (DXY) against majors, with notable gains against the euro as the pair declined around -0.6%. The dollar did however struggle against the safe-haven yen, collapsing close to -1%.

PRECIOUS

A big session for bullion on Monday in New York, buoyed by the collapse in equity markets and softer treasury yields, the metal ripped higher late in trade to break back above USD \$1,340. The flight to safety was well and truly on during U.S. hours, with the decline to equity markets, the traditional haven assets such as U.S. treasuries (prices), the Japanese yen and of course the precious complex were well bid. Asian hours saw the session low with a brief but well supported test underneath USD \$1,330, while European interest piggybacked a softer dollar to instigate a fairly orderly ascent and print a USD \$1,338 high into the New York open. Early dollar interest capped further bullion gains in early U.S. trade, however an accelerated equity market sell-off into the close as the VIX index hit a near 30-month high kicked off a further round of buying, propelling gold through USD \$1,340 to book a +0.6% gain. Gold vols



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have ticked higher from what we saw yesterday, with 1m now sitting toward 10.45, 3m at 11.0 and 12 month a touch over 12.

Asian trade on Tuesday saw a relatively muted open as mild profit taking restricted further gains, however bullion soon returned to the overnight volatility as Asian equities followed the overnight U.S. lead sharply lower and U.S. equity futures markets plummeted. In lieu of dollar moves, the global equity market weakness underpinned interest in the precious, sending gold to a USD \$1,346.10 session high, while afternoon flows although softer, continued to see an underlying bid tone keep the metal buoyant above USD \$1,340. Gold positioning, although recently lightened does still lend itself to further position squaring, notably with regards to the recent build in longs should we see a reversal to the recent stock market weakness (longs at around 65% of all-time high). That being said, we may see further moves out of equities should the recent weakness persist, lending itself to a reallocation of funds into safe haven assets and further precious gains. Expect USD \$1,340 to initially provide support for the metal, while stronger support around USD \$1,330 - \$1,335 will act as a pivot point over the near term. Bulls will be focusing on a sustained break above US \$1,350 for a test toward the late Jan high around USD \$1,365.

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