



MKS PAMP GROUP

Asia Market Update

22nd October 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1226.90/10	14.63/65	829/31	1082/84
HIGH	1229.50/70	14.66/68	834/36	1092/94
LOW	1226.20/40	14.62/64	827/29	1081/83
LAST	1227.20/40	14.63/65	834/36	1090/92

MARKETS/MACRO

There were reports over the weekend that Donald Trump is set to pull the U.S. out of the Intermediate-Range Nuclear Forces Treaty with Russia, with President Trump remarking in Nevada that "Russia has violated the agreement. They have been violating it for many years," The treaty between the two parties was entered into in 1987 and was a critical nuclear disarmament pact that helped to end the cold war.

Existing home sales in the U.S. continued to slide during September, falling -3.4% MoM (exp: -0.9%) to a seasonally adjusted 5.15 million annual rate. The September print was the seventh successive decline and marked the longest slump since 2014 as rising mortgage rates and high home prices weigh upon sales. Equities in the U.S. ended Friday mixed as softer than expected housing data weighed upon the market to overshadow positive earnings results. The DJIA was able to cling to a +0.26% gain at 25,444.34 points, while heavy trade to healthcare (-0.95%) saw the S&P 500 reverse early session gains to end -0.04% lower at 2,767.78 points. The Nasdaq Composite meanwhile under-performed to hand back -0.48% as tech names such as Ebay (-8.87%) were offered. The greenback tracked lower on Friday to see the DXY hand back -0.31%, notably lower against the euro (EUR/USD +0.55%) following comments from European Economic Affairs Commissioner Pierre Moscovici stating that Italy was strongly committed to the European Union and the euro. Oil futures recovered marginally on Friday on the back of U.S. / Saudi tensions, however ended the week solidly lower. WTI added +0.9% to USD \$69.30 per barrel to end the week off over -3%, while Brent crude tacked on +0.6% to around USD \$80 for a -2% weekly fall.

PRECIOUS

The latest COTR data to 16 October shows gold positioning has shifted back to net long, a result of 4.8 million ounces in short reductions and increased longs. The bulk of the shift is demonstrably short covering following the recent rally though USD \$1,200 - \$1,220, while the sustained bid tone has enticed long positioning back into the market. Gross shorts however continue to remain elevated at around 80% of the all-time high, with these positions likely to be tested should gold move though USD \$1,230 - \$1,235. Bullion once again failed to capture the USD \$1,230 handle on Friday and saw rallies toward the figure in Asian trade today sold into. With little movement in USD/China and strong equity market inflows, the metal struggled to garner interest and held a narrow range throughout the session. Trade concerns between the U.S. and China remain elevated and the ongoing U.S. / Saudi tensions are likely to underpin a bid tone for bullion over the near-term. Supportive price action around USD \$1,210 - \$1,220 should restrict declines amid current global political uncertainty, while a test through USD \$1,230 - \$1,235 will likely squeeze further shorts out of the market and see gold toward USD \$1,250. Silver positing also



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turned net long and was driven by short covering with a modest increase in longs. The grey metal has held around USD \$14.50 in recent sessions and sees large option strikes at USD \$15 (expiry this week), which should continue to underpin positive price action.

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