



## MKS PAMP GROUP

### Daily Asia Wrap

30<sup>th</sup> August 2017

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1309.80/20	17.38/41	994/97	945/47
<b>HIGH</b>	1313.50/90	17.44/47	998/01	947/49
<b>LOW</b>	1307.40/80	17.33/36	991/94	943/45
<b>LAST</b>	1309.40/80	17.37/40	993/96	945/47

#### MARKETS/MACRO

It was a whippy night, with the EUR, JPY and US bonds strengthening initially, only to all experience sharp turn-arounds later in the session. All major European bourses ended lower on the day, but the New York session turn-around in sentiment towards “risk on” saw US stocks grind higher (after opening lower) and US Treasury bonds fall from their highs. All in all, a confusing night of price action no matter how you cut it. The Dow gained +56.97 points, or +0.26%, to 21,865.37, the S&P500 rallied +2.06 points, or +0.08%, to 2,446.30 and the Nasdaq inched up +18.871 points, or +0.30%, to 6,301.886. The best performing sector was industrials (+0.65%), while materials lagged (-0.56%). European equities fell to more than six month lows after North Korea’s missile launch over Japan rattled investors nerves and the EUR rose. The FTSE Euro First 300 index relinquished -14.35 points, or -0.98% to 1,448.19 and the Euro Stoxx 600 slumped -3.87 points, or -1.04% to 368.42. Regionally the FTSE100 slid -0.87%, DAX -1.46% and CAC40 -0.94%. Crude oil prices dipped WTI down -\$0.14, or -0.30%, to US\$46.43 a barrel, the lowest level in five weeks. Severe flooding due to tropical storm Harvey is affecting refinery capacity and therefore crude demand, with the largest refinery in the US currently operating at just 60% of capacity. Treasuries bull flattened, the U.S 2y yield falling -0.78bps to 1.3175% and 10y yield was off -2.79bps to 2.129%.

On the data front, U.S. consumer confidence strengthened in August to the strongest level in five months buoyed by views on current business conditions. The Conference Board said its Consumer Confidence Index rose to a reading of 122.9 in August (120.7 expected) from a downwardly adjusted 120.0 in July (121.1 prior). The data was broadly positive with the expectations sub-index rising to 104 from 103, while the present situation sub-index leaping to 151.2 from 147.8.

The White House issued a Statement by President Trump (not a tweet) on North Korea that read: “The world has received North Korea's latest message loud and clear. This regime has signalled contempt for its neighbours, for all members of the United Nations, and for minimum standards of acceptable international behaviour. Threatening and destabilising actions only increase the North Korean regime's isolation in the region and among all nations of the world. All options are on the table”. This was followed by a statement by the U.S Ambassador to the UN, Nikki Haley, who said that the North Korea missile was “absolutely unacceptable and irresponsible. No country should have missiles flying over them like those 130 million people in Japan. It’s unacceptable”. She added, North Korea has “violated every single U.N. Security Council resolution that we’ve had and so I think something serious has to happen”. While these are combative statements, markets seemed to have been reassured by the lack of Trump’s signature ‘tweets’ and comments from the Pentagon. The better U.S data also helped.

#### PRECIOUS

It has been a particularly volatile 24+ hours for gold post the North Korean regime's latest missile test directly over Japan. The news broke yesterday during the hour long Comex break when there were no active markets for



precious metals. When Ecomex reopened, gold immediately gapped \$5 higher, opening at \$1316 and running instantly to just shy of \$1320. This was quickly smashed as traders scrambled to cover sell orders above \$1315, the metal trading all the way back down toward \$1313.50, before a second wave of buying took us to fresh 1 year highs around \$1324.50... and this was all in the opening 20 minutes! From there we gradually retreated back towards \$1315 as the SGE open approached. There was some speculative interest around on the SGE initially with the premium opening at \$3 and quickly moving up to \$5. This did taper off after the first hour of trade however, keeping spot gold between a \$1315-18 range, yet still turning over serious volume (~70,000 lots Dec gold in first 5 hours - triple the usual). As London came online specs and momentum traders were looking for offers. The yellow metal traded to fresh intra-day highs around \$1326 around the same time USDJPY hit the lows of the day at 108.27. Things reversed rather dramatically from there and into NY. USDJPY reversed its losses all the way back to 109.90, U.S. 10y bond yields moved back above 2.1% and gold gave up all the days gains and some, trading as low as \$1305.40 late in NYK. Some later buying did emerge however and we closed around \$1310 - exactly where it closed the previous day. Gold vols spiked on the day with 1m atm vol sitting around 12.6%, 3m 12.45%, 6m 12.9% and 1y 13.8%. EFP's also moved considerably to the right, trading around \$5.0 (Dec) on Monday and moving out towards \$5.5 yesterday - suggesting good selling in Dec gold on the day. Technically, it will be important for the metal to hold above \$1295-1300 (April + June highs) to keep the recent upward momentum intact. For now we feel pullbacks into this area will represent good buying opportunities for a test of \$1337-38 in the short to medium term.

The metals were still volatile today, albeit in a much smaller range and on about half the volume of yesterday. Gold opened around \$1310 and crept up a few dollars over the first hour trade. Some early selling from Japanese banks and corporates quickly put a stop to that however and the spot price slid back lower to \$1307.70 where it stabilised on the back of some Ecomex buying. The market held steady from there leading into the SGE open, with good two way interest seen through Dec gold considering the time of day. Shanghai were modest buyers on the open which helped spot gold tick back through \$1310 and back up to the earlier highs. Decent two way interest just above \$1310 persisted into the afternoon with the price action and volume subsiding as we moved further into the afternoon. Silver followed gold almost tick for tick throughout the day, platinum tested towards \$1000 again but couldn't break through and palladium remained flat. In other markets equities were generally higher - at time of writing Nikkei +0.7%, Hang Seng +0.75%, while the Shanghai Composite and ASX200 were flat. The major currencies were fairly quiet vs the USD, with the exception of the AUD which is currently up +35 pips (+0.4%) on the day at 0.7985 following better than expected building approvals. Ahead on the data calendar today look out for Euro Zone consumer confidence, German CPI and U.S ADP employment, Personal consumption and GDP figures. All the best.

Some Bloomberg headlines just doing the rounds now: "North Korean Leader Kim Jong Un said the test-firing of a missile over Japan on Tuesday was a 'meaningful prelude' to containing the American territory of Guam, adding he will continue to watch the response of the U.S. before deciding on further action. Markets little to no reaction so far.

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