



MKS PAMP GROUP

Daily Asia Wrap

13th June 2018

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1295.70/10	16.84/86	898/00	1020/22
HIGH	1295.90/30	16.85/87	899/01	1022/24
LOW	1294.40/80	16.80/82	894/96	1018/20
LAST	1295.70/10	16.82/84	895/97	1021/23

MARKETS/MACRO

Markets failed to react in any meaningful way to the landmark meeting between U.S president Donald Trump and North Korean leader Kim Jong Un, instead shifting focus to 3 critical central bank meetings (FOMC/ECB and BoJ) kicking off today. U.S equity indices closed the day flat to higher, with the DJIA inching lower -1.58 points (-0.01%) to 25,320.73, the S&P500 up +4.85 points (0.17%) to 2,786.85 and the NASDAQ Composite advancing +43.869 points (+0.57%) to 7,703.794. European stocks finished slightly lower as the closely watched summit between Trump and Kim Jong Un provided little detail. The EuroFirst 300 crept -0.25 of a point lower (-0.02%) to 1,516.10 and the EuroStoxx 600 decreased -0.41 of a point (-0.11%) to 387.53. Regionally, the FTSE100 sank -0.43%, the DAX was flat and the CAC40 retreated -0.38%. Crude oil prices came under pressure after data showed OPEC production was on the rise (WTI -\$0.08 to \$66.02 and Brent -\$0.97 to \$75.49). OPEC's monthly report said that an average of 33.34m b/d is required from the 14 member group in the second half of the year. However, output from Venezuela slumped to 1.39m b/d in May. Traders remain split on whether OPEC will increase output significantly at next week's OPEC meeting, after a variety of members indicated the reluctance to change strategy. Prices also came under pressure after private data showed U.S inventories had increased by 833k barrels last week. The EIA report will be closely monitored tomorrow. Elsewhere the U.S 10y yield increased +0.92bps to 2.961% and the 2y yield spiked 1.85bps to 2.539%.

U.S. President Donald Trump and North Korean leader Kim Jong Un pledged to work toward complete denuclearisation of the Korean peninsula, while Washington committed to provide security guarantees for its old enemy. At the end of their historic summit in Singapore, Trump and Kim signed an agreement to work toward complete denuclearisation and a lasting "peace regime" on the Korean Peninsula. The document, which Trump deemed "very comprehensive," says the two sides commit to hold follow-up negotiations and to cooperate to develop bilateral relations. Asked about what the agreement meant for North Korea's denuclearisation, Trump said "we're starting that process very quickly — very, very quickly." Many experts expressed dismay at the agreement, however, saying it lacked a solid commitment by Pyongyang, while others said it was vague as to details. Critics have noted no clear timetable, no mutual definition of denuclearisation, no verification procedures and no specifics on which US military exercises would be suspended amongst other things.

On the data front overnight, U.S CPI rose a seasonally adjusted +0.2% in May from the prior month as expected, according to the U.S Labour Department. Prices rose +2.8% last month from the prior year, the strongest reading since February 2012, when inflation was +2.9% YoY. One driver of higher prices this year has been gasoline. The average cost for a gallon of regular gasoline was \$2.90 in May, up from \$2.48 in December, according to the EIA. The report showed energy prices climbed a seasonally adjusted +0.9% last month. Core CPI also rose +0.2% (+0.2% expected), signalling broader inflation. In the UK, the unemployment rate stood 4.2% in the three months to April of 2018, the same as in the previous period and the lowest since 1975. In Germany, poor ZEW survey results continued the recent



poor run of data for the European powerhouse economy. ZEW Current Conditions figure dropped sharply to 80.6 versus 85.0 expected and 87.4 booked previously, missing market expectations by a big margin. The ZEW Indicator of Economic Sentiment for Germany dropped by 7.9 points from the previous month to -16.1 in June 2018, below market expectations of -14. It was the lowest reading since September 2012, due to the recent escalation in the trade dispute with the U.S as well as fears over the new Italian government pursuing a policy which potentially destabilises financial markets. On top of this, German industry reported worse than expected figures for exports, production and incoming orders for April. Also, the assessment of the current economic situation in the country decreased by -6.8 points to 80.6.

PRECIOUS

Another dull and sluggish session for gold, remaining range-bound ahead of the numerous important central bank meetings at the back end of this week. Gold opened yesterday on the days highs and slowly started to edge lower as fast money specs took short positions on their books in early trade and the USD inched higher. Market focus was specifically on the historical U.S/N. Korea summit which began well with the two leaders giving off positive body language from their opening introductions. The gold trickled lower over the course of the morning after which it happily traded a narrow range of \$1297-99 throughout the morning SGE session. USD strength over the Asia day continued to weigh on the metals, as did the general positive vibe surrounding the summit - softening any safe haven buying that may otherwise have taken place. During London hours the EURUSD began to pick up steam moving back toward 1.18, although gold failed to follow, contently trading the earlier range. When NY traders kicked off their day there was a deluge of selling, taking us sharply off to the days lows at the bottom of the recent range pre-CPI. The CPI was another strong figure although it did miss estimates. As a result the yellow metal did a quick about face and marched back toward \$1300. From there though we eased back toward \$1295-96 where we wrapped things up for the day. ETF's continue to slowly give up holdings, figures according to Bloomberg dipping somewhere in the realm of 1 million oz of gold over the past 10 days - from 72 million to 71 million oz. Any significant acceleration on sales in this space could see a sharp downside flush-out through \$1285-90 support. The main catalysts over the coming days for gold are undoubtedly the FOMC and ECB and particularly their effect on the USD and EUR respectively. Silver has held in relatively well over the past few sessions with decent support seen on dips toward \$16.75. We feel however that there will need to be some important catalyst here to wipe out the deluge of Asian based sellers sitting between \$16.90-17.10 and proceed higher.

Not a great deal to report today, Asian traders happy to sit on their hands ahead of tonight's FOMC meeting. The yellow metal opened at \$1295.80 and traded cautiously sideways over the first few hours of trade. There was some very light liquidation seen from Asian names as the morning session wore on, although it was of such small size it had very little impact on price and was easily absorbed. Slight dollar strength persisted into lunch and the afternoon which kept a lid on things despite some modest Chinese buying throughout the morning and early second session. We expect markets to remain subdued into tonight's FOMC announcement and communication. In other markets equities in Asia are generally lower with the Shanghai Composite currently -0.75%, Hang Seng -0.6% and ASX200 -0.6%, while the Nikkei has bucked the trend and trading up +0.4%. WTI is flat on the day at \$66.00, while Brent is a little softer down -\$0.25 (-0.34%) currently at \$75.62 and the Greenback is firmer against most majors with the exception of the EURUSD which is a touch higher at 1.1750. On the data front FOMC is front and centre, but also look out for UK CPI and PPI, Euro Zone IP and employment and U.S PPI. Have a good day ahead.

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