



MKS PAMP GROUP
Daily Asia Wrap
13th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1333.00/40	17.89/92	987/90	954/56
HIGH	1334.40/80	17.91/94	987/90	954/56
LOW	1329.50/90	17.83/86	985/88	951/53
LAST	1331.40/80	17.85/88	985/88	951/53

MARKETS/MACRO

The USD retained its firmer tone overnight as US bond yields continued to edge higher and some of the post-ECB rally in EUR/USD unwound. U.S. equities rose to fresh all time highs yesterday as financials received a boost from the rising yields, however price action was tempered somewhat by selling pressure in the Tech sector. Wall Street also digested some positive rhetoric from Treasury Secretary Steven Mnuchin on tax reform. The Dow Jones gained +61.49 points, or +0.28%, to 22,118.86, the S&P500 rallied +8.37 points, or +0.34%, to 2,496.48 and the Nasdaq inched up +22.018 points, or +0.34%, to 6,454.282. The best performing sector was Teleco's (+1.4%) and the worse performing sector was Utilities (-1.75%). European equities rose for a fifth straight day with financials in the drivers seat spurring markets higher. The FTSE Euro First 300 index accelerated +8.08 points, or +0.54% to 1,499.27 and the Euro Stoxx 600 jumped 1.99 points, or +0.52% to 381.42. Regionally the DAX increased +0.4%, CAC40 +0.62%, while the FTSE100 lagged, down -0.17%. Crude prices pushed higher (WTI +\$0.33, +0.69%, to US\$48.4 a barrel) as news of an extension of the current production cut agreement continued to swirl around the market. It emerged overnight that OPEC is discussing the possibility of extending the current agreement for at least another three months (end of Q2 - 2018). This came as the group released its latest estimate of supply and demand fundamentals in the global market, where it raised its forecast for demand in 2018, however it only expects the market will require an additional 400k b/d in 2018 to 32 mio b/d. It also reported that OPEC production for August had fallen 79k b/d to 32.75 mio b/d. Prices were also buoyed by reports that refiners in Texas are continuing to ramp up after the hurricane.

The U.S July JOLTS report came in at a record high, which, coupled from comments from US Treasury Secretary Mnuchin expressing confidence about getting tax reform through, underpinned expectations that solid US growth will continue. The Labour Department reported that job openings edged up to 6.17 million in July from 6.12 million in June. It's the first time openings have topped 6 million for two straight months since the government began keeping track in 2000. In July, hiring was led by companies involved in services such as transportation and warehousing, reflecting an ongoing shift toward online shopping. U.S August NFIB small business optimism lifted too (105.3 vs 104.8 expected) as sentiment amongst the small business community remains high. Expectations for sales rose, the Capital Spending Index increased and selling prices firmed. The Headline Index is hovering around post-GFC highs. Meanwhile in the UK, August CPI exceeded expectations coming in at +0.6% MoM (+0.5% expected, -0.1% prior), and core CPI showed a broad based rise to +2.5% YoY (+2.7% expected), improving on the +2.4% a month earlier. The headline numbers are within the levels anticipated by the BoE, but the data gave GBP support ahead of this week's BoE meeting (where no change is expected).

Treasury Secretary Mnuchin said he is "hopeful" that tax reform would be accomplished by year's end, adding the administration is thinking about backdating any reform to January 1. Backdating "is still something we are considering and it would be a big boon for the economy," he said. This certainly helped to prop up the risk on move.



Elsewhere, President Trump and congressional law-makers signalled that more steps need to be taken to rein in North Korea's rapidly developing nuclear program despite the United Nations Security Council's unanimous vote to pass additional sanctions on the rogue nation. Trump noted the 15-0 UN vote during a meeting with Malaysian Prime Minister Najib Razak, but said they are "just another very small step" and "not a big deal". He also suggested that he doesn't know "if it will have any impact". Trump added that the sanctions pale in comparison to "what ultimately will have to happen".

PRECIOUS

Gold managed to bounce off the late European lows to close just off the days highs on Tuesday (\$1331.20/60). The yellow metal opened slightly higher yesterday in Asia, pushing up towards \$1329 but ultimately failing on any follow through interest, failing to get back through \$1330. Early Tokyo based selling saw us drop back a few dollars towards \$1325 on fairly modest volume compared to what has been seen over the past week or so. Chinese banks were buying once the SGE session commenced on the back of the lower prices, as widely expected. It was not in a significant size however and the offering on Ecomex was enough to offset the Chinese demand. Gold remained range-bound into the afternoon as a result, hovering just above \$1325. London didn't do a great deal, the gold and silver continuing to track sideways throughout. Throughout the U.S day, despite the dollar and yields grinding their way north, gold continued to slowly rise with some macro demand and longer term players looking to book some profits. In the end, the metal managed to hit a peak of \$1331.75 before closing just off this - an admirable performance given the 'risk on' market conditions.

A bit of action was witnessed on the market open this morning, with a few stops being tripped right on the open in thin liquidity. Stops just above the Tuesday high (\$1332) were tripped and the market quickly jumped to just below \$1335 before just as sharply receding back to \$1333. Following that, gold proceeded to edge lower with some early Japanese and Chinese traders on the offer as a result of the stronger dollar. The yellow metal slowly ticked lower over the next few hours with moderate 2 way volume trading through Ecomex and the SGE. Silver pushed higher in line with gold right on the open but was quickly sold into above \$17.90, with some large visible offers on Ecomex capping proceedings. PGM's have traded flat so far and the volumes have been tiny. In other markets, equities are currently mixed the Nikkei up +0.5%, while the Shanghai Composite and Hang Seng are lower at -0.1% and -0.35% a piece. USD is a little softer vs the majors with flows remaining light throughout the day. USDJPY is still holding above 110, but we have tested lower on a few occasions already. On the data calendar today look out for U.K employment data, EuroZone industrial production and U.S. PPI. We expect the precious complex to continue to consolidate for now and look to buy dips \$1310-20. Have a good day ahead.

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