	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1269.00/40	16.70/73	943/46	894/96
HIGH	1271.00/40	16.95/98	946/49	895/97
LOW	1264.90/30	16.58/61	941/44	891/93
LAST LEVEL	1266.40/80	16.63/66	942/45	892/94

Range Asian Hours (from Globex open)

MARKETS/MACRO: Markets continued to trade with a more cautious tone overnight following the comments from US President Trump on North Korea yesterday. Equities traded lower, the Dow Jones trickling off -36.64 points, or -0.17%, to 22,048.70, the S&P500 sold off -0.9 points, or -0.04%, to 2,474.02 and the Nasdaq slumped -18.128 points, or -0.28%, to 6,352.332. The best performing sector was Healthcare (+0.15%) and the worse performing sector was Utilities (-0.5%). Europe was also spooked by the geopolitical tensions between the US and North Korea that escalated post their close yesterday. Investors dumped riskier equities and poured money into safe havens such as bonds and gold. The FTSE Euro First 300 Index dived -11.22 points, or -0.75% to 1,493.88 and the Euro Stoxx 600 gave up -2.81 points, or -0.73% to 379.84. Regionally the DAX shrugged off -1.12%, the FTSE100 -0.59% and CAC40 -1.4%. Crude oil prices pushed higher as US crude oil inventories recorded another strong decline. EIA data showed US stockpiles fell 6.45 million barrels to 475.4 million barrels. However this was tempered by an unexpected rise in gasoline inventories, jumping 3.42 million barrels last week to 231.1 million barrels, sparking fears of weaker demand in the US. The OPEC led group of producers who cut production earlier this year are said to be refocusing on adherence to the original quotas. Sep WTI Crude rallied $0.46, or 0.94%, to US$49.63 a barrel. With the markets in risk-off mode treasuries benefitted with fresh funds flowing in. The U.S. 10y yield decreased -1.43bps to 2.2476% and the 2y yield fell -1.21bps to 1.3387%.

On the data front U.S. non-farm productivity remained sluggish increasing at a +0.9% annualised rate (+0.7% expected) during the April-June period. First-quarter productivity was revised to show it edging up at a +0.1% pace instead of being unchanged as previously reported. Unit labour costs, the price of labour per single unit of output, increased at a +0.6% pace (+1.1%) in the second quarter after jumping to a 5.4% rate in the January-March period. Elsewhere, U.S. wholesale inventories rose +0.7% after an unrevised +0.6% increase in May. Auto inventories rose 1.4% after advancing 0.6% in May. The auto sector is struggling in the face of slowing demand, which has left manufacturers with an inventory glut.

The Fed's Evans said “it would be quite reasonable to announce a balance sheet unwind in September”. He emphasised soft wages and said that an undershoot of 2% inflation target is costlier than an overshoot. Separately, Bullard said the FOMC has been surprised by inflation on the down-side and that the Fed doesn’t need to be pre-emptive.

PRECIOUS: Trump's aggressive "Fire and Fury" comments toward North Korea yesterday continued to resonate with investors as the risk off trade garnered more support. The yellow metal of course was a benefactor of this, continuing to fresh monthly highs at $1279 and managing a daily close above the previous August high of $1274 - a bullish signal. The buying began in Asia yesterday with short term specs initially driving the price higher. Tocom and Chinese traders jumped on board also and helped spot push through $1265 where it did a little work throughout the afternoon. Turnover was decent through Comex Dec gold and the SGE, with the lower USDCNY helping to bump the latters premium up through $7. China had been sellers following the initial wave of buying which kept things fairly steady throughout the morning. As the afternoon came around the China selling had dried up, which prompted spot to have another leg higher towards $1270, but there was good macro and producer supply waiting up around there throughout the European day. The U.S open attracted more buying and we sharply rallied through $1270 where some sizeable stops were tripped through to $1275. Some work was done between $1270-75, before there was another leg higher into the close. On the final move there once again appeared to be good supply around the $1280 strike. Silver continues to get dragged around but it certainly had a bid tone, putting in a lot of time and absorbing good offers between $16.75/$16.80 (futures) before extending higher. Some of the banks reported enquiries for silver upside options as there does seem a view that given the geo-political landscape, silver could attempt a catch-up move at some point which has been proven in the past. Platinum held it's ground quietly, while palladium is struggling against the $895-905 resistance.

Gold opened this morning with some very light profit taking from fast money types, happy to cash in on the overnight rally. That said there were bids from retail and macro customers on pullbacks which certainly softened the morning decline and kept the spot price on the higher side of $1275. China were on the offer initially following the SGE open with the premium declining from yesterday and trading around $5-6 today. Price action was certainly more subdued today, although the gains were held which is a positive. Gold is certainly being driven by the geo-political climate at the moment, so if this cools over the coming week it will be interesting to see whether the metals maintain their momentum. Positioning, although increased over the past few weeks, still remains on the lean side. In other markets equities continue to lose ground the Nikkei currently off -0.1%, Hang Seng -1.25%, Shanghai Composite -0.75% and ASX200 -0.1%. The USD pushed higher generally but remained fairly flat against the JPY, while crude continued to inch lower - WTI crude currently -0.2% at $49.60 a barrel. On the data front today look out for French and UK industrial production data, UK trade balance, Canadian house prices and U.S. jobless claims, PPI and the monthly budget statement. Have a great day ahead.