



MKS PAMP GROUP

Daily Asia Wrap

2nd May 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1304.50/90	16.14/16	894/96	946/48
HIGH	1311.80/20	16.34/36	898/00	953/55
LOW	1304.50/90	16.14/16	893/95	945/47
LAST	1309.20/60	16.30/32	897/99	952/54

MARKETS/MACRO

With many markets closed in observance of May Day, activity globally was on the lighter side. U.S. stocks closed mostly higher on Tuesday, as a sharp rally in technology stocks (thanks to strong sales for Apple), helped the S&P 500 and the Nasdaq shake off an early decline. However, the Dow fell for a third straight session as caution remained high ahead of the conclusion of a Federal Reserve policy meeting and fresh developments in global trade. The Dow Jones Industrial Average crept down -64.1 points, or -0.27%, to 24,099.05, the S&P500 rallied +6.75 points, or +0.25%, to 2,654.80 and the NASDAQ Composite gained +64.438 points, or +0.98%, to 7,130.704. The best performing sector was Information Technology (+1.46%) and the worst performing sector intra-day was Consumer Staples (-0.88%). It was a quiet days trading in Europe last night with some markets closed for the Labor Day holiday. The FTSE was open and it managed to eke out a small gain as earnings numbers continue to dominate news headlines. The EuroFirst 300 inched lower -1.18 points, or -0.08% to 1,510.85 and the Euro Stoxx 600 cooled equally, off -0.29 of a point, or -0.08% to 385.03. In FX, the USD continued its upward trajectory yesterday with the DXY closing above the 200 dma up +0.68% to 92.462. In EURUSD, we've broken through its 200-dma this morning, which opens up for 1.1829 and 1.1618 below with further bearish momentum, while breaks back above 1.2076 would signal a reversal to the bearish trend. In USDJPY we've got the 200 dma ahead at 110.2, which will be a key level to watch. AUDUSD has broken below 0.7500 this morning and is looking very soft, sitting at its lowest point since mid last year. In commodities, Crude oil prices fell (WTI -1.56% to \$67.50) as the stronger USD triggered selling/profit taking by investors after a recent rally in prices. Focus will now be towards this week's EIA report, with expectations switching to a rise in stockpiles last week, however, signs of more falls in OPEC production are likely to keep that concern at bay. A Bloomberg survey suggests output fell to 31.93mb/d in April, down from 31.97mb/d in March. In base metals, easing trade tensions and a more conciliatory tone from the U.S on Russian sanctions saw investors' concerns over supply disruptions ease. Combined with the stronger USD, investor appetite for base metals suffered as a result. Aluminium prices managed to stay relatively unchanged, despite U.S Treasury Secretary Mnuchin talking about the possibility of lifting sanctions on Rusal. The rest of the complex was weaker, copper down over -0.9%, and zinc prices plunging 2.4%. Yields rose with the U.S 2y up +1.63 bps to 2.504% and 10y +1.13 bps to 2.964%.

On the data roll, the Institute of Supply Management (ISM) said its index of national manufacturing activity in the U.S dropped to a reading of 57.3 last month (58.5 expected) from 59.3 in March. The measure of employment dropped from 57.3 in March to 54.2 and the ISM said there were indications that labour and skill shortages were affecting production output. The new orders index was slightly down to 61.2 this month, while the prices index increased 1.2 points to 79.3 (78.5 expected), the highest reading since April 2011. U.S construction spending unexpectedly fell in March as a sharp decline in home-building led to the biggest drop in investment in private construction projects in more than seven years. The Commerce Department said on Tuesday construction spending tumbled -1.7%. February data was revised to show construction spending increasing +1.0% instead of the previously



reported +0.1% gain. Across the pond, the manufacturing sector activity in the UK economy eased more-than-expected in the month of April, missing market expectations, the latest data from Markit revealed on Tuesday. The manufacturing Purchasing Managers' Index (PMI) in the UK arrived at 53.9 points in March, as compared to a previous 54.9 (revised down from 55.1) reading. Markets had predicted the PMI to tick lower to 54.8.

The Trump administration said on Monday that it would delay a decision to impose steel and aluminium tariffs on the European Union, Canada and Mexico for another 30 days, giving key allies a reprieve as the White House tries to extract concessions from trading partners who have resisted those demands. The administration, which granted temporary exemptions to a handful of countries in March, said it had reached initial agreements with Argentina, Australia and Brazil that would allow them to avoid the tariffs, at least for now. Navarro Says the U.S. won't further extend Canada, Mexico tariff relief. The European Union's exemption from U.S. steel and aluminium tariffs was extended because of promising trade talks with Washington, U.S. Commerce Secretary Wilbur Ross said on Tuesday, adding that he does not expect the practice to continue.

PRECIOUS

Gold extended its losses overnight in-line with the broad acceleration of the Greenback, testing the 200 dma (\$1305.00) and closing the session right on it. Gold opened yesterday's session around \$1315 - similar to the previous day - edging up towards \$1316 in the opening few minutes, then proceeded to slowly grind it's way lower throughout the day. With a number of major markets in Asia and Europe closed (China, HK, Singapore, Thailand, Malaysia), flows were extremely light with the metal continuing to decline steadily to the 200 dma. There were a number of specs 'stop hunting' right around the \$1305 support and we briefly dipped through to a low of \$1302.30. There was considerable demand there however and the stop hunting did not pay off. Right around this time too the U.S equity markets were trading lower and the gold caught a bid as a result back toward \$1307. With the USD still rallying late into the session the recovery for gold was limited the metal closing right on \$1305. The \$1300-1305 area is critical for the gold with the 200 dma, 50% Fibonacci retracement (Dec 17-present) at \$1301.30 and the psychological \$1300 all in this band. If we break and close below \$1300, it opens the risk of a move back toward \$1263-65. That being said, there is also a case to be made that this could be the ideal place to watch for a reversal in the metal. We have bounced off this area (\$1300-1307) 3 times since January, and having now completed a multi month corrective phase, we could punch higher. Bottom line, how price action develops in this \$1300-1310 area will likely be important both to the precious metals complex and to the broader USD in general. Important components to watch will be ETF flows, the trend of the dollar and whether Geo-political concerns, sanctions concerns and trade war rhetoric continues to ease.

With the return of China today after a 2 day hiatus, the market was expecting some bargain hunting from them. This saw some early speculative demand across the precious complex, particularly for gold and silver, which saw them rally some \$3 and \$0.07 respectively prior to Shanghai stepping in. Once the SGE opened for business there was some moderate demand from them and the precious complex whole picked up. This was also assisted in part by the USD giving back a little of the overnight gains made against the G10. Gold gathered momentum and steadily made its way north to \$1310, where it began to run into some offers. It did not back off however pushing up to a \$1311.80 high and then consolidate between \$1310-11 during the China lunch break. The SGE premium over the first session was solid at around \$8.00-9.00, which was about a dollar or so higher than last Friday. Investors will now be waiting for today's FOMC to gain a better understanding of the metals (and of course USD's) direction in the short-medium term. In other markets equities are generally trading lower on the day, at time of writing the Nikkei is down -0.3%, Shanghai Composite -0.4% and Hang Seng -0.6%, while the ASX200 is the outlier up +0.45% so far. Crude oil is currently firmer WTI +0.4% at \$67.51 and Brent +0.1% intra-day at \$73.20. The USD after trading a little higher early morning has retreated a little vs. the G10, most notably vs the AUD which was trading below 0.7500 but now sits just above there at 0.7505. Have a good day ahead.

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