



MKS PAMP GROUP

Daily Asia Wrap

11th July 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1255.80/20	16.05/07	845/47	942/44
HIGH	1256.80/20	16.05/07	845/47	943/45
LOW	1249.00/40	15.87/89	830/32	936/38
LAST	1251.80/20	15.96/98	839/41	937/39

MARKETS/MACRO

Solid data flow and fewer negative trade headlines supported markets yesterday, but the USD did give back some recent gains late in the session. U.S. equities marked a fourth straight finish firmly in the green overnight as Wall Street shifted from consternation over global trade jitters to enthusiasm over upcoming Q2 earnings results following a string of strong economic data that has refreshed optimism. The Dow Jones Industrial Average advanced +143.07 points (+0.58%) to 24,919.66, the S&P500 rallied +9.67 points (+0.35%) to 2,793.84 and the NASDAQ Composite gained +2.99 points (+0.04%) to 7,759.198. The best performing sector on the day was Consumer Staples (+1.25%), while the worst performing sector was Financials (-0.4%). European equities similarly extended their positive run to a sixth straight session, overlooking trade disputes and focusing on what is hoped to be a positive earnings season. The EuroFirst 300 index tacked on +6.05 points (+0.4%) to 1,513.05 and the EuroStoxx 600 advanced +1.66 points (+0.43%) to 386.25. Regionally the DAX climbed +0.53%, FTSE100 +0.05% and CAC40 +0.67%. In FX, the USD was overall modestly higher on the day as the Dollar Index inched up by +0.1% to 94.14. USDJPY was higher by +0.2% to 111.02 while the EURUSD was a touch lower by -0.1%. In fixed income, the U.S curve flattened with the 10y treasury yield falling by -0.4bp to 2.849% and 2y yield rising +1bp to 2.569%. Meanwhile, the German 10y Bund yield gained +2bp to 0.32%. Crude prices rose again on reports of a fall in U.S oil stockpiles, with inventories falling ~4m barrels last week. With ongoing supply issues in a number of producer countries, as well as the Norwegian oilfield strike, the crude market remains particularly tight at present. Aug WTI rallied +\$0.36 (+0.49%) to \$74.21 and Sep Brent accelerated +\$0.81 (+1.04%) to \$78.88 a barrel.

U.S data continues to remain generally positive, with the JOLTS number of job openings falling to 6.638 million in May from an all time high in April, beating market expectations of 6.583 million. Job openings decreased for total private (-228,000) and information (-60,000) and arts, entertainment, and recreation (-27,000) and was little changed for government. In contrast, job openings increased in federal government (+12,000) and mining and logging (+10,000). Meanwhile, the number of hires was little changed at 5.8 million. The National Federation of Independent Business small-business optimism index fell -0.6 points to 107.2 (106.9 expected), a level that is still high by historical standards. The NFIB reported that the percent of owners who reported higher net sales fell 5 points. Across the Atlantic the German ZEW Indicator of Economic Sentiment dropped by -8.6 points from the previous month to -24.7 in July 2018, below market expectations of -18.0. This is the lowest reading since August 2012, due to fears over an escalation of the international trade war. The positive news regarding industrial production, incoming orders and the labour market have been greatly overshadowed by the anticipated negative effects on foreign trade. Since the beginning of the year, expectations have sunk by a considerable -45.1 points. Meanwhile, the assessment of the current economic situation in the country decreased by -8.2 points to 72.4 in July.



The Trump administration released a list of Chinese imports that would be subjected to an additional \$200bn of tariffs. Some of the products include consumer goods such as clothing, television components and certain high-tech items. Trump last week said the United States may ultimately impose tariffs on more than \$500 billion worth of Chinese goods - roughly the total amount of U.S. imports from China last year. The United States began imposing tariffs on \$34 billion in Chinese goods at 12:01 am (0401 GMT) on Friday. The new list was released late in NY after U.S stock markets were closed for the day and prompted a surge in the USD against most majors with the exceptions of the safe-haven JPY and CHF.

PRECIOUS

It was a choppy night for the precious complex with all the constituents ultimately ending the day lower. During Asia yesterday gold opened around \$1257.50 and with the pullback in USDCNH early on (~2 bigs) to 6.60 area the metal pushed up towards the \$1260 resistance level shortly after the Shanghai open. Demand was improved on the SGE as a result of the currency move (CNH and CNY) and the premium shifted out to \$5 over the loco London price. Spot gold however stalled around \$1260 and despite a number of attempts higher throughout the Asia session was unable to punch through that level. Eventually the USDCNH & USDCNY began to turn which weighed on the metals as European traders stepped in. Gold gradually fell some \$5 to \$1255, finding some light Chinese demand there, although once the U.S opened up, we broke down through there rather quickly to the lows of the day (\$1248.00). Some intra-day short covering however turned the tide and the yellow metal was able to claw back towards \$1255, where we oscillated around for the remainder of the day. With around 10 minutes to go in the GLOBEX session, the headline *U.S. IS POISED TO RELEASE \$200 BILLION CHINA TARIFF LIST* sent USDCNH surging higher from 6.6320 to 6.6520, although it remarkably had almost no implication for the metals, rounding out the day quietly. Palladium fared the worst of the complex falling some -\$20+ on the day, as good liquidation from specs took place with very little support seen. The sell-off built up steam during the European morning and continued until halfway through NY before managing to recoup a couple of dollars before the close. In the end the white metal fell \$17 (-1.9%) to close at \$943 intra-day.

There was a sharp second leg higher for USDCNH right around the GLOBEX open this morning, taking the pair from 6.65 to 6.69 over the opening two hours of the day. USDJPY also slumped dramatically from 111.25 to 110.80 on the news during the COMEX close giving gold a decent boost right from the onset. We touched the days high at \$1256.80 very briefly, before the USDJPY began to claw back gains and weigh on the metal. China also came in as sellers once the SGE opened for trade which dragged spot down towards \$1250, before signs of support surfaced. The dollar continued its steady upward momentum throughout the afternoon which kept gold from bouncing back remaining in a tight \$1250-53 range. Ahead today on the data calendar we have U.S PPI and wholesale inventories as well as BoC rate decision. All the best and good day ahead.

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