



## MKS PAMP GROUP

### Daily Asia Wrap

30<sup>th</sup> October 2017

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1273.30/70	16.84/87	915/18	970/72
<b>HIGH</b>	1273.90/30	16.85/88	916/19	972/74
<b>LOW</b>	1270.60/00	16.75/78	913/16	968/70
<b>LAST</b>	1271.40/80	16.76/79	916/19	971/73

#### MARKETS/MACRO

The S&P500 and Nasdaq Composite closed at record high's on Friday, fuelled by large gains in tech stocks following better-than-expected quarterly results from heavyweights Amazon, Microsoft, Intel and Alphabet. The S&P500 piled on +20.67 points, or +0.81%, to 2,581.07, the NASDAQ added +144.489 points, or +2.20%, to 6,701.263 and the Dow Jones Industrial Average gained +33.33 points, or +0.14%, to 23,434.19. The best performing sector was of course tech (+2.91%), while consumer staples (-0.86%) dragged the chain. Major European indices closed broadly higher Friday, despite Spanish stocks tumbling as the Catalonian region continues to separate itself from the central government. The FTSE Euro First 300 Index advanced +8.27 points, or +0.54% to 1,546.67 and the Euro Stoxx 600 Index pushed up +2.16 points, or +0.55% to 393.43. Regionally the picture was much the same, the FTSE100 +0.25%, DAX +0.64% and CAC40 +0.71%, while the Spanish IBEX 35 plunged -1.45%. Brent crude oil pushed above USD\$60.00 a barrel for the first time in more than two years Friday, as sentiment continues to improve. With strong compliance to OPEC's production curbs already supporting prices, comments from the Saudi Arabian Crown Prince that suggested the production cut agreement should be extended added to gains. Supply side issues also remain uncertain, with an apparent cease fire between the Kurds and Iraqis found to be incorrect, while flows out of the Turkish port of Ceyhan remain below normal levels. WTI Crude rallied +\$1.26, or +2.4%, to US\$53.90 a barrel. U.S yields had a minor pullback Friday with the 10y yield off -5.45bps to 2.4064% and the 2y yield down -2.74bps to 1.5875%. This was despite much better than expected 3Q GDP, which in theory should help push inflation higher and prompt higher bond yields over the longer term. One analyst was saying there are a number of factors which could push yields around this week. The Fed chair nomination is a key one – with the 'continuity' candidate Powell, and the 'disruptor', Taylor, remaining key nominees. Further, Special Prosecutor Mueller will announce the details of an indictment resulting from his probe into Russia's alleged election meddling. The tax reform bill will be also hopefully be revealed and Treasury funding data is out. The USD rallied on the back of stronger-than-expected GDP growth, however, this proved short lived after Bloomberg reported Trump is leaning toward Powell for the Fed Chair. USDJPY eased back -0.3% to 113.70 on Friday, yet still managed to edge up +0.1% for the week. AUDUSD climbed off the low to close +0.2% higher around 0.7680.

On the data front the U.S. economy posted its best 6 month stretch of growth in three years in spite of two hurricanes, a sign that it might be breaking out of its long slow-growth trend. The rise has been primarily aided by soaring stock prices and rising business and consumer confidence. GDP for the third quarter expanded at a +3.0% annual rate (+2.6% expected) according to the Commerce Department. Personal consumption showed robust growth at +2.4% (+2.1% expected), but was down on the spring read of +3.3%. The University of Michigan reported consumer sentiment in October was the strongest it has seen in 13 years. The final reading of its consumer sentiment index was 100.7, vs. the prior months 95.7. It was modestly down on the preliminary reading of 101.1, regardless though it is a very positive result.



## **PRECIOUS**

Gold continued to find support on Friday in the \$1265-70 zone, aided by further political unrest in Catalonia and despite the positive GDP data released in the US. In Asia the yellow metal opened around \$1267.50, and remained fairly steady throughout the session between \$1265.50-1268.50 on very light flows through both the SGE and Globex. Over the Asia afternoon the premium on the SGE did tick up as a result of moves in the USDCNY, which drew out some modest demand. The premium moved up to \$9-10 over the spot equivalent but stalled there into pm session close. Early European traders were on the offer early but again we saw good interest to buy around \$1265 which kept things buoyant and eventually pushed the metal back towards \$1269. In New York, the Q3 GDP data was released early and being more on the positive side weighed on the gold. There was a brief flurry below \$1265 but again the metal recovered, proving that this is a fairly solid support level. As the day progressed, there was a BBG headline that Powell was again close to becoming Fed Chairman. Powell being generally pro-deregulation and not overtly hawkish prompted an about face in yields (10y quickly plunging from 2.465% to 2.42% and never recovering), which helped the yellow metal trade back through \$1270 and close around \$1273. In terms of positioning, the weekly CFTC announcement saw specs cut their bullish bets for a 6th straight week - this week by ~2000 contracts to a net long 173k contracts. The current net long was the least bullish overall in the past 11 weeks. Palladium was again in focus on Friday, with some fairly extreme volatility seen in a narrow \$10 range on the day. The supply-demand fundamentals in this space continue to drive prices higher, with many analysts predicting prices to push through \$1000 in the near term despite impressive YTD gains already.

Gold kept very quiet today in Asia, relegated to a tight \$3 range thus far. The metal kicked off trading around \$1273.50 with some very light two way interest which proceeded into the SGE open. We briefly touched a peak of \$1273.90 before some downward pressure was applied towards the China open. This persisted with the SGE premium opening a few dollars lower from where we were trading last Friday, to sit around \$8 over the loco London price. This premium remained fairly flat throughout the am session, the selling on the exchange seen in the opening 30 minutes and then reverting to light two-way interest. Spot ticked a few dollars lower around this time, although there were some resting bids on Ecomex around the \$1270-71 (cash equivalent) level which kept things steady. The dollar remained steady throughout the day against the majors as did crude, all trading within 0.1% of their opening levels presently. Equities are currently mixed the ASX200 leading the region up +0.4%, followed by the Hans Seng +0.05%, while the Nikkei and Shanghai Composite lag at -0.05% and -0.75% a piece.

It is a big week ahead for the US on the data front. Today we have personal income, personal spending, and the PCE deflator. On Tuesday, we have Q3 employment cost index and the CaseShiller house price index. Wednesday, ADP employment report, ISM manufacturing and the FOMC decision. Thursday, initial jobless claims and Q3 unit labour costs and Friday ISM services, final durable goods report, and October non-farm payroll (NFP) with consensus at 310k vs -33k previously. We also await President Trump's official nomination for the new Fed Chair. Have a good week 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.*