MKS PAMP GROUP

Daily Asia Wrap

5th March 2018

Range Asian Hours (from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1323.80/20	16.52/54	966/68	996/98
HIGH	1326.90/30	16.59/61	971/73	999/01
LOW	1321.70/10	16.49/51	964/66	994/96
LAST	1326.10/50	16.56/58	967/69	996/98

MARKETS/MACRO

The market remained cautious Friday as fears of a trade war heightened amidst the U.S decisions to impose trade tariffs on steel and aluminium imports. European Union officials have said they would respond "firmly" if U.S President Donald Trump presses ahead with his plan for steep global duties on metals. EU trade chiefs are considering slapping 25% tariffs on around $3.5bn (£2.5bn) of imports from the U.S, according to Reuters. President Trump fired right back Friday saying that the U.S “will simply apply a TAX” on cars made in Europe if the European Union retaliates. Despite the concerns most U.S equity indices managed to close in the black. The Dow Jones Industrial Average fell -70.92 points, or -0.29%, to 24,538.06, the S&P500 rose +13.58 points, or +0.51%, to 2,691.25 and the NASDAQ Composite gained +77.305 points, or +1.08%, to 7,257.867. European equities finished sharply lower Friday, trading for the first time since Trump announced the potential resource tariffs. The Euro First 300 Index slumped -31.33 points (-2.13%) to 1,437.14 and the Euro Stoxx 600 retreated -7.82 points (-2.09%) to 367.04. Regionally the DAX tanked -2.27%, FTSE100 -1.47% and CAC40 plunged -2.39%. Crude oil prices were also higher, with Brent up nearly 1% as traders returned their focus to supply-side issues. A relatively unchanged number of rigs drilling for oil in the U.S saw concerns about surging output ease. Chevron also reported that the Alba oil field in the North Sea was shut in, following a weather related power outage. However, this was mitigated by data showing that Libyan oil production jumped to 1.19m b/d in February, up +22% from the previous month. In FX, USD was softer, USDJPY moderating -0.7% to 105.51 and EURUSD was up +0.7% to 1.2353. Treasuries slumped with the dollar; the US 10y bond yield higher by +5.7bps to 2.86% and the 2y note yield up +3.01 bps to 2.24%.

On the data front, the University of Michigan’s consumer sentiment index in February was the second-strongest it has been in 14 years, though the final reading was revised lower a touch to 99.7 (99.5 expected, 99.9 estimated prior). Expectations for future inflation was little changed in February. Consumers on average saw 2.7% inflation over the next year and 2.5% inflation in five to 10 years, the same as in January. Germany’s retail sales fell by -0.7% MoM in January in real terms, missing the BBG consensus forecast for a +0.7% gain and came after an upwardly revised drop of -1.1% in December.

PRECIOUS

The Trump trade war rhetoric strengthened gold's position on Friday in line with a weaker USD and softer global equities. During Asia gold predominantly drifted sideways clinging to $1315-17 quietly, following Thursday's late surge after Trump's tariff comments. The SGE premium remained stable around $8-9 over the loco London price and Chinese participants were relatively neutral, the metal more than happy to drift sideways into the European morning. Volatility increased marginally during this period, yet the metal still comfortably clung around $1315-17. Tumbling equities, weaker USD and sliding yields around the NY open shot the yellow metal through $1320 to $1324 and eventually on to the $1325.40 high, although there seemed to be some decent producer and technical selling around $1325, capping proceedings. We briefly dipped back below $1320 although it was short lived, the gold ultimately closing at $1322.50 to round out the week marginally softer (-0.45%). We feel that the current macro environment should remain supportive for gold in the short term, with the divisive Italian elections a close call and ongoing global tension regarding trade protectionism a certainty. We still like to buy dips around $1300-1310. Commitment of traders report showed speculators cut their COMEX long gold position to the least bullish in 8 weeks whilst silver specs increased their net short position to the most bearish on record going back to 2006 (Short only total is the highest in 2 months). This may help silver to outperform in the short term in the event of a sustained rally. Platinum and palladium remain under pressure after steeper than expected U.S car sale declines for February and after the mayor of Rome announced that the city will ban diesel cars by 2024. This follows the decision from the German courts earlier this week allowing a legal prohibition on these cars.

Gold opened this morning and pushed higher immediately on the back of some early Asian trading house demand. By the time the SGE kicked things off, spot gold was trading around $1325, soon receiving a boost from Chinese participants. The premium on the exchange was a touch softer than what we saw last week ($7-8 during the am), although still holds above $7 which has remained unbroken for some time now, indicating clear demand post Chinese NY. Spot gold jumped through $1325 and failed to venture back under there, up to time of writing at least. Silver remained bid throughout the morning holding firmly above $16.50 and trading up toward $16.60. The PGM's showed modest signs of recovery early, platinum still up on the day but palladium flat. In other markets equities continue their wash out, the Nikkei currently -1.05%, Hang Seng -1.15%, Shanghai Composite -0.2% and ASX200 -0.7%. Both WTI and Brent are up around +$0.25 at $61.48 and $64.62 respectively, while the USD is mixed vs. the majors. Looking ahead today on the data calendar - Eurozone, U.S and British Markit Services and Composite PMI's and U.S ISM non-manufacturing composite. All the best.