



MKS PAMP GROUP

Daily Asia Wrap

11th October 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1288.10/50	17.11/14	930/33	935/37
HIGH	1291.50/90	17.17/20	932/35	939/41
LOW	1286.40/80	17.06/09	927/30	934/36
LAST	1287.60/00	17.10/13	930/33	939/41

MARKETS/MACRO

The US dollar traded defensively again with no clear catalysts behind the move overnight, although there were admittedly some nerves ahead of a key speech by the Catalanian regional president. U.S. stocks were firmer with the S&P 500 and the Dow advancing to new records as optimism appeared to grow ahead of the start of the earnings season, which will provide concrete insight into the state of U.S. corporations. The Dow Jones Industrial Average gained +69.61 points, or +0.31%, to 22,830.68, the S&P500 rallied +5.91 points, or +0.23%, to 2,550.64 and the Nasdaq crept up +7.521 points, or +0.11%, to 6,587.251. The best performing sector was Consumer Staples (+0.96%) and the worst performing sector on the day was Consumer Discretionary (-0.14%). Lingered worries over the Catalan crisis in Spain dampened momentum for European markets and outweighed the positives. The Euro First 300 Index remained flat at 1,533.83 and the Euro Stoxx 600 inched down -0.05 of a point, or -0.01% to 390.16. Regionally the FTSE100 advanced +0.40%, DAX dipped -0.21% and the CAC40 lost -0.04%. Crude oil prices rose strongly, WTI Crude up +\$1.35, or +2.7%, to US\$50.93 a barrel, as investors took solace from OPEC moves to include more producers in the current production cut agreement. Treasuries bull flattened overnight, the 10yr yield decreasing -1.26bps to 2.3463% and the US 2yr yield rising +0.02bps to 1.5042%.

The International Monetary Fund raised its estimate for global economic growth in 2017 and next year, citing stronger expansion in the first half of the year in the Euro zone, Japan and some emerging markets. Globally, the IMF upped its growth forecast to 3.6% in 2017 and 3.7% in 2018, both 0.1% higher than projections in July. Global growth in 2016 was 3.2%. The IMF said the tick up in activity that started in the second half of 2016 has "gained further momentum" in the first six months of this year. The fund also bumped up its forecast for U.S. growth to 2.2% in 2017 and 2.3% in 2018 from 2.1% for both this year and next in its July estimates. It now expects growth in the euro area of 2.1% this year and 1.9% next, both up 0.2 percentage point from three months ago. The IMF raised its call on growth in China to 6.8% this year and 6.5% in 2018, up 0.1 percentage point in each year compared with July.

Catalonia's Regional President, Carles Puigdemont, addressed the Catalanian parliament early yesterday morning. Markets were on edge, and no doubt so was he – Spanish police were reportedly ready to arrest him if he declared independence. That declaration did not come however, at least not explicitly. Instead, he noted that Catalonia "has won the right to independence" and that he accepts the mandate of the people. He also used some relatively aggressive words to describe apparent national wrongs towards the region. In what appeared to be some form of olive branch to Madrid, he did propose suspending the consequences of the referendum result for weeks so that dialogue can take place. In other words, attempting to strike something of a middle ground for now and suspending the "illegal process" according to Madrid. There doesn't appear to have been an official response from Madrid yet, although Bloomberg is reporting that a Spanish government official has already stated that Puigdemont's speech is equivalent to a "deferred declaration of independence". This issue remains extremely fluid, but one thing is clear, it is not going to go away quickly or quietly.



PRECIOUS

With China back in for a second day following their week long holiday last week, the gold continued to creep higher Tuesday, the weaker dollar and lower yields keeping the metal bid. We opened in Asia yesterday slightly on the back foot, gold dipping a few dollars in the opening hours but recovering into the Chinese open. USDCNH had fallen consistently throughout the evening towards 6.61 and had continued to look weak yesterday morning. It was no surprise that when the USDCNY opened for trade it had to play catch up. Consequently the premium on SGE pushed out hard to the right, boosting it towards a USD\$13-15 premium over the spot equivalent. This drew out some decent buying interest on the SGE and pushed spot through \$1285 and up towards \$1287.50 just after the open. The metal remained supported throughout the afternoon and into the European morning, creeping higher in line with the soft USD. The metal dipped lower just after the U.S open back through \$1290, yet made a quick reversal to the days highs of \$1293.95. There was persistent selling in the \$1290's though and the metal eventually gave way. This also was the result of a recovering USDJPY which traded off the 111.99 low, making it's way back to 112.45 by session close. Gold retreated slowly back to \$1288 where it rounded out the day. Resistance for the metal now sits between \$1297-1300 and support is seen at \$1281 and \$1274.20. The increase in spot gold has lifted gold volatility over the week, ATM vol looking as follows currently: 1m 10.5%, 3m 10.85%, 6m 11.9% and 1y 13.25%. In other metals, platinum has met some fairly tough resistance above \$930, although it has managed to narrow the gap between itself and palladium, the former trading only ~\$10-15 below now.

Today in Asia gold initially clawed back some ground after the softer NY session, pushing a few dollars higher above the \$1290 threshold. It appeared traders were expecting China to be on the bid once again, so there were some spec traders sitting long at the open. Once the SGE opened there was a brief spike up to the highs of the days, but the demand of the previous days was just not there. With the lack of buying, some of the weak intra-day longs began to unwind and the metal swiftly dipped back toward \$1287 on light to modest volumes. From there the metal has remained fairly quiet pushing into the afternoon in a small \$2 range (\$1287-89). In other markets, equities are generally firmer on the day in line with moves in the U.S, the Nikkei at time of writing up +0.3%, Shanghai Composite +0.3%, ASX200 +0.5% and Hang Seng flat. The USD has traded fairly flat so far on the day with moves against the majors inside 0.1% and crude has continued its run from overnight up +\$0.15 to \$51.08. On the data front today the market will be focussed on the FOMC minutes, due late in the NY session as well as JOLTS job openings data. Have a good day ahead.

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.