



MKS PAMP GROUP

Daily Asia Wrap

3rd January 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1317.30/70	17.17/19	944/46	1094/96
HIGH	1321.30/70	17.20/22	945/47	1094/96
LOW	1312.00/40	17.05/07	939/41	1089/91
LAST	1313.20/60	17.06/08	942/44	1093/95

MARKETS/MACRO

The S&P kicked off the year in impressive fashion notching up a new all time high, with the Dow and NASDAQ hot on its heels. The S&P jumped +22.20 points, or +0.83% to 2,695.81, while the Dow Jones Industrial average rose +104.79 points (+0.42%) to 24,824.01 and the NASDAQ surged +103.51 points (+1.50%) to close at 7,006.898. The enthusiasm was not shared by their European Investor counterparts however with the EuroFirst 300 Index down - 3.45 points (-0.23%) to 1,526.12 and Euro Stoxx 600 declining -0.83 of a point (-0.21%) to 388.35. In FX, the Greenback continued to sell off against all the G10 and most of the emerging market currencies. Key resistance levels were broken in GBPUSD and EURUSD which led us to test the cycle highs at 1.3600 and 1.2081 respectively, though as the New York session wore on those chasing USD lower seemed to run out of steam. More broadly, the USD has depreciated more than 2% since mid December and there doesn't seem to be a near term catalyst to reverse the trend. Goldman Sachs traders believe the market is still significantly long dollars, which could mean more pain for USD longs, very similar to what we saw at the start of 2017. Treasuries sold-off overnight as the curve bear steepened. They began their move lower in the London session, in-line with EGBs which were down due to hawkish ECB rhetoric and the return of sovereign supply. In commodities, crude was little changed (-\$0.05 in WTI, -\$0.32 in Brent) with price action very muted. Attention was focused on protests in Iran, which have not yet impacted crude production, but could be used by the U.S Congress as a reason to act on the Trump Administration's recent decertification of Iran's compliance with the 'Joint Comprehensive Plan of Action'.

In data, the Euro area Final Manufacturing PMI was in line with the December Flash estimate and remains in strong growth territory at 60.6 (60.6 expected). The German and French Manufacturing PMIs both rose on the month (despite a downward revision relative to the December flash estimate in France), to 63.3 and 58.8 respectively. Both Italian and Spanish Manufacturing PMI data – for which no flash estimate is published – disappointed consensus expectations, falling on the month to 57.4 (58.5 expected) and 55.8 (56.5 expected), respectively. Things were also positive in the U.S, with Markit's manufacturing PMI coming in slightly above expectations at 55.1 (55.0 expected).

PRECIOUS

Gold continued its good fortune yesterday, driven higher by the persistent sell-off in the USD and in spite of U.S equities hitting fresh records and treasuries softening. During Asia the market was initially range-bound with spot gold oscillating between \$1302-1308. The SGE premium remained stable around \$7-9 over the loco London price, with a move lower in USDCNY supporting the premium despite the higher metal price. Once the yellow metal took out \$1310 during the early European hours it was a steady grind higher which persisted throughout much of the day. Signs of seasonal Asian buying are yet to be seen in any meaningful way, which does make it difficult to chase this move higher, although we do expect this to begin filtering in over the next week or so. Speculators have played a role in the move over the past week and half, increasing their bullish positions by around ~26% on the CME. Volatility and skews are also starting out the year firmer, with the last ATM vols around the following 1m 9.25, 3m



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9.6, 6m 10.7 and 12m 12.1. Looking at the charts, RSI for gold is definitely sitting in overbought territory (75+), however, general flows suggest that a slow grind higher to stable pricing is likely. The next upside target sits at \$1329 (Retracement of Sep-Dec sell-off) while support will kick in around \$1315 followed by \$1288-92. On the physical front the GFMS reported that India's 2017 gold imports rose to 855 tons, from 510 tons in 2016.

Gold continued on in an unwavering fashion this morning opening around \$1317.50 and pushing up through \$1320 during the first hour of trade. There was noticeable selling interest up there which curbed any further advance, however, it did manage to stay above that level into the Shanghai open. SGE traders were on the offer as a result of the higher prices and the premium did come a little lower than what we have seen the previous days to trade around \$6-8 over the spot price. Spot gold was sold back through \$1320 immediately following this although quickly recovered. The weight of the selling had grown though, with some speculative traders happy to cash-in on the higher prices given the lack of Chinese follow through. The yellow metal consequently ripped lower towards \$1312 before finding any support and never recovered back through \$1315 into the afternoon. It will be interesting to see whether early London traders sell it. Silver had pushed up against \$17.20 for the final few hours of the NYK session and did the same for the first few hours in Asia, with some chunky sell orders sitting around there at the spot equivalent on Comex. When gold retreated the silver followed suit and moved back through \$17.10. Ahead on the data calendar look out for U.K construction PMI and employment data out of Germany, as well as U.S ISM manufacturing, consumer spending, and the FOMC minutes from Dec 12-13.

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