



MKS PAMP GROUP

Daily Asia Wrap

16th November 2018

Range Asian Hours
(from Globex open)

| | GOLD | SILVER | PLATINUM | PALLADIUM |
|-------------|-------------|---------------|-----------------|------------------|
| OPEN | 1213.50/90 | 14.28/30 | 842/44 | 1158/60 |
| HIGH | 1216.70/10 | 14.32/34 | 843/45 | 1158/60 |
| LOW | 1213.00/40 | 14.27/29 | 840/42 | 1154/56 |
| LAST | 1215.20/60 | 14.31/33 | 842/44 | 1156/58 |

MARKETS/MACRO

The main story overnight continued to focus on the political unrest in the UK, with a number of ministers choosing to resign in protest over PM Theresa May's Brexit deal. As a result, the Sterling fell some -1.7% vs the USD to 1.2774 where we presently remain. Elsewhere, US stocks rebounded, snapping a 5 day losing streak as tech stocks dug in their heels. The DJIA rose +192.10 points (+0.77%) to 25,289.27, the S&P500 advanced +26.71 points (+0.99%) to 2,730.20 and the NASDAQ Composite tacked on +116.246 points (+1.63%) to 7,259.031. European stocks however sold off on the escalating Brexit concern, the EuroFirst 300 Index relinquishing -13.12 points (-0.92%) to 1,411.96 and the EuroStoxx 600 sinking -3.84 points (-1.06%) to 358.43. Meanwhile, the US 10-year Treasury yield eased -1.5bp to 3.11% and the German 10-year Bund yield eased -3.8bp to 0.36%. In FX, the Dollar Index was up +0.1% to 96.93, USDJPY was unchanged at 113.62 and EURUSD gained +0.2% to 1.1328. Crude oil prices continued to recover as geo-political tensions rise, WTI closing up +0.57% to \$56.55/bbl. The Trump administration issued financial penalties to 17 Saudi officials in the wake of the Kingdom charging 11 people over the death of journalist Jamal Khashoggi. Also boosting the price was ongoing speculation that OPEC will implement further production cuts. A larger-than-expected build in inventory weighed on prices late in the session however, the EIA report showing a rise of +10.27m/bbl last week, against expectations of +3.2m/bbl.

British Prime Minister Theresa May is fighting for her political life, with the announcement of her draft Brexit deal unleashing a fiery fallout. Two Cabinet ministers have quit and an angry chorus is rising within her own party, calling for her head. A little more than 12 hours after Mrs May announced her Cabinet had agreed to the terms of the deal, Brexit Secretary Dominic Raab quit, prompting six of his colleagues, including another Cabinet minister, to follow suit. Euro-sceptics in Mrs May's Conservative Party said they had submitted letters calling for a vote of no confidence in her leadership. In a defiant press conference on Thursday evening at 10 Downing Street, Mrs May said: "Am I going to see this through? Yes". Hostility to the deal from Government and Opposition MPs has raised the risk that the deal would be rejected in Parliament and Britain would leave the EU on March 29 without a safety net.



On the data front US retail trade rose by +0.8% (+0.6% expected) from a month earlier in October 2018, following a revised -0.1% drop in September. This was the largest increase in retail trade since May, mainly boosted by purchases of motor vehicles and building materials amid efforts to rebuild areas affected by Hurricane Florence and fuel on the back of higher gasoline prices. Retail sales excluding autos in the US increased +0.7% MoM (+0.5% expected) in October, recovering from a -0.1% drop in September. In contrast, retail trade in the UK fell -0.5% from a month earlier in October (+0.2% expected), following a downwardly revised -0.4% fall in September. Non-food stores were the largest contributor towards the overall fall (-1.3%), as purchases of household goods, such as electronics and home appliances, dropped the most since December 2017 (-3%) and clothes sales also declined (-1%). YoY, retail trade growth slowed to 2.2% in October from an upwardly revised 3.3% in September, the slowest since April and also below market forecasts of +2.8%.

PRECIOUS:

The gold had a rangebound session yesterday tracking a familiar \$1208.30-\$1216.10 range. We opened in Asia around \$1211.50 and the metal was generally bid throughout the morning, not necessarily due to demand flows but by general USD weakness following the overnight move. Later in the London morning we were trading up towards the \$1216.10 high, when the headlines that Brexit Secretary Raab was to resign began to filter through. This saw a drastic sell-off in the GBP and to a lesser extent the Euro, which dragged gold lower – despite its safe-haven appeal in events like this. The yellow metal eased through \$1210 and some minor safe-haven demand finally emerged below that level and supported. Around the NY open the metal popped back just short of the earlier highs and sustained a \$1211.50-1215.50 range into the days close. Turnover through Comex (GCZ8) for the day was moderate. Elsewhere, palladium rose to a fresh all time high of \$1176, before plunging back \$20 to the close. Liquidity remains very thin in the Pd market and as a result has been susceptible to extreme volatility over the past few weeks. That said the fundamentals are still intact with good physical buying seen right the way up. Palladium is still in deep backwardation as it has been for many months now with physical premiums still very high.

Gold opened this morning with some light early demand seen out of SE Asia which ticked us slightly higher. China came in and were buyers initially which prompted spot gold to run sharply from \$1214 to \$1217 over the first 30 minutes of trade. From there though the metal began to meander lower throughout the remainder of the AM session back towards \$1214.50. Flows have been moderate so far and we remain around \$1215. Technical resistance sits around \$1217-20 and a breach of this could see a jump up to \$1225 with out much effort. Wish you all a great weekend.

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