



## MKS PAMP GROUP

### Daily Asia Wrap

4<sup>th</sup> October 2018

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1197.40/80	14.63/65	825/27	1057/59
<b>HIGH</b>	1198.90/30	14.64/66	825/27	1059/61
<b>LOW</b>	1196.00/40	14.55/57	820/22	1056/58
<b>LAST</b>	1198.30/70	14.58/60	822/24	1055/57

#### MARKETS/MACRO

US economic data was exceptionally strong overnight, and fears surrounding Italy's budget seemed to have eased following the government's plan to rein in fiscal deficits over time, which gave global equities a solid bid. The Dow Jones Industrial Index, rose 0.2%, or 54.45 points to 26,828.39, trading up to an all-time high during the session of 26,951.81. The S&P500 climbed 0.07% or 2.08 points to 2,925.51 whilst the tech heavy Nasdaq gained 0.32%, or 25.54 points to 8,025.09. The push higher in the US equities were led by financials and industrials with real estate and utilities the laggards. Treasury yields rocketed higher, hitting the highest levels since 2011, on the back of the better than expected ADP report and elevated ISM non-manufacturing number the main catalysts behind the move. The US 2 year yield surged 5 bps to 2.86%, whilst the 10 year yield catapulted 10 bps to 3.18% - following suit, global yields were also given a significant boost. It is worth noting that it was the largest one day rise in US treasury's since President Trump's election win in November 2016, as investors continue to sell bonds, hoping for a higher return in the form of equities which continue to reach record after record. Trump appeared to be basking in the equity markets performance of late tweeting "The Stock Market just reached an All-Time High during my Administration for the 102nd Time, a presidential record, by far, for less than two years. So much potential as Trade and Military Deals are completed." European shares were also firmer with the Euro STOXX up 0.5% to 3,405, the UK FTSE gained 0.5%, the CAC rallied 0.43% whilst the Dax was flat.

Oil prices continued their ascent with Brent trading up to a four year high on the back of Iran supply worries. Brent rose around 1.2% on the day settling at \$85.97 whilst WTI also rose 1.2% to close at \$76.19. The markets continue to focus on the upcoming sanctions on Iran whilst appearing to dismiss the news that the US had the years largest weekly build in crude stockpiles and reports of higher Saudi Arabian and Russian production. The EIA data showed an 8 million barrel increase in inventories last week, which saw prices dip briefly, but buyers were awaiting and the market continue to push higher. In other metal news, base metals were mixed overnight. Aluminium had a stellar performance rallying around 4% to a 3 month high following the news that the Norsk Hydro had announced a temporary closure of Alunorte refinery giving the market a bid to close at \$2,206, meanwhile copper finished marginally lower on the day at \$6627 (-0.2%).

On the data front, the US ISM non-manufacturing number came in much higher than the market consensus at 61.6 versus market expectations of 58.00, with most of the underlying details very strong. The measure of business activity was at its best level in close to 5 years whilst the employment index is at a record high. Private sector employment soared in September, as employers added 230,000 jobs, considerably more than had been expected with market expectations of 184,000. The report is the first of three readings on the labour market that will be released this week. Tonight the data on jobless claims will be announced followed by the much anticipated non farm payrolls on Friday.



## **PRECIOUS**

It was a softer session for gold overnight as the USD surged following strong local data releases. Gold opened in Asia yesterday on positive footing with favourable demand out of Asia, despite China still being out for holidays. With the EUR surging strongly during the Asia morning (1.1540 to 1.1593 in under 20 minutes), gold remained well supported throughout the Asia morning and extended gains towards the previous session highs of around \$1208. We are still seeing decent supply however in the \$1207-1215 range from producers and specs and yesterday was no exception, capping the intra-day advance. This proved to be the highs of the day with moderate selling flows seen into the afternoon as some light profit taking crept in. In London the metals began to slip further as the USD started to gain ground, gold gradually easing to \$1202 area. At the NY open the ADP employment figures were released and came in stronger than expected at 234k (vs 184k), which assisted the USD further and pushed gold toward \$1200. Despite the USD continuing to push higher gold jumped to \$1205.50 which was encouraging, on the back of some decent real money buying. Later in the session though the US ISM data was released with the strongest headline number since 1997 (61.6), forcing the EURUSD to plunge through 1.15 and the 10y US treasury yield to surge to 7 year highs - weighing on the metals. Gold dipped through \$1200 and traded beneath that level for most of the rest of the session closing at \$1198. So we remain smack within the range for gold and await Fridays NFP's for further clarity.

A quiet session today with gold contained to a narrow ~\$4 range. We opened in Asia and drifted sideways throughout much of the morning session with China remaining on holiday. Despite the lack of price action today the volume through CME has been healthy, with some 43k lots of GCZ8 trading up until 4:30pm Sydney time. We dipped off to the lows during the middle of the day, although since early European traders have walked in there appears to be some demand and we currently sit close to the highs. On the data calendar today we have US jobless claims Factory orders and durable goods orders and the USD should be watched closely following the past few sessions volatility. 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.*