



	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1269.00/40	16.70/73	943/46	894/96
HIGH	1271.00/40	16.95/98	946/49	895/97
LOW	1264.90/30	16.58/61	941/44	891/93
LAST LEVEL	1266.40/80	16.63/66	942/45	892/94

Range Asian Hours (from Globex open)

MARKETS/MACRO: Competing themes and mixed data saw varied moves across markets overnight. U.S. stocks closed higher on the first trading day of August, as the Dow Jones industrial average approached another milestone of 22,000 (21,990.96 high). On the day the Dow advanced +72.8 points, or +0.33%, to 21,963.92, the S&P500 rallied +6.05 points, or +0.24%, to 2,476.35 and the Nasdaq crept up +14.815 points, or +0.23%, to 6,362.938. The best performing sector intra-day were the financials (+0.8%), while healthcare (-0.22%) slipped. European equity indices gained as investors monitored decent earnings reports (BP, Rolls-Royce, Royal DSM) and data showed rising economic growth in the Euro-zone. The FTSE Euro First 300 Index pushed up +9.27 points, or +0.62% to 1,493.90 and the Euro Stoxx 600 gained +2.41 points, or +0.64% to 380.26. Crude oil prices were weaker (Sep WTI -\$1.04, or -2.07%, to \$49.13), as investors awaited evidence that global markets were re-balancing. A survey on Bloomberg showed the market's expectations are for another strong rise in output from Libya and OPEC. All eyes will also be on this week's EIA report, with another large draw down in inventories expected. Foreign exchange markets were fairly steady with the USD consolidating in a narrow band. Whilst Euro area growth was solid (+2.1% YoY), it had little effect on the EUR, EURUSD spending most of the session between 1.1800-1.1830. Yields firmed overnight as a raft of economic data decreased recent bullishness on the US economy. The US 10y yield decreased -4.3bps to 2.2514% and the US 2y yield fell -0.6bps to 1.3431%.

A fair bit of data to digest overnight. In the U.S. the Fed's preferred measure of inflation, the price index for PCE, was flat in June from the prior month, the second straight flat reading. It was up +1.4% in June from a year earlier and has dropped for four consecutive months on an annual basis, from a +2.2% read in February. Core PCE was up +0.1% in June as expected for the second straight month. Core prices stabilised at +1.5% from a year earlier, which is down from +1.9% in February and notches below the Fed's 1.7% EOY projection. Markit's U.S. manufacturing PMI rose to 53.3 in July (53.2 expected) from 52 in June. Chris Williamson, Markit's chief business economist, said the majority of indicators, including employment and buying activity, ticked up in July, though some only slightly. Elsewhere the Institute of Supply Management (ISM) said its index of national factory activity fell to 56.3 (56.4 expected) from 57.8 the month earlier. The employment index fell to 55.2 from 57.2, expectations cooled for a reading of 55.1, new orders dropped to 60.4 from 63.5 and prices paid rose to 62.0 from 55.0. Consumer spending in the U.S. rose a tepid +0.1% for the month of June in line with expectations. Personal income was flat (+0.4% expected), held back in part by a drop in the income households earn on dividends from investments according to the Commerce department. Across the pond the first reading of



second-quarter GDP growth in the Euro-zone came in at +0.6% QoQ and at 2.1% YoY. This was in-line with market expectations and slightly ahead of +0.5% growth in the first quarter.

PRECIOUS: Gold traversed a \$10 range overnight either side of \$1270, ultimately closing right where it started the day at \$1269. It was a dull day in Asia trading a few dollars lower after the Ecomex open before stabilising around \$1268.00-8.50 into the SGE open. Some very modest buying was seen from SE Asian names round this time, although there remained good supply at and above \$1270 which capped things throughout the Asian day. European traders dragged the gold lower, as the positive Euro GDP print was released and equity markets rallied. At the NY open there was a sharp sweep lower (\$1263.00 low) but this reversed just as quickly as the 10y bond yield made a hasty decline from the days high's. The soft PCE data from the U.S. helped strengthen the gold, giving it the drive to trade through \$1270 to a peak of \$1274. Opportunistic sellers still linger on rallies and cap moves higher, the yellow metal edging lower into the close to round out the day back at \$1269. Volumes remain fairly light across all precious metals over the past few sessions as we sail deeper into the summer doldrums.

Elsewhere, the London Bullion Market Association (LBMA) and the London Precious Metals Clearing Limited (LPMCL) yesterday released aggregated data on gold and silver inventories sitting in London vaults (loco London gold and silver), in a move towards greater transparency. The publication of vaulting statistics marks the first step, which will eventually be enhanced further by trade reporting that is set to also be published later on. At the end of March according to the publication, around 7,449 tonnes (239.49 million oz) of gold and about 32,078 tonnes (1,031.32 million oz) of silver were sitting in London vaults. That is the equivalent of roughly \$300bn and around \$17bn, respectively. The platinum / palladium ratio remains near the lows trading between 1.03-1.11 over the past 2 months. Platinum continues to underperform fuelled by negative comments on diesel vehicles, while demand for palladium has remained robust on supply side concerns.

There was some extreme volatility in the metals this morning, led by silver in the illiquid period prior to Tocom and the SGE opening for business. The white metal initially opened at \$16.72 and shot sharply higher about an hour into the session, reaching a peak of \$16.95 in about a minute or so. It seemed like a single buyer in the SIU7 contract which aggressively paid the market, perhaps gunning for stops up around \$17 in the thin conditions. If this was the plan, decent supply was seen ahead of this however, and we did not stay long above \$16.90 or \$16.70 for that matter, the silver falling as low as \$16.60 in the half hour proceeding the initial rally. Some demand began to flow in from private banks around the lows and stabilised things in the \$16.60's. Gold followed silver on the move hitting a high of \$1271.00, before retreating all the way through the opening levels and down towards \$1265. That was most of the excitement for the day, all the metals consolidating towards the bottom of their daily ranges into the afternoon. In other markets, equities are mixed as write, the Nikkei up 0.40% and Hang Seng +0.3%, while the Shanghai Composite and ASX200 lag, down -0.25% and -0.5% respectively. Crude continued to spill lower, down marginally on day so far at \$48.70 a barrel (-0.15%, or -\$0.09) and the USD is a touch stronger, most markedly vs. the AUD (+0.25% at 0.7948) and JPY (+0.2% at 110.55). On the data calendar today look out for Euro zone PPI and U.S. mortgage applications and ADP employment data. Have a good day ahead.