



MKS PAMP GROUP

Daily Asia Wrap

15th November 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1280.40/90	17.01/03	926/28	987/89
HIGH	1283.20/60	17.05/07	928/30	991/93
LOW	1279.10/50	17.00/02	925/27	987/89
LAST	1280.60/00	17.04/06	926/28	989/91

MARKETS/MACRO

Markets had a risk-off feel overnight with equities, yields, USD and commodities all heading lower and volatility continuing to march higher. U.S. stock indices came off intraday lows late-morning with Wall Street trading skittishly in the face of uncertainty around efforts to reform tax policy and a downturn in crude futures. The Dow ended up relinquishing -30.23 points, or -0.13%, to 23,409.47, the S&P500 sold off -5.97 points, or -0.23%, to 2,578.87 and the NASDAQ slumped -19.72 points, or -0.29%, to 6,737.872 on the day. The best performing sector was utilities (+0.93%) and the worst were Teleco's (-1.25%). European stocks closed lower for a sixth session, stung as the euro leapt to a 3 week high on the back of stronger than expected economic growth figures. The Euro First 300 Index dipped -10.49 points, or -0.69% to 1,510.08 and the Euro Stoxx 600 Index fell -2.27 points, or -0.59% to 383.86. Regionally the FTSE100 was flat, DAX softened -0.31% and CAC40 -0.49%. Crude oil prices fell sharply after the IEA raised doubts about the outlook for 2018, the WTI selling off -\$0.99, or -1.74%, to \$55.77 a barrel. In its latest report, the IEA reduced its estimate for demand for next year by 200k b/d to 98.9 million b/d. It blamed the recent price gains and a milder than normal winter in the northern hemisphere for this demand weakness. This came amid continued calls for an extension of the current production cuts. United Arab Emirates was the latest producer to suggest that the agreement should be extended to help re-balance the market. Oman went a step further, suggesting it should be extended until the end of 2018. Compliance among producers has been relatively good in recent months. FX markets were busy driven by EUR strength which we haven't seen in a few weeks, EURUSD finishing +1.1% on the day just below 1.1800. The EUR move was initially triggered by the strong German GDP and was followed by strong real money demand; though Goldman Sachs believed "the extent of the move seemed mostly a positioning squeeze and gamma driven given a lack of major fundamental catalysts or change in rate differentials". The oil move also caused pain in the RUB, finishing the day as the underperformer in EM, -1.45% vs USD. U.S treasuries rallied by the back-end as the yield curve flattened for a 2nd straight day, 2y yields up +0.64 bps to 1.687% and 10y down -2.67 bps to 2.379%.

For the first time in a while, economic growth across Europe's major economies is showing some more backbone. Overnight Germany recorded very strong Q3 growth of +0.8% QoQ (+0.6% expected, +0.6% prior) and +2.8% YoY (+2.3% expected, +2.1% prior). Notably, exports and investment were strong according to DeStatis. So far this year, Germany has been growing at a 3% annualised pace. Others are now joining the party it seems, with euro area Q3 GDP rising +0.6% QoQ and +2.5% YoY as expected. In the other big three economies, growth in France was +2.2% YoY, Italy +1.8% YoY and Spain +3.1% YoY. In the U.S the October NFIB Small Business Optimism Index rose to 103.8 (104.0 expected), up from 103.0 in September. The historically strong performance extends the streak of positive months dating back to last November, when it shot up immediately following the election. Outlook for expansion and sales expectations each jumped six points, while job openings increased by five points. "Owners became much more positive about the economic environment last month, which suggests a longer-run view", noted Bill Dunkelberg, NFIB chief economist. "In the nearer term, they are more optimistic about real sales growth and



improved business conditions through the end of the year". Still in the U.S, October PPI was stronger than expected at +0.4% MoM and 2.8% YoY (+2.4% expected, +2.6% prior). The core pace also rose +0.4% MoM, with the annual core rate rising to 2.4% YoY (2.2% expected and prior). The data hints at some building pipeline inflation pressures and perhaps supports the idea that the weakness in inflation earlier this year is likely to have been transitory. The data is also consistent with the Fed's view of gradual inflation normalisation.

PRECIOUS

Gold reversed overnight, shrugging off the initial move towards \$1270 on the back of a weaker USD. We opened in Asia yesterday around \$1278 and the metal began to slowly tick lower throughout the morning on light flows. The selling was again predominantly Comex based with Asian physical demand picking up some of the slack and absorbing the offers. USDCNY remained fairly sticky which helped the SGE trade to a \$9-10 premium comparative to the loco London price. Interest on the Shanghai based exchange however remained modest and we continued to tick slowly lower into the afternoon. As London traders began to man their desks, USDJPY spiked toward 113.85 and a flurry of Comex selling ensued taking us down towards \$1270.50. As has been the case the past few weeks, there were physical buy orders down around the \$1270 which cushioned the sell-off. The yellow metal consolidated into the London session around \$1271-74 although remained top heavy. When NY opened, the rising EURUSD prompted some buying, particularly into the PM gold auction. In thin conditions the yellow metal thrust higher, catching quick money shorts by surprise who quickly exited positions. Gold leapt through \$1280 up to a peak of \$1282.50 and after some jittery trade above \$1280 continued higher, EURUSD not giving back an inch either. Light producer selling was a feature on the move higher throughout the afternoon. ETF positioning continues to recover with 635k oz being added over the past week and a similar situation was seen in Comex gold with specs raising their bullish bets by +4.2% for the week.

Another fairly slow day in Asia, with most of the action and turnover prevalent in FX markets. Gold commenced trading at \$1280.50 and carried over some of the momentum from NYK with early Asian traders looking for offers. Demand picked up further as we approached the SGE open, with the EURUSD remaining buoyant around the 1.1800 level in support. China were initial buyers with the premium a touch lower than they were yesterday, starting around \$8-9 over the spot price. Gold shot to the days high shortly after the Chinese open although ran into some headwinds not long after from a collapsing AUDUSD. The currency saw some huge volumes go through as it broke down through 0.7610 (a level which has held for nearly a month now), tripping stops sharply down to a 0.7576 low. XAUAUD rocketed to a 5 month high as result (\$1692.75) and Australian producer names were quick to sell into the strength further weighing on the yellow metal. Gold slowly slumped back towards the opening levels and continues to trade around there as I write (\$1280.50-1282.00). Silver has managed to hold onto its \$17 handle today amidst light flows and the PGM's have barely moved. In other markets equities in Asia are weaker, the Shanghai Composite is off -0.7%, Nikkei -1.4%, Hang Seng -0.75% and ASX200 -0.5%, while WTI crude is flat at \$55.03 (last). Ahead today on the data calendar look out for French CPI, U.K employment figures and U.S CPI, retail sales and Empire Manufacturing. Have a good day ahead

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