



## MKS PAMP GROUP

### Daily Asia Wrap

1<sup>st</sup> October 2018

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1192.00/40	14.66/68	815/17	1075/77
<b>HIGH</b>	1192.20/60	14.68/70	817/19	1076/78
<b>LOW</b>	1188.00/40	14.57/59	811/13	1064/66
<b>LAST</b>	1189.10/50	14.60/62	813/15	1064/66

#### MARKETS/MACRO

Global markets finished on a slightly quieter note on Friday with U.S equities closing largely flat. Instead, most of the action seemed to be emanating from Europe after the Italian government announced a proposal to run a 2.4% of GDP deficit in 2019. This saw Italian equities fall almost 4% with BSP yields jumping 25-30bps as markets digested what seemed like a large deviation from the careful culture of fiscal prudence built up in the last several years. This put a drag on Europe's broader equity indices, the EuroFirst 300 index sinking -12.6 points (-0.83%) to 1,503.57 and the EuroStoxx 600 relinquishing -3.2 points (-0.83%) to 383.18. In the U.S it was a much calmer affair, the Dow closed up +18.38 points (+0.07%) at 26,458.31, the S&P500 was flat at 2,913.98 and the NASDAQ Composite ticked up +4.385 (+0.05%) to 8,046.353. Brent Crude oil prices rose towards USD83/bbl on Friday, prices breaking the key resistance of USD80/bbl, with the market now eyeing oil prices at USD100/bbl. Market focus is on how much an OPEC production increase will compensate for the supply losses due to Iranian sanctions. Some of the major buyers of Iranian oil have already scaled back their imports ahead of US sanctions starting from 4th November, and investors are continuing to hold bullish bets adding another 30,000 contracts in net long positioning. The Dollar Index edged up +0.3% last Friday to 95.12, which is up +1.0% for the week. EURUSD fell -0.3% last Friday to 1.1600 and down -1.2% for the week, while USDJPY remained well supported last Friday despite the cautious risk tone in Europe and was well supported above 113.30. The pair closed a touch higher on the day up +0.3% to 113.70. The U.S 10Y bond yield climbed off the low of just above 3.02% on the European sell-off, yet managed to recover to close 1bp higher for the day at 3.06% and flat for the week.

On the data front U.S personal income and spending were generally in line with expectations, both rising +0.3% MoM in August. Decent growth momentum suggests the economy continues to expand at a healthy clip. Inflation data was also in line, with headline PCE rising +2.2% and +2.0% for core inflation. We have a busy week of U.S releases this week, including ISM manufacturing today, the ADP employment report and ISM services on Wednesday, factory orders and the final durable goods orders on Thursday, and the September U.S employment report on Friday. The market consensus is at 185k for non-farm payroll vs 201k previously with the unemployment rate seen dipping to 3.8% from 3.9% and average hourly earnings at 2.8% YoY from 2.9% previously.

#### PRECIOUS

The metals rose slightly on Friday led by silver ahead of the week long holiday for China this week. Gold opened in Asia Friday and traded fairly flat leading into the SGE open around \$1183-1184. It ticked a touch higher on the SGE open with the premium for onshore traders up slightly towards \$8-9 over the loco London price in USD terms. Chinese demand was limited however given it was the last trade day for a week, most of the business leading into the holiday having been done earlier that week. During the PM session and when Europe entered the fray, gold fell off to the days lows to \$1181.30. When the U.S joined the market the silver really began to kick higher pushing from \$14.30 to \$14.70 over the course of 3 hours. This helped to drag the gold and the PGM's higher, with the silver



ultimately settling around \$14.65 where it rounded out the session. Gold and platinum held their ground reasonably well into the final few hours, although palladium, which had hit a peak of \$1091 early on in NY, came crashing back to \$1075 as profit taking soured the advance. Gold remains in a holding pattern for now, but with quite a bit of data out this week and less liquidity - with China on holiday - could it be the recipe to break out of the recent range?

Markets so far have been very quiet today with a number of regional centres within Asia out for holidays (China/HK/Australia). Gold opened around \$1191 and held steady for the opening two hours although gradually started to edge lower as the morning wore on. With China absent we lacked a little of the natural support they usually provide and we fell through \$1190 to trade around \$1188.50-1189.50 over the afternoon. Silver continued to unwind some if Friday's gains also dipping back off to \$14.60 after opening \$0.08 higher. In other markets the USD was generally a touch firmer vs the majors, while most major equity markets were closed with the exception of the Nikkei which at time of writing is up +0.45% on the day. Brent crude is holding above \$83.00 a barrel at \$83.18 last and WTI at the time of writing is trading at \$73.50. Ahead today on the data calendar look out for German retail sales, a host of Euro manufacturing PMI's and U.S ISM and construction spending. Have a good day ahead.

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