



MKS PAMP GROUP

Daily Asia Wrap

18th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1320.30/50	17.56/58	967/69	922/24
HIGH	1320.30/50	17.62/64	970/72	939/41
LOW	1314.80/00	17.52/54	966/68	922/24
LAST	1315.50/70	17.54/56	967/69	936/38

MACRO

U.S. retail sales disappointed during August, sliding -0.2% MoM (exp: +0.1%) to follow a downwardly revised +0.3% (prev: +0.6%) during July. August's soft figure was the largest fall in six months; however indications are that the weakness predominately stems from a -1.6% fall to motor vehicle sales due to disruptions caused by Hurricane Harvey. Declines to both July and June, however indicate that consumer spending may be moderating following a strong second quarter. On an annualised basis sales increased +3.2% YoY, while core sales (ex-auto, gas, building materials and food) dipped -0.2% MoM (exp: +0.2%) to follow a +0.6% gain during July. Industrial production in the U.S. fell for the first time in seven months during August, collapsing -0.9% MoM (exp: +0.1%) from an upwardly revised +0.4% (prev: +0.2%) during July. The monthly decline was the largest since May 2009 and predominately a result of storm effect on oil and gas drilling, as well as food processing. U.S. equities continued to run higher on Friday, booking weekly gains as investor's shrugged off geopolitical concerns. The DJIA added +0.29% to end the session at 22,268.34 points, the sixth consecutive positive session for the bourse and the fourth consecutive record close on the way to a +2.2% weekly return. Gains to utilities (+0.75%) and financials (+0.48%) saw the S&P 500 +0.18% higher to a fresh record close of 2,500.23 points, ending the week with a +1.6% gain. The Nasdaq Composite fell just short of a record close, posting a +0.30% gain to 6,448.467 points and a weekly return of +1.4%. Oil futures edged higher on Friday, booking the largest weekly gain since late July on a mix of global supply issues and a further decline to U.S. active oil rigs, down 7 to to 749. WTI ended trade on Friday +0.1% higher at USD \$49.81 per barrel after climbing back above USD \$50 intra-session, while Brent crude tacked on USD \$0.15 or +0.3% to USD \$55.62 per barrel. On a weekly basis WTI surged +5.1% and Brent jumped +3.4%, both of which marked the largest weekly gain since July 28. Markets in Europe sunk on Friday as a soaring pound weighed upon regionals. U.K. stocks fell to the lowest level since late April following comments from traditionally dovish Monetary Policy Committee member Gertjan Vlieghe noting that interest rates may need to go up in the coming months. The U.K. FTSE 100 ended the session -1.10% lower, the Stoxx Europe 600 declined -0.28% and the German Dax eased -0.17%.



PRECIOUS

Talk out of the U.S. on the weekend regarding a peaceful resolution to tensions on the Korean peninsula had bullion under pressure during Asian trade on Monday, while further dollar strength kept rallies short lived. Early session pricing saw gold underneath Friday's low print in thin trade on account of a Japanese holiday, making light work of USD \$1,320 to touch a USD \$1,315 low pre-China. Early interest out of Shanghai saw on the on-shore premium spike to around USD \$7 over loco London gold and with it spot to USD \$1,319.75, however offers around the USD \$1,320 pivot point saw the rally soon run out of steam. Afternoon pricing saw further dollar strength weigh upon bullion, seeing the metal once again test a break below USD \$1,315 as Europe opened, perhaps saved from further weakness by continued interest during China's afternoon session. The greenback continues to drive bullion price action (particular focus on UST yields) and we expect to see choppy price action in the lead up to Wednesday's FOMC meeting, with participants expecting the Federal Reserve to announce plans to begin its balance sheet tapering in addition to hints regarding a potential interest rate increase in December. Broad short-term resistance for gold sits around USD \$1,320 - \$1,325, while strong down-side support around USD \$1,300 should restrict further declines unless the U.S. and North Korea come to an unlikely understanding. It is worth noting that the latest COTR shows still generally high positioning, with gold adding over 1 million ounces last reporting period (increase in longs the main driver) to now sit toward 80% of all-time high positioning. Silver continues to trade heavily after losing touch with USD \$18, with down-side targets now extending to USD \$17.50 and the 200 DMA around USD \$17.20. The standout on Monday was undoubtedly palladium, ripping higher in volatile afternoon trade to add +1.7%, searching for liquidity with TOCOM closed. Data releases today include Eurozone CPI and U.S. NAHB housing data.

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