



MKS PAMP GROUP

Daily Asia Wrap

12th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1327.30/50	17.82/84	990/92	935/37
HIGH	1329.30/50	17.82/84	990/92	941/43
LOW	1323.20/40	17.72/74	986/88	934/36
LAST	1325.80/00	17.78/80	988/90	940/42

MACRO

After U.S. markets had closed, news hit the wires that the UN Security Council had unanimously agreed to adopt new sanctions on North Korea following the recent nuclear test. While the U.S. had called for an oil embargo on the rouge state, a watered down sanction following negotiations capped exports to North Korea at current levels. The sanctions also focused on two main sources of currency, banning textile exports (USD \$752 million in 2016) and prohibiting all countries from authorising new work permits for North Korean workers. North Korea has warned the U.S. that it would make them pay a heavy price should tougher sanctions be approved by the Security Council.

With a lack of major economic data releases for direction, investors were instead buoyed by a tempering of tensions on the Korean peninsula and a downgraded Hurricane Irma to send equities higher on Monday. Broad based gains saw 28 of the 30 companies within the DJIA end higher, seeing the bourse jump +1.19% to 22,057.37 points and mark the largest single session percentage gain since March 1. Strong performances across financials (+1.74%) and technology (+1.50%) helped propel the S&P 500 +1.08% higher to a record closing level of 2,488.11 points, while the Nasdaq Composite popped +1.13% higher to 6,432.264 points. The greenback recovered from recent weakness on Monday, clawing back ground against rivals as participants moved back toward risk. The DXY opened higher in Asia and continued to see interest throughout the session to end with a +0.7% gain, notably outpacing jpy as the pair pushed back above 109.00. Treasury yields pushed higher as prices declined on Friday, seeing the 10-year add around 8bps to 2.1323% and the 2-year 5.6bps higher to 1.318%. Markets across Europe posted strong gains on Monday, benefiting from a move back into risk as geopolitical tensions ease. The Stoxx Europe 600 jumped +1.04% to mark its largest gain since mid-August, as insurers recovered recent session declines following reports that damage from Hurricane Irma is not as bad as first thought. In Germany the Dax spiked +1.39% as exporters benefitted from a softer euro, while in the U.K. the FTSE 100 closed +0.49% higher as insurers pushed higher.



PRECIOUS

Gold continued to soften on Monday following Asia's soft open, dragged lower amid a stronger greenback as risk returned following an easing of tensions on the Korean peninsula. The metal lost sight of USD \$1,340 in early session trade, however was able to consolidate around USD \$1,335 throughout the remainder of range bound Asian trade. Interest returned in early European hours as the dollar took a brief pause, however offers toward USD \$1,340 restricted any further gains and bullion once again became subject to selling pressures. Late session dollar strength saw USD/JPY back above 109.00 and with it gold broke below support around USD \$1,330 to end the session -1.4% lower. ETF holdings pushed higher on Monday, seeing a further 53k ounces of inflows. Bullion saw an initial bid tone reversed during early Asian trade today, unable to push back above USD \$1,330 leading into Chinese trade. Interest out of Shanghai saw the onshore premium inch toward USD \$6 over London gold to keep bullion buoyant around USD \$1,325, however once the far East took lunch, the yellow metal saw a brief stop run below the support to print a USD \$1,323.20 low. Late afternoon interest saw gold opened in Europe toward USD \$1,327, supported in part by China's return from lunch, however the greenback continues to trade bid to thwart any moves above USD \$1,330. Bullion continues to remain heavy in-line with the risk off tone across the broader market and a strengthening dollar. Support toward USD \$1,325 remains relatively intact and it's important to keep in mind we are now around USD \$30 lower from Friday's Asian session high, while global fundamentals are largely unchanged. The next major down-side support would see USD \$1,300 in play, however, should the recent price action be viewed as a healthy pullback before the recommencement of the uptrend, we are unlikely to see this level tested. Data releases today include U.K. CPI and U.S. NFIB small business optimism.

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