



MKS PAMP GROUP

Daily Asia Wrap

4th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1333.30/50	17.79/81	1009/11	985/87
HIGH	1337.90/10	17.90/92	1013/15	997/99
LOW	1332.50/70	17.77/79	1009/11	985/87
LAST	1337.40/60	17.87/89	1010/12	995/97

MACRO

Tensions in North Korea have escalated further over the weekend following reports that the rouge state tested a hydrogen bomb on Sunday. The detonation is the sixth nuclear test since 2006 and has been estimated to be approximately ten times the strength of the most recent test in September last year. The explosion was heralded by a magnitude 6.3 earthquake at a depth of around zero meters, about 10km from North Korea's Punggye-ri nuclear test site and was felt across in the border in China. North Korean media reported the test as a "perfect success" and it is thought the hydrogen bomb tested is capable to being mounted on one of the recently tested ICBM's. World powers have lined up to condemn the test, with U.S. President Donald Trump labelling the provocative actions of the hermit state as "hostile and dangerous", while U.S. Defence Secretary Jim Mattis noted that "Any threat to the United States or its territories, including Guam or our allies, will be met with a massive military response, a response both effective and overwhelming,"

Nonfarm payrolls released in the U.S. on Friday showed job creation was softer than expected during August. Payrolls increased +156k (exp: +180k) to follow a downwardly revised +189k (prev: +209k) during July, while June was revised lower to +210k from +231k previously. The Unemployment rate surprised, increasing to 4.4% (exp: 4.3%) from 4.3% prior, while the broader 'U-6' measure of unemployment and underemployment, which includes those who have stopped looking and those in part-time jobs who want full-time positions, held at 8.6%. Wage growth printed underneath expectations during August, with average hourly earnings increasing +0.1% MoM (exp: +0.2%) from +0.3% previously, while on an annualised basis wages held at +2.5% YoY (exp: +2.6%). Markit's manufacturing PMI improved to 52.8 (exp: 52.5) from 52.5 previously, while the ISM manufacturing index jumped to the highest level since 2011 at 58.8 (exp: 56.5) from 56.3 previously. U.S. equities ended higher on Friday as the August jobs report dampened the expected pace of interest rate increases. The DJIA tacked on +0.18% to end the session at 21,987.56 points, as big players such as General Electric (+2.4%) and Chevron (+1.06%) helped to support the bourse higher. The S&P 500 was buoyed by gains to energy (+0.81%) and materials (+0.63%) to end +0.20% higher at 2,476.55 points, while the Nasdaq tacked on +0.10% to 6,435.331 points after recovering from early declines. Oil futures ended mixed in New York on Friday, unable to climb back into positive territory on a weekly basis



following volatility around Hurricane Harvey. WTI added around +0.1% to USD \$47.30 per barrel, while Brent crude pulled back -0.2% to USD \$52.75 per barrel. Treasury yields edged higher on Friday as prices declined, seeing the 10-year 3.5bps higher to around 2.157%, while the 2-year added 1.6bps to 1.345%. European markets posted gains on Friday following a report that the ECB will likely wait until December to announce their tapering plans. The German Dax led regional gains to add +0.72% as a softening euro buoyed exporters, while the Stoxx Europe 600 ended +0.60% higher. In the U.K. the FTSE 100 tacked on +0.11% as stronger than expected manufacturing data supported the bourse.

PRECIOUS

Gold saw strength on Friday following the softer than expected payrolls data out of the U.S., briefly trading as high at USD \$1,329.50 in whippy trade around the figure, before consolidating around USD \$1,325 into the close. Bullion had a generally quiet lead-up into the U.S. session, as participants were more than happy to take a back-seat into the jobs data. The yellow metal touched the session high on the payrolls release, however soon reversed these gains before steadily pushing higher into the close. Underpinning the move higher were a further 500k ounces of inflows into ETF's on Friday (one of the largest gains this year), while the latest COTR data shows further increases to long positioning into the end of August. The weekend developments on the Korean peninsula saw gold sharply higher during Asian trade on Monday, underpinned by the metals safe haven demand and a softer greenback. Bullion gapped higher on the open to touch a USD \$1,337 high in early pricing, running into resistance around the U.S. Presidential Election high print (Nov 2016), before easing in early Chinese trade as the on-shore premium relative to London gold eased to around USD \$2. A relatively muted Asian afternoon session gave way to early bids out of Europe, seeing the metal toward USD \$1,338 to retest a break of the early session move. Expectations are that the precious complex will continue to see support as uncertainty drives safe-haven demand, while further speculative long interest on Comex is likely and ETF demand should underpin broad support. The Labor Day holiday in the U.S. today is likely to temper interest following the early session moves, while from a data standpoint we do not see anything that may influence bullion's direction. Key resistance for gold comes in toward USD \$1,350 and then the 2016 high print of USD \$1,375. With regards to the remainder of the precious complex, palladium continues to outperform and move ever-closer to platinum. The white metal gained nearly +5% on Friday in New York to end the session around USD \$980 as the continued supply deficit underpinned gains, while further interest during Asian trade today saw the metal within a whisker of USD \$1,000.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.