



MKS PAMP GROUP

Daily Asia Wrap

4th July 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1252.40/80	16.01/03	839/41	942/44
HIGH	1260.20/60	16.13/15	843/45	951/53
LOW	1252.40/80	16.00/02	837/39	942/44
LAST	1259.00/40	16.10/12	841/43	948/50

MARKETS/MACRO

It was a mixed session overnight with lingering concerns over trade tensions somewhat offset by reduced fears over stability of the German coalition government. Chancellor Angela Merkel and the CSU leader Horst Seehofer managing to reach an agreement on the German migration policy. The Greenback eased from the previous session, the Dollar Index easing back -0.3% to 94.59 with EURUSD slightly higher by +0.2% at 1.1660. USDCNH again went on a roller-coaster ride yesterday, punching to fresh highs shortly after the USDCNY open (6.7332) although subsequently giving up gains into the Asia close and throughout Europe closing the day around 6.6650. U.S. equities closed lower on Tuesday, reversing earlier gains as losses in the Technology and Financials sectors outweighed advances in Energy, Telecoms and Real-Estate shares. Trading volumes were lower than normal because of a shortened session ahead of the Fourth of July holiday on Wednesday. The Dow Jones Industrial Average shrugged off -132.36 points (-0.54%) to 24,174.82, the S&P500 sold off -13.49 points (-0.49%) to 2,713.22 and the NASDAQ Composite slumped -65.013 points (-0.86%) to 7,502.673. European stocks finished higher on the day, led by higher German stocks thanks to Chancellor Merkel steering her coalition government away from immediate collapse over migration. The EuroStoxx 600 index rose +3.06 points (+0.81%) to 379.81 and the EuroFirst 300 added +12.44 points (+0.84%) to 1,487.46. Crude oil prices paired earlier gains as investors become increasingly concerned about rising supply. After AUG18 WTI reached \$75.27 midway through the session, prices fell sharply (\$72.73 low) after reports that the Saudi Arabian cabinet had affirmed the kingdom's readiness to use the spare capacity when needed to deal with any futures changes in oil supply (Al Jazeera). The kingdom and Russia also reiterated that they will make adjustments equivalent to an additional 1M b/d under the agreement reached last week. For treasuries, the U.S 10y yield decreased -4.02 bps to 2.831% and the 2y yield fell -2.43 bps to 2.524%.

On the data front, new orders for U.S manufactured goods rose +0.4% MoM in May, following an upwardly revised -0.4% drop in April and easily beating market expectations of 0%. Orders for machinery increased +1.2% and those for motor vehicles rose +0.3%. Meanwhile there were declines in orders for primary metals (-0.3%), fabricated metal products (-1.1%) as well as electrical equipment, appliances and computers and electronic products (-0.2%). The Commerce Dept's report said durable goods orders fell by a revised -0.4% in May following a -1.0% slump in April. Elsewhere, the Australian Central Bank (RBA) remains firmly on the sidelines of the global trend toward higher interest rates, singling out the prospect of a damaging global trade war in its latest interest rate decision. The Reserve Bank board left the official interest rate unchanged at 1.5% for the 23rd month in a row yesterday, staring down calls from some quarters to follow the U.S in returning official rates to higher levels while the economy is growing strongly. The AUD dropped to about 0.7320 on the announcement, almost setting a new 2018 low against the US dollar, but bounced back in afternoon trade.



PRECIOUS

Gold hit fresh lows during the Asia session yesterday (\$1238.25), but as the USDCNY pulled back some 5 big figures from the highs, the metal recovered and closed back through \$1250. Gold opened yesterday around \$1242 with no real buying into the lead up of the SGE and pressure seen from a much weaker platinum. As has happened the previous days this week, USDCNY gapped higher on the open triggering a broad rally in the USD across a number of asset classes. Gold as a result was pushed to fresh cycle lows just above \$1238, with some buying emerging on the approach of the December 2017 low - \$1236.50. From there the USDCNY / USDCNH began to sharply turn, trading back through 6.70 respectively and the precious found some underlying demand. USDCNY and USDCNH continued to sell-off into the European morning, helped by the headlines 'PBOC is monitoring FX rates closely' and the precious metals all continued to work their way higher, gold pushing through \$1245 and then \$1250 around the NY open. The yellow metal continued a steady climb to \$1257, before most U.S markets closed early ahead of the Independence day holiday. It then casually flatlined around \$1252.50 into the session close. Platinum was a stand out of the day in terms of volatility and turnover (~35,000 lots). Leading on from Monday's rout (~-\$35.00 drop), platinum continued to trade heavily Tuesday with strong selling from Japanese and Chinese names. It opened at \$818 and traded briefly below \$800 with the surge in USDCNY. The metal snapped back sharply from there rallying back an impressive +6.0% to \$845 by mid-NY and maintaining \$840 into the close. Given the aggressive sell-off over the past few weeks it is no surprise we have seen a bit of a bounce across the complex - it will certainly be interesting to see whether the upward momentum can be maintained into the end of the week.

Gold opened this morning on positive footing and continued to build on yesterdays momentum in early trade. Fast money types were in looking for offers early and the metal ticked up a few dollars as result, pushed along also by a softening USD. When China opened for business USDCNH and USDCNY weakness continued, the former falling from 6.6650 to 6.63 and the latter shedding 2 big figs to 6.6185. Gold ran from \$1256 to just north of \$1260 quite quickly but did encounter a bit of resistance there. The SGE premium remained fairly stable over the day between \$3.50-5.00, despite the currency moves. As I write the USDCNH and USDCNY are looking soft again and gold is pushing back toward \$1260. Given the 4th of July holiday in the States, we expect the markets to be illiquid and quiet with the metals to consolidate close to their current levels. All the best and good day ahead.

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