



## MKS PAMP GROUP

### Daily Asia Wrap

24<sup>th</sup> August 2017

Range Asian Hours  
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
<b>OPEN</b>	1290.50/90	17.07/10	976/79	934/36
<b>HIGH</b>	1290.90/30	17.08/11	977/80	935/37
<b>LOW</b>	1287.10/50	17.02/05	975/78	932/34
<b>LAST</b>	1288.40/80	17.03/06	977/80	934/36

#### MARKETS/MACRO

US President Trump caused a mild risk-off move in markets overnight with his comment that he would shut down the government, if necessary, to secure funding for his signature project - the border wall with Mexico. This is seen as further imperilling Trump's policy agenda, as well as increasing concern around the more important question of raising the debt ceiling. At his rally, Trump also threw in the comment that the US would 'probably' terminate the North American Free Trade Agreement (NAFTA) 'at some point'. The uncertainty caused U.S equity markets to sag after the previous days ~1.0% run higher. The Dow Jones Industrial Average fell -87.80 points, or -0.40%, to 21,812.09, the S&P500 sold off -8.47 points, or -0.35%, to 2,444.04 and the NASDAQ slumped -19.072 points, or -0.30%, to 6,278.406. The best performing sector were the safe-haven REITs (+1.07%) and the worst performing sector was Industrials (-0.90%). European stocks slumped with investors assessing fresh data on the health of the Eurozone economy and counted down to a key meeting of central bankers at Jackson Hole. The EuroFirst 300 Index declined -7.47 points, or -0.51% to 1,469.13 and the Euro Stoxx 600 index dipped -1.88 points, or -0.50% to 373.92. Regionally the DAX slid -0.45%, the FTSE100 was pretty much flat +0.01% and the CAC40 shrugged off -0.32%. Crude oil prices rose (SEP WTI Crude +\$0.56, +1.17%, to US\$48.39) after EIA data revealed another big draw down in inventories. Crude oil stockpiles fell -3.33 million barrels to 463.2 million barrels last week according to the body and are now at their lowest level since January 2016. More importantly, gasoline inventories declined -1.22 million barrels to 229.9 million barrels. Choppy price action in FX overnight as the dollar retraced most of yesterday's gains. USD/JPY remained under pressure with overall volumes light on the day and EURUSD gained support from the firmer than expected regional and group PMI's. There was a fairly aggressive rally in treasuries led by the 10y's as Trump's comments sparked a risk-off move. The US 10y yield decreased -4.36bps to 2.1695% and the 2y yield fell -1.65bps to 1.3051%.

On the data front purchases of newly built single-family homes, a narrow slice of all U.S. home sales, decreased -9.4% (0% expected) to a seasonally adjusted annual rate of 571,000 in July. Overall, the housing market has settled into a pattern of rising prices and flattening sales throughout much of the peak home-buying season. A lack of new-home construction is also dampening both new and existing home sales activity, despite a strong economy. Still in the U.S, Markit said that its flash services PMI rose to 56.9 in August (55.0 expected), from 54.7 a month earlier, marking a 28 month high. On the flip-side however, manufacturing purchasing managers' index (PMI) dropped to 52.5 in August (53.5 expected) from the prior month's final reading of 53.3. The composite PMI rose to 56.0 in August from the previous month's reading of 54.6. Across the pond, the Eurozone economy kept up its growth momentum in August with a strong rise in manufacturing activity offsetting a slowdown in services. The Markit flash manufacturing PMI came in at 57.4, up from 56.5 the previous month and compared with expectations for 56.4. For services, the preliminary PMI was at 54.9 vs 55.4 in July.



## **PRECIOUS**

Gold moved higher overnight in line with the general risk-off move brought about by Trump's comments regarding the U.S debt ceiling and the Mexican Wall. In the lead up, the market was generally fairly quiet into the Shanghai open, with a noticeable lack of liquidity given that HK had been struck by a signal 10 typhoon which had forced most businesses to close. After opening around \$1285, there was some light selling in line with a rising USDJPY, which prompted the yellow metal to re-test the overnight lows toward \$1283. There were some good bids on Ecomex at that level however which supported the market into the SGE open. Some light buying from Chinese traders helped the spot tick higher a few dollars to return towards the opening levels (\$1285). Shortly after, the Trump comments began to hit the wires, speaking in a campaign style rally in Phoenix. He mentioned that they would build the wall even if the government shuts down, he also hinted that the North American Free Trade Agreement could be in jeopardy in the future. The USDJPY immediately sold off some 35 pips and gold got a kick higher towards \$1288. The SGE premium also lurched higher to \$6-7 over the spot price which drew out some light buying on the exchange. Gold continued to angle higher into the European and NY days as yields and the USD continued to unwind gains from the previous day. The yellow metal touched a peak of \$1291.60 early in the U.S day but was met with some liquidation from macro names which capped the price and ultimately took us back below \$1290. It was a strong close though, finishing the session back around \$1290. Silver and platinum tracked the moves in the dollar fairly closely, both ending the day firmer, silver closing above \$17.00 and platinum trying through \$980 but closing just beneath.

In the physical space, trade statistics revealed Switzerland was a net importer of gold in July, reflecting subdued global physical demand. Direct shipments from Switzerland to China last month were less than half the volume in June at 18 tons, while in HK the monthly comparison was even more dramatic, down around ~-70% to 15 tons. Shipments into India were down ~-23% on a monthly basis but YoY we are up ~+30%.

In Asia this morning there was a little bit of liquidation seen from retail names in gold and silver which saw both metals ease off their respective opening prices in the early hours. Gold continues to generally trade heavily in Asia towards the top end of the recent range, with good liquidation seen out of both Tokyo and China on rallies into the \$1290-1300 zone. This was evident again today once the major futures markets opened for business, TOCOM and the SGE both net sellers. On the SGE the premium was off slightly compared to yesterday sitting at \$5-6 over the loco London price for onshore traders. Following the SGE open gold hovered quietly around \$1288 throughout the afternoon, ticking over with decent volume traded through Ecomex. Headlines from Jackson Hole (Aug 24-26) should be monitored closely over the coming days, with the various outcomes likely to heavily influence the short-mid term price action in the metals. Gold is at a bit of a crossroads as a sustained move through \$1300 will likely draw out models and momentum traders, and see more long term macro players look to play from the long side. A move through \$1270-75 on the other hand, will undermine the renewed positive sentiment to gold and silver and we feel that there are a number of weak longs that will look to exit around those levels. Either way, we think the next few days will be pivotal to ascertaining the next directional play. Good luck and all the best.

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