



MKS PAMP GROUP

Daily Asia Wrap

23rd May 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1290.80/20	16.52/54	906/08	992/94
HIGH	1295.70/10	16.57/59	908/10	994/96
LOW	1289.10/50	16.49/51	902/04	988/90
LAST	1289.60/00	16.50/52	905/07	991/93

MARKETS/MACRO

Markets traded within fairly tight ranges overnight, with a light data calendar and a more cautious tone following President Trump's comments that there was a 'substantial chance' the N Korea summit won't work out. U.S. equities closed lower on the day, with major indices turning decisively negative in afternoon trading and ending near their lows of the day as uncertainty over trade policy and other geopolitical issues remained high. The Dow Jones Industrial Average dropped -178.88 points, or -0.72%, to 24,834.41, the S&P500 liquidated some -8.57 points, or -0.31%, to 2,724.44 and the NASDAQ Composite slumped -15.58 points, or -0.21%, to 7,378.46. The best performing sector on the day were Financials (+0.59%), while Energy (-1.28%) struggled. European stocks moved higher, with Italy remaining in focus as the country's president considered the candidate put forward to lead their coalition government. The EuroFirst 300 index crept up +4.46 points, or +0.29% to 1,557.00 and the Euro Stoxx 600 advanced +1.07 points, or +0.27% to 396.94. U.S Treasury yields continue to hover around the ~3.05% level, remaining largely unchanged, while the dollar took a bit of a step back, the DXY remaining firm around the mid 93 mark. Crude oil prices were mixed on the day, Brent edging higher, while WTI eased modestly - with issues in Venezuela still capturing market attention. Geopolitical factors also kept investors on their toes with U.S Secretary of State Pompeo demanding Iran halt all uranium enrichment and allow nuclear inspectors access across the country, which as expected, did not go down too well, Iran officials immediately rejecting it.

Trade tensions continued to thaw with China announcing a reduction in automotive tariffs and the U.S working towards a deal to overturn the ZTE (China tech firm) ban. For car imports, the 25% tariff levied on 135 items and the 20% duty on four items will both be reduced to 15%. Import tariffs for 79 auto parts will be reduced to a standardised 6%, down 46% on average. After the move, the average tariff rate on vehicles will stand at 13.8%, while auto parts will be 6%. China imports around USD80bn worth of vehicles and parts annually. Separately, WSJ reported that the US and China will settle the ZTE ban. The details are still being ironed out, but they are expected to involve changes to management and board seats and a significant fine. However, President Trump told CNBC that there was no deal on ZTE and that the fine could be around USD1.3bn. Elsewhere, Trump suggested that his historic meeting with the North Korean leader, Kim Jong Un, could be delayed and that President Xi Jinping of China might be responsible for a breakdown in the pre-summit talks. Tensions between Iran and the U.S also continue to remain high, with the White House saying any new nuclear deal with the U.S. would require Iran to stop enriching uranium and to pull its support for militant groups in the Middle East.

PRECIOUS

Gold managed to hold onto gains overnight, pushing back through \$1295 on a few occasions, although ultimately running into some solid supply above there. The yellow metal opened yesterday around \$1292 and after trading sideways for the first few hours eventually began to ease lower. SGE, of which the premiums have been unimpressive following the move through \$1300 (Spot), were light sellers, which saw the metal ever so slowly



recede down towards \$1290. The USD had paused throughout the Asia day after NY's sell-off, which failed to really steer the precious complex in either direction. Late in Asia gold touched the intra-day lows of \$1288.20, before bouncing back strongly to \$1296 as the USD sell-off resumed. Comments by Trump on the status of the North Korea summit also helped the metal stay lofty. There were noticeable and sizeable offers above the market however and as a result we slowly ground our way lower over the duration of the NYK day to ultimately settle around \$1291. Gold's performance was a little disappointing given silver managed to rise to \$16.67, palladium \$1003 and platinum \$909.50. Regardless, flows were very light across the entire complex with traders happy to take some respite from volatility over the past few days. For now we see stubborn resistance at \$1298-1300, with thick offers from producers, real money and leveraged sellers alike prevalent on runs higher. To the downside resistance sits at the previous low and 61.8% Fibonacci retracement levels between \$1282-86. We think the gold will be in for a period of consolidation in the short term and are monitoring moves in ETF holdings - which have surprisingly held rather steadily given the move through \$1300 support. The SPDR's holdings have only shed around 4.13 tonnes (~133,000 oz) since the May 15 collapse.

USDTRY was the main mover this morning jumping some +3.1% on the gold open from 4.6720 to 4.8175, on the back of a headline saying 'Turkey threatens 267 million in tariff against US', as well as the Turkish President looking to take control of monetary policy (old headline). The huge move caused a bit of unease and there was a little bit of safe-haven gold buying going through early on. The yellow metal rose steadily throughout the morning opening at \$1291 and pushed up towards the highs right around the TOCOM open (\$1295.70). As was the case yesterday there was solid supply above \$1295 and we did not trade there for long, sliding back to \$1293 by the Shanghai open. Not a lot to report on the SGE, similar to yesterday it was primarily small offers that appeared due to the soft premium (USD\$5.50-6.50 over spot). This put a bit of a drag on the spot gold trading back towards \$1292 then trading sideways through the SGE lunch break. Once the SGE opened and early European traders began to man their desks the USD started to rally, particularly against AUD (-0.47% currently), CAD(-0.35%) and GBP (-0.25%). This exerted downward pressure on the precious metals gold and silver at time of writing trading on their lows. On the data calendar today, look out for a host of Markit PMI's from France, Germany, Eurozone and the U.S, as well as UK CPI and PPI, U.S FOMC minutes and new home sales and finally Eurozone consumer confidence. All the best and good luck.

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.