



MKS PAMP GROUP

Daily Asia Wrap

28th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1283.40/60	16.78/80	920/22	929/31
HIGH	1284.80/00	16.80/82	922/24	933/35
LOW	1277.70/90	16.66/68	914/26	926/28
LAST	1282.20/40	16.72/74	919/21	930/32

MACRO

President Trump has announced sweeping tax reforms in a speech at the Indiana State Fairgrounds on Wednesday, outlining an ambitious plan of tax cuts to both individuals and business. "This is a revolutionary change, and the biggest winners will be the everyday American workers as jobs start pouring into our country, as companies start competing for American labor and as wages start going up at levels that you haven't seen for many years," Mr Trump said. The plan will reduce the number of individual tax brackets from seven down to three, with rates set at 12 percent, 25 percent and 35 percent, and frame work in place to allow congress a fourth bracket above 35 percent if deemed necessary. The plan also simplifies and cuts taxes for the middle class, doubling the standard deduction to \$12,000 for individuals and \$24,000 for married couples filing jointly. In an attempt to make American companies more competitive, the proposal seeks to reduce the corporate tax rate from 35 percent to just 20 percent. President Trump commented that, "This will be the lowest top marginal income tax rate for small and midsize businesses in this country in more than 80 years. Durable goods orders in the U.S. rebounded during August to outpace expectations, increasing +1.7% (exp: +1.0%) to follow a -6.8% decline during July. The headline figure benefitted from the volatile civilian aircraft category, while durable goods ex-transportation added +0.2% (exp: +0.2%) from +0.8% previously. The closely watched non-defence capital goods ex-air added +0.9% (exp: +0.3%) to follow a +1.1% gain during July, while capital goods shipments non-defence ex-air gained +0.7% (exp: +0.1%). Pending home sales in the U.S. declined -2.6% during August to the lowest level in almost 18-months as a lack of inventory weighs upon the market. U.S. equity markets endured volatile trade on Wednesday, however ultimately ended the session higher as President Trump unveiled sweeping tax reforms. The S&P 500 ended trade with a +0.41% gain at 2,507.04 points, touching an intra-day all-time record of 2,511.75 points as financials (+1.30%) supported the bourse higher. The DJIA tacked on +0.25% to 22,340.71 points, recovering mid-session following a sharp early session decline to snap a four session losing streak, while the Nasdaq Composite surged +1.15% higher to 6,453.263 points. The greenback continued to strengthen on Wednesday as the DXY index touched the highest level in over a month. Further declines to the euro saw it test 1.1700 against the dollar, while the yen gave up further ground to break above 113.00 for the first time since mid-July. Treasury yields surged higher on Wednesday on the



back of optimism surrounding tax reform. The ten-year gained over 7bps to 2.308% and the two-year added around 3.7bps to 1.473%. Markets in Europe booked gains on Wednesday, with financial stocks doing the heavy lifting following Fed Chair Yellen's recent hawkish comments. The Stoxx Europe 600 jumped to its highest close since mid-July to end +0.4% higher, while the German Dax also tacked on +0.4% as exporters found support from a softer euro. In the U.K. the FTSE 100 snapped a two session losing streak to end +0.4% higher as miners pushed higher and the pound softened.

PRECIOUS

Tuesday's dollar strength continued during Asian trade today, as gold struggled to find bids following a break of the USD \$1,290 support during U.S. hours. Chinese physical demand remained evident throughout the pre-lunch session; however interest acted only to restrict further declines rather than initiate any semblance of a recovery. Like clockwork, China's exit saw gold push to fresh session lows and threaten a break of USD \$1,280, with regional names on the offer during the Chinese lunch break to extend declines below Tuesday's New York low print. Further gains to USD/JPY above 113.00 weighed further upon the metal and although China returned after lunch with a mild bid bias, interest was once again underwhelming and failed to support the market, with bullion triggering stops to a fresh intra-session low of USD \$1,277.90. President Trump's tax reforms are underpinning further dollar strength, with the DXY pushing through a number of technical top-side targets that would indicate we will see further gains over the short-term. Late Asian interest has seen bullion recover to within the broad USD \$1,280 - USD \$1,284 support level, however further gains to the greenback are likely to see the metal test the 100 DMA at USD \$1,272 and this could open up the 200 DMA at USD \$1,248. Geopolitical concerns are still abundant and ETF's continue to accumulate metal, therefore interest toward USD \$1,271 should act as a short term buying level. The concern is bullion will be unable to extend beyond this key support and become susceptible to further declines as China takes holidays next week, in essence removing the underlying physical demand that has been supporting prices in Asia recently. With regards to the white metals, it is worth making note that palladium surpassed platinum in New York overnight, the first time in 16 years after rising close to +35% in 2017 thus far. Data today includes German CPI, U.S. PCE, U.S. initial jobless claims, U.S. wholesale inventories and U.S. Bloomberg consumer confidence.

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