



MKS PAMP GROUP

Daily Asia Wrap

2nd March 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1317.00/40	16.46/48	965/67	990/92
HIGH	1318.20/60	16.46/48	968/70	994/96
LOW	1315.10/50	16.41/43	965/67	989/91
LAST	1317.00/40	16.42/44	965/67	993/95

MARKETS/MACRO

U.S. equity indices sank Thursday led by heavy selling in industrial stocks after President Donald Trump said he would impose tariffs on steel and aluminium imports, raising concerns of protectionist trade policies that could impact U.S. corporations and consumers. The Dow Jones Industrial Average crumpled -420.22 points, or -1.68%, to 24,608.98, the S&P500 retreated -36.16 points, or -1.33%, to 2,677.67 and the NASDAQ Composite slumped -92.447 points, or -1.27%, to 7,180.562. European stocks were also lower, hit for a third straight session after a batch of lacklustre corporate earnings reports. The Euro First 300 Index plunged -18.73 points, or -1.26% to 1,468.47 and the Euro Stoxx 600 fell -4.77 points (-1.26%) to 374.86. Regionally the DAX was slammed -1.97%, FTSE100 -0.78% and CAC40 -1.09%. Crude oil prices were down sharply in early trading, with the stronger-than-expected inventory build yesterday still weighing on investors minds. However a reversal in the USD strength saw investor appetite improve late in the session, with crude oil prices recovering. Libya said oil output was holding steady as higher production from two its biggest oil fields was helping offset the impact of a shutdown at a deposit operated by Eni SpA. In the end April WTI crude closed down -\$0.33 (-0.45%) at \$61.34.

President Trump said on Thursday that he will impose stiff tariffs on imports of steel and aluminium, thwarting some of his top pro-trade advisers and rattling stock markets as a possible global trade fight loomed. Mr. Trump said he would formally sign the trade measures next week and promised they would be in effect "for a long period of time". The measures would impose tariffs of 25% on steel and 10% on aluminium. At a White House meeting on Thursday, Mr. Trump told a group of executives that he did not want any nation to be exempted from the order, arguing that if one country was exempt, all other countries would be in line to ask for similar treatment. The trade action stems from a Commerce Department investigation that concluded imported metal threatens national security by degrading the American industrial base. "People have no idea how badly our country has been treated by other countries", Trump said, "...They've destroyed the steel industry, they've destroyed the aluminium industry, and other industries... We're bringing it all back". The head of the American Petroleum Institute, Jack Gerard, however raised serious concerns with the Department of Commerce's recommendations for tariffs saying, "Today's announcement by the Department of Commerce to recommend sweeping tariffs around all steel and aluminium imports, in the guise of national security concerns, doesn't make sense for the U.S. economy...These tariffs would undoubtedly raise costs for U.S. businesses that rely heavily on steel and aluminium for the majority of their products - and ultimately consumers".

Federal Reserve Chairman Jerome Powell said Thursday that there are no "decisive" signs of wage inflation yet. Speaking in testimony before the Senate Banking Committee, the central bank governor also said more gains can come in the labour market without causing harmful levels of inflation. The remarks are significant in that during Powell's speech two days ago before the House Financial Services Committee were interpreted as being more concerned about inflation, leading the Fed to a more aggressive path in interest rate hikes. "We don't see any strong



evidence yet of a decisive move up in wages. We see wages by a couple of measures trending up a little bit, but most of them continuing to grow at 2.5%", he said. "Nothing is suggesting to me that wage inflation is at a point of accelerating. I would expect that some continued strengthening in the labour market can take place without causing inflation".

PRECIOUS

It was a volatile session for gold yesterday, edging slowly lower throughout Asia and Europe and then bouncing round like a yo-yo during the U.S session. The metal opened with a fairly muted tone in Asia on Thursday before steadily edging it's way lower toward \$1315, where it spent the vast majority of the Asia day. The SGE premium remained well bid (\$8-9) and modest buying from onshore Chinese participants and banks was persistent. It failed to lift the spot price however, with COMEX offers still fairly voluminous and specs seemingly hunting for down-side stops. The spot gold dipped to \$1310-12 later in Europe and did a little work around there on decent sized volumes. On the NY open, the metal was swiftly sold off to a fresh yearly low of around \$1305 but just as quickly surged back to \$1311. We chopped back and forth a number of times between the low (\$1303.40) and \$1312 and it was only when President Trump announced his intention to bring in the commodities tariffs that the gold shot higher - in line with a firmer USD and weak equities. Starting from \$1305 the metal pushed as high as \$1320.80 bid late in the day, encountering a little profit taking around \$1320 and then closed at \$1317 - ~\$1.00 lower on the day. Technically speaking, the impulsive rejection of the 100 dma and critical \$1300 level bodes well for the gold in the short term. It will no doubt boost support around that level, with bulls who missed the move happy to sit on the bid there. Resistance sits between \$1321-26 (last night high and 50 dma). Palladium was the real big mover overnight cratering from \$1045 to as low as \$980, and clearing out a number of weak longs. Unlike the other metals in the complex, palladium failed to recover to the same levels as gold, silver and platinum, closing around \$992 (-5.0% on the day).

With the gold opening more-or-less where it did yesterday, it was a fairly muted first few hours with traders happy to wait and see how China would react to the overnight developments. The SGE opened and spot gold fell a couple of dollars toward \$1315, yet similar to yesterday there were small bids there. The premium on the SGE had rolled back a little to \$7-8, which had slowed the buying a little from what we had seen compared to the past week. All in all though it was an exceptionally quiet end to the week remaining in a \$2 range for most of the session so far. In other markets, Asian equities are lower at time of writing (Nikkei -2.9%, Hang Seng -1.4%, Shanghai Composite - 0.25% and ASX200 -1.05%), the USD is a touch softer across the board and crude is down -\$0.37 at \$60.97. Have a good day ahead and an enjoyable weekend.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.