



## MKS PAMP GROUP

### Daily Asia Wrap

4<sup>th</sup> January 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1312.80/20	17.11/13	956/58	1086/88
<b>HIGH</b>	1313.40/80	17.12/14	956/58	1087/89
<b>LOW</b>	1306.00/40	16.99/01	943/45	1082/84
<b>LAST</b>	1310.00/40	17.05/07	946/48	1085/87

#### MARKETS/MACRO

It was another strong performance by U.S equities overnight, with all 3 major indices continuing their early 2018 rally and all closing at fresh record high's. The Dow Jones Industrial Average advanced +98.67 points (+0.40%) to 24,92.68, the S&P500 rallied +17.25 points (+0.64%) to 2,713.06 and the NASDAQ composite led the pack, up an impressive 58.632 points (+0.84% on the day and +2.3% for the year so far) to 7,065.531. European equities followed suit with the FTSE Euro First 300 Index improved +7.40 points (+0.48%) to 1,533.52 and the Euro Stoxx 600 up +1.87 points (+0.48%) at 390.22. Regionally the DAX and CAC40 were strong performers up +0.83% and +0.81% respectively and the FTSE100 ticked higher +0.30%. For USD the overnight session was a bit of a mixed bag, with the recent weakness retracing somewhat against most of the G10 - particularly the GBP and EUR. This is more or less in line with seasonality patterns that the USD tends to rally in the first week of January, and then fall off by the second trading week. A pop was seen late in the day for USD, supported on the back of the Fed minutes which indicated a meaningful improvement in the Committee's expectations for US economic activity. GBP was the biggest G10 loser while NOK out-performance overnight was noteworthy. It was a choppy session for treasuries as the yield curve, while range-bound, continued to flatten with 2y note yields up 1 bp and 30y bonds down -2 bps. The flattening was driven predominantly by Fed speak, specifically: "Participants discussed several risks that, if realised, could necessitate a steeper path of increases in the target range". In commodities, crude rallied today with WTI up +\$1.40 and Brent up +\$1.30 at highest levels in over 2 years on concerns about the ongoing protests in Iran.

The minutes from the December FOMC meeting were consistent with a meaningful improvement in the growth outlook but provided little new information about monetary policy. The improvement in the Committee's growth expectations primarily reflected a greater number of participants factoring in anticipated fiscal policy changes. The Committee's views on core inflation appeared little changed also. The minutes again mentioned the possibility of potential alternative monetary policy frameworks, this time including nominal GDP targeting. Most economists continue to believe that there are 3-4 interest rate hikes imminent over the course of 2018 - with consensus suggesting the first rise in March.

#### PRECIOUS

Gold finally saw a little consolidation overnight with a some two-way volatility returning to the market. Gold opened in Asia yesterday around \$1317 and initially popped through the previous days highs and traded through \$1320, remaining there for the first few hours of the day. As the Chinese market opened we saw the USDCNY rise from 6.495 to above 6.500 and the premium on the exchange continue to angle lower - sitting around \$6-8 over loco London compared to \$10-12 a week earlier. Chinese banks as a result were on the offer and quickly sold into the morning's strength, forcing the metal to swiftly retreat back below \$1315 to a low of \$1312.50. A base was found around that level for the interim and the metal then proceeded to grind slowly higher again throughout Europe and most of the U.S session. Once the FOMC minutes were released, the positive tone surrounding the committee's



expectation of economic activity drove the dollar higher. Gold consequently sold off sharply to the days low of \$1307.80 only to reverse just as quickly and return to where we traded before the release (\$1315-16). As we moved into the close there was some further liquidation so we closed around \$1312. We still feel that gold has come a long way and may correct a little further from here. That being said we view a pullback towards \$1290-95 as a decent buying opportunity. Initial topside resistance will be yesterday's high (\$1321.50) followed by the 76.4% retracement of the Sep-Dec fall (\$1329.00). XPD is outshining the rest of the PM's and is close to testing all-time highs at \$1095. A break would shift the focus toward the next price projection at \$1200.

Further liquidation was seen today for gold as speculators and Chinese traders continued to sell. After opening at \$1312.50, there was a brief tick higher to \$1313.50 at the open, although that was the only real push over the rest of the session. Japan re-entered the market for the first day of the new year and they were noticeable sellers at the Tocom open. Spot gold marched lower into the SGE session pushing through \$1310 with 5 minutes to go. Once the exchange opened they were again on the offer with the premium remaining around \$6.50-7.50, so up a touch, but still at the low end of the recent range. Chinese banks were again looking for bids and the metal continued to decline as low as \$1306.50 about half an hour after the SGE opened. From there it was only very light two-way trade seen as gold consolidated quietly between \$1306.50-1308. Silver followed gold lower but ran into some solid support at \$17.00, before edging back up toward \$17.05. Platinum, which was the best performer overnight, was under a lot of pressure from Japanese specs, who were eager sellers given the significant rise over the past week while they have been out. The white metal fell some \$10 (1.1%) over the day and continues to look soft as I write.

On the data front today look out for a host of European Services and Composite PMI's, U.S ADP employment and jobless claims. All the best.

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