



MKS PAMP GROUP

Daily Asia Wrap

25th June 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1269.50/70	16.46/48	876/78	957/59
HIGH	1272.40/60	16.49/51	879/81	959/61
LOW	1264.30/50	16.29/31	871/73	952/54
LAST	1266.70/90	16.34/36	873/75	953/55

MARKETS/MACRO

The People's Bank of China announced on Sunday that the required reserve ratio will be cut by 50bps for some banks from the current 16% for large banks and 14% for small banks from July 5. The cut is estimated to release around CNY 700 billion of liquidity to increase lending, predominately aimed at supporting smaller companies. OPEC ministers announced a deal on Friday that will increase oil supplies by what is expected to be around 600,000 to 800,000 barrels per day. The official statement from the organisation said members agreed to return to 100 percent compliance with the 2016 deal, while the group said compliance reached 152 per cent in May 2018. Turkish election results released on Monday show President Erdogan is likely to win a new five-year term, with state media putting him on 53% and his closest rival Muharrem Ince on 31%. The opposition is yet to officially concede and said it would continue its democratic fight whatever the result.

Equities in the U.S. ended generally higher on Friday to see the DJIA snap an eight-session losing streak, buoyed by an OPEC driven run higher to energy shares. The DJIA ended the session +0.49% higher at 24,580.89 points, however on a weekly basis handed back -2%. The S&P 500 added +0.19% to 2,754.88 points as gains were underpinned by energy stocks (+2.20%) leading 8 of eleven components higher, however easing -0.9% on the week. The Nasdaq Composite underperformed to book a -0.26% fall to 7,692.817 points, shedding -0.3% on the week to snap a four-week run of gains. The U.S. Markit (flash) services PMI held relatively firm during June, easing marginally to 56.5 (exp: 56.5) from 56.8 in May as higher levels of service sector activity were supported by increases to new work and solid job creation. The manufacturing sector disappointed however to see the Markit PMI sink to 54.6 (exp: 56.1) from 56.4 in May, signalling the slowest improvement in overall business conditions since November 2017.



PRECIOUS

The greenback was the main driver of price action during Asian trade on Monday, ripping higher against the Chinese currencies following the weekend RRR cut by the PBOC, while the safe-haven yen acted to put the brakes on further dollar gains. The DXY index added around +0.22% on the session, however spiked +0.5% and +0.64% against the CNY and CNH respectively. The Chinese weakness saw the Shanghai premium fall to around USD \$4, stifling any interest in the yellow metal that could have acted to underpin London pricing. Comex option expiry this week sees large open interest toward USD \$1,260, which is likely to keep price action heavy over the near-term, however should also act to restrict declines underneath the figure. With regards to the latest positioning data we see net longs have fallen to the lowest levels in 11-months, while gross shorts have spiked to the highest level since August 2017. Silver was unable to capture the USD \$16.50 handle and traded well offered through Asian trade on Monday, while platinum looks to have room to move higher with the latest COTR report showing net futures and options length at the lowest level since October 2006. The metal tested a break of USD \$880 during early session pricing on Monday, however was dragged lower with the remainder of the precious throughout the day. Data today include German IFO survey results and U.S. new home sales.

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