



MKS PAMP GROUP

Daily Asia Wrap

7th June 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1296.80/20	16.66/68	904/06	1018/20
HIGH	1298.00/40	16.69/71	905/07	1020/22
LOW	1295.40/80	16.63/65	903/05	1016/18
LAST	1297.00/40	16.65/67	904/06	1017/19

MARKETS/MACRO

Speeches from senior ECB officials dominated a day that was light for top-line data releases, leading to a sell-off in European bonds. Yields were higher across the euro area, with German 10-year yields up 10bp, French 10-year yields up 11bp and Italian yields up 14bp. The prospect of an end to QE also pushed up the Euro which traded to a high of 1.1796 during NY, and closed only slightly lower at 1.1780. U.S. stocks closed firmly higher yesterday, with the NASDAQ Composite closing at another record high and extending a recent winning streak to a fourth straight session. The Dow Jones Industrial Average rallied +346.41 points, or +1.40%, to 25,146.39, the S&P500 advanced +23.55 points, or +0.86%, to 2,772.35 and the NASDAQ Composite added +51.38 points, or +0.67%, to 7,689.243. The best performing sector on the day was Materials (+1.87%), while the worst performing sector was Utilities (-2.13%). It was a choppy session for European equities, ultimately ending the day fairly flat as ECB policy makers continued to reiterate their focus on ending the central banks QE program. The EuroFirst 300 index inched lower -0.57 of a point, or -0.04% to 1,512.07 and EuroStoxx 600 was unchanged at 386.88. Regionally the FTSE100 rose +0.33%, DAX climbed +0.34% and CAC40 was a little softer down -0.06%. WTI Crude oil was softer on the day (-\$0.51, or -0.78% to \$65.01), led lower by WTI on inventory data. The EIA weekly report showed a surprise increase in stockpiles in the U.S. Investors had been looking for a drawdown of about 2m barrels last week, but the data showed a rise of 2m barrels. At the same time, gasoline stockpiles increased the most since December. This comes as the country heads into the peak driving season. The rise in stockpiles was also driven by a strong increase in imports, with Saudi Arabian crude almost doubling to 1.12mb/d last week. Domestic crude oil production in the US was also higher (+31kb/d to 10.8mb/d).

Hawkish comments by the European Central Bank pushed borrowing costs across the euro zone higher on Wednesday, with the impact felt deepest in Italy where markets continue to reel from the prospect of big spending policies from a new government. ECB chief economist Peter Praet said on Wednesday the central bank was increasingly confident that inflation is rising back to its target and will next week debate whether to gradually unwind bond purchases. Expectations that the ECB will wind down its bond-buying programme by year-end are plausible, the head of Germany's central bank added. The remarks, which come just a week ahead of a closely watched ECB meeting, caught markets off guard. The recent turmoil in Italy had led some investors to bet the ECB would adopt a somewhat more cautious tone. "The market is very sensitive to changes in the central bank outlook and with a change in the ECB's stance looming, the sensitivity is increasing", mentioned one analyst.

On the data front, the U.S trade deficit shrank to \$46.2 billion in April, down from \$47.2 billion a month earlier. This is the smallest deficit in seven months and was narrower than market expectations of a \$49 billion deficit. Exports increased +0.3% MoM to a record high, while imports fell -0.2% MoM. Elsewhere, Mortgage applications climbed in numbers, increasing +4.1% from last week, according to data from the Mortgage Bankers Association's Weekly Mortgage Applications Survey for the week ending June 1, 2018.



PRECIOUS

It was another inside day for gold on Wednesday, rallying through \$1300 to test resistance around \$1302, although ultimately closing on a \$12 handle. We opened in Asia around \$1297 and traded fairly flat throughout the Asia morning yesterday around \$1297-98. Flows were light, with some sporadic producer offering in modest clips and light Chinese buying despite a softer USDCNY. We tried up towards \$1300 during the Asia PM session, although it was short lived with early European traders happy to sell into the strength. It was around this time that base metals began to tick higher, which helped to boost silver and palladium, pushing the former through \$16.50 and latter towards \$1000. Further jaw-boning from ECB officials Praet and Weidmann regarding QE saw the EUR surge during early NY trade. Gold gained some momentum from this also climbing through \$1300 yet was unable to break through the downtrend line on the daily chart dating back to mid April (\$1301.30). The yellow metal then did a quick about face and moved back toward the mid \$1290's where we ultimately closed. Silver managed to hang on to its gains unlike gold, touching a high of \$16.73 and closing at \$16.67. Palladium was very strong throughout the NY session, initially aggressively selling off to the day lows (\$995), before sharply turning around and tripping stops through \$1000 to a high of \$1021.80. Pd held fairly close to the highs for the remaining 4 hours of trade sitting just beneath \$1020 - a solid performance for the day (+2.45%).

Not a great deal to report for today's Asian session with gold so far being contained to a \$2 range. Some very light two-way trade was seen in GCQ8 in the hours leading up to SGE open, gold confined to \$1296.50-1298 (cash) and edging lower leading into Shanghai's open. An initial push lower was quickly countered by some SE Asian physical demand and kept the metal buoyant above \$1295.50, although the flows remained exceptionally light. SGE premium was again sitting fairly flat around \$6 the loco London price, where it has been for a few days in Asia now. Over the China lunch break the metals all traded sideways, gold sitting at \$1297 at time of writing. In other markets, equities have pushed higher in line with the impressive overnight gains in the States, the Nikkei at time of writing is up +0.81%, Hang Seng +0.55%, Shanghai Composite +0.1% and ASX200 +0.7%. WTI Crude and Brent are flat at \$65.01 and \$75.70 respectively, while the USD is mixed against the G10, AUDUSD is 20 pips lower at 0.7650, while the EURUSD has remained well bid touching 1.1800 but currently trading at 1.1785. On the data calendar today look out for U.S jobless claims, UK housing prices, Eurozone Q1 GDP and German retail sales. All the best for the day ahead.

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