



	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1271.80/20	16.63/66	960/62	889/91
HIGH	1273.70/10	16.69/72	965/67	891/93
LOW	1269.80/20	16.61/64	960/62	886/88
LAST LEVEL	1270.00/40	16.64/67	963/65	890/92

Range Asian Hours (from Globex open)

MARKETS/MACRO: The USD jumped, equities were narrowly mixed and bond yields moved higher in response to stronger-than-expected US July retail sales data (with positive backward revisions too). Other US and European data were also supportive. U.S. stocks were mixed Tuesday as investors scaled back buying after two straight sessions of advances and abatement of tensions between the U.S. and North Korea. The Dow gained +5.28 points, or +0.02%, to 21,998.99, the S&P500 dipped -1.23 points, or -0.05%, to 2,464.61 and the NASDAQ inched down -7.219 points, or -0.11%, to 6,333.013. The best performing sector was utilities (+0.50%), while telco's bought up the rear (-1.0%). European stock indices were encouraged by North Korea's decision to revoke their threat of attack on Guam late in the Asia day (early Europe morning). The FTSE Euro First 300 Index pushed up +1.36 points, or +0.09% to 1,478.98 and the Euro Stoxx 600 added a similar +0.34 of a point (+0.09%) to close at 376.50. Regionally the FTSE100 inclined +0.41%, DAX +0.1% and CAC40 +0.36%. Crude oil reversed early losses to end the day unchanged at \$47.61 a barrel (Sep WTI), as investors looked to another large draw-down in inventories in the U.S. Prices were under pressure early after an EIA report forecast US shale oil production would hit a record high in coming months. In particular, it forecast output from the Permian basin would climb another 64,000 b/d to 2.6 million b/d in September. However, increasing optimism about another fall in U.S stockpiles pushed prices higher. Treasuries again sold off today as equity strength, corporate issuance, and strong data were today's main drivers. The US 10y yield increased +5.26bps to 2.2711% and the 2y yield rose +2.83bps to 1.3465%.

The data out of the U.S. was positive on Tuesday. U.S July retail sales were much stronger than expected, with 10 of the 13 categories growing. The headline figure for July jumped +0.6% (+0.3% expected), the largest gain since December 2016 with June's retail sales also being revised to show a +0.3% gain (-0.2% previously). The July reading was lifted by a +1.2% jump in motor vehicle sales, the biggest rise since December 2016. Other notable increases were a +1.2% increase in receipts at building material stores and online retail sales vaulted +1.3% last month, the largest gain since December. U.S. business inventories recorded their biggest increase in seven months in June as retailers accumulated stock at a brisk pace amid signs of an uptick in domestic demand. The Commerce Department reported business inventories rose +0.5% (+0.4% expected) after a +0.3% increase in May. The New York Fed revealed its Empire State general business conditions index climbed +15.4 points to 25.2 in August (10.0 expected), the highest level in nearly three years. Manufacturers in the region reported a jump in new orders and said they were taking longer to deliver goods. Still in the U.S Sentiment among American home builders unexpectedly



increased to a 3 month high as builders saw greater prospects for industry demand despite elevated material costs and shortages of labour and lots. The NAHB Housing Market Index rose from 64 to 68 (64 expected) in August.

PRECIOUS: With geopolitical tensions easing between North Korea and the U.S Tuesday combined with strong U.S. data and a rising dollar, position unwinding in gold from a number of sources continued to drive the metal below \$1280. The market was sold off aggressively during the Asian session on the break of \$1280 in Dec gold, the spot price sharply dropping from \$1278.50 down toward \$1272.50 as fast money stops were tripped right on the SGE open. There was little in the way of support from Chinese traders on the day due to a decent bounce seen in USDCNY, which also has dragged the premium on the exchange down towards \$5. USDJPY also traded strongly throughout the session which kept the pressure on the metal, gold managing to recover a few dollars but remain locked between \$1275-77. There was a fresh round of selling on the SGE reopen but the metal managed to hold a range of \$1273-76 into the NY open. Immediately following the strong retail sales release USDJPY moved up to 110.85 and the 10y yield jumped to 2.28%, forcing further liquidation for the gold down to the daily low of \$1268.10. XAUUSD looked vulnerable at these levels testing support at \$1268, although the fast money liquidation did dry up. Gold spent the remainder of the session clawing its way back toward \$1275, closing at \$1272. We suspect a reasonable amount of short term length has been relinquished over the past 24 hours, which given the general improvement in mid-term sentiment, may bode well for a test of \$1300 in the near term. Interesting to note that both the USDJPY and U.S. 10y have now returned to their pre 'Fire and Fury' comment levels, while gold sits above these to the tune of about \$15-20.

It was a more subdued day in Asia today, with the spec liquidation seemingly cooled for the time being. The gold maintained a fairly stable \$1271.50-1274.00 range throughout the day with limited volumes changing hands on Ecomex. We opened around \$1272 and there was some very light buying seen from retail names initially which took us a dollar or so higher. Japanese traders were very quiet some light buying if anything seen from them, while the SGE remained largely neutral, maybe still slightly biased to the sell side given the higher USDCNY. The premium on the exchange continues to waver, trading down from \$5 yesterday to between \$4.00-5.50 today with the volume edging lower throughout the am session. Silver too was quiet today, trading sideways in line with gold after yesterday's sell-off. The white metal fell substantially yesterday trading from \$17.07 down to \$16.64 (-2.5%) by the close of NY after taking out the \$17.00 barrier just last Thursday. This was in the face of a number bullion bank analysts commenting over the past week 'now is the time to go long'. Again the white metal proves that it is a volatile beast. Palladium after some extreme volatility overnight, held fairly steady today around the \$890 mark with modest volumes trading on Ecomex and Tocom. In other markets equities are mixed, currently the Nikkei is trading -0.05%, Shanghai Composite -0.35%, Hang Seng +0.6% and ASX200 +0.25%. The USD is flat vs. the majors with the exception of the AUDUSD which is currently up +0.2% to 0.7835 following some leveraged demand. WTI Crude (Sep) is currently up +\$0.08 (+0.15%) at \$47.78 a barrel. Ahead on the data calendar today look out for UK employment data, Euro Zone GDP and U.S. FOMC meeting minutes, housing starts and building permits. Have a good day ahead.