



MKS PAMP GROUP

Daily Asia Wrap

17th August 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1283.80/00	17.13/15	979/81	916/18
HIGH	1289.80/00	17.15/17	981/83	927/29
LOW	1282.50/70	17.08/10	975/77	916/18
LAST	1288.50/70	17.08/10	975/77	921/23

MACRO

The minutes from the July Federal Reserve meeting showed that some committee members are becoming increasingly concerned about the recent soft inflation data, which may temper the pace of future interest rate increases. The central bank's preferred measure of inflation has sunk to 1.5% recently, remaining well below the committee's 2% target for more than five years. The minutes noted that some members believe inflation may remain below the target rate for longer than expected, while several members even indicated that inflation risks may be skewed to the downside. More hawkish members however expressed concern over the risks from a labour market that was sitting at near full employment. With regards to the reduction of the Fed's balance sheet, it was indicated that this process should begin relatively soon, with several members prepared to announce a start date last month. Housing Starts in the U.S. softened unexpectedly during July, falling -4.8% MoM to 1.155 million (exp: +0.4% to 1.22 million), to follow a downwardly revised +7.4% gain during June (prev: +8.3%). Single-family home building dipped -0.5% for the month to 856,000 units, while the volatile multi-family builds collapsed -15.3% to 299,000 units. Building permits sunk -4.1% MoM during July to 1.22 million (exp: -2.0% to 1.25 million) to follow an upwardly revised +9.2% in June (prev: +7.4%). Multi-family permits led the print lower to sink -11.2% MoM, while single-family permits held unchanged.

U.S. equities endured a volatile session on Wednesday, however ultimately ended higher as the DJIA reclaimed the 22,000 point handle. The DJIA navigated a mixture of political turmoil and the Federal Reserve minutes release to book a +0.12% advance, closing at 22,024.87 points for a fourth consecutive win. The S&P 500 saw broad based strength led by materials (+0.92%) to end +0.14% higher at 2,468.11 points, while the tech-laden Nasdaq Composite added +0.19% to 6,345.109 points. Oil prices sunk during U.S. hours on Wednesday following an Energy Information Administration report showing domestic crude production increased by 79,000 barrels per day to 9.502 million barrels per day last week. The figure was the highest level of output since mid-July and saw WTI -1.6% lower to around USD \$46.80 per barrel, while Brent crude declined -1% to USD \$50.30 per barrel. The Greenback pared early session gains in New York on Wednesday following news that the Trump administration had disbanded a pair of business advisory groups, while the dovish Federal Reserve minutes saw the dollar sharply lower into the close. The DXY dollar index declined -0.3% to 93.517 as USD/JPY tested toward 110.00, while the euro recovered from an earlier dip below 117.00 to end around +0.3% higher on the session. U.S. treasury yields were under pressure late in trade following the Federal Reserve minutes release, seeing 10-year yield 4bps lower to 2.224%, while the 2-year eased 2bps to 1.334%.

European markets ended trade on Wednesday higher, supported by a softening euro (pre-FOMC minutes) following a Reuters report noting ECB president Mario Draghi is not expected to deliver any new policy messages at the upcoming Jackson Hole conference. The Stoxx Europe 600 jumped +0.68%, supported in part from miners on the back of stronger base metal prices, while the German Dax closed



+0.72% higher as the export heavy bourse benefited from a weaker euro. In the U.K. gains to the FTSE 100 (+0.67%) were supported by a softer local currency and strong jobs data. Wages in the U.K. increased +2.1% (exp: +2.0%), jobless claims decreased by -4,200 and the unemployment rate eased to 4.4% from 4.5%.

PRECIOUS

The precious complex saw support from the dovish FOMC minutes on Wednesday, seeing gold recover the previous session declines and end close to +1% higher. Bullion held a narrow range leading into New York hours, testing interest around USD \$1,270 as USD/JPY pushed toward 111.00 and treasury yields eased. A sharp reversal in fortunes to the greenback following the FOMC minutes release underpinned a break through USD \$1,275, triggering stops to a USD \$1,283.70 session high. With regard to vols, we have seen a softening of late to near pre 'fire and fury' levels, with 1m holding a 9 handle, however a touch firmer following the late New York pricing on Wednesday. With regards to fund flows, ETF's added a further 204k ounces overnight and this will need to continue should gold make an attempt at USD \$1,300. Asian trade today saw further declines to the USD, seeing USD/JPY below 110.00 and bullion toward USD \$1,290 as China opened well bid. Early session interest dissipated somewhat throughout afternoon trade, however we continued to see solid two-way flows into the European open. After failing on multiple occasions, USD \$1,296 and USD \$1,300 are again within sight and loom as major resistance levels for the yellow metal. Silver posted a staggering +2.9% gain on Wednesday, diverging with gold to turn high pre-FOMC minutes, while the grey metal made light work of USD \$17 following the minutes release to importantly close above the figure. Again we look toward the recent resistance level of USD \$17.23 (200 DMA) to open up a further leg higher, while another failure here and focus turns to the USD \$17 pivot point. Palladium was just shaded by silver on Wednesday as the sessions standout, surging through USD \$900 and continuing the bid tone during Asian trade today. The white metal touched USD \$929 late in Asian trade on Thursday, testing the June high, however unable to break above this level and easing into the European open. Data releases today include U.K. Retail Sales, Eurozone CPI, U.S. Initial Jobless Claims, U.S. Industrial Production, U.S. Bloomberg Consumer Confidence and the U.S. Leading Index.

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