



	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1227.00/40	16.06/09	909/12	841/43
HIGH	1229.00/40	16.09/12	910/13	842/44
LOW	1223.80/20	16.00/03	905/08	840/42
LAST LEVEL	1226.30/70	16.05/08	909/12	840/42

Range Asian Hours (from Globex open)

MARKETS/MACRO: U.S. stocks were generally higher on Thursday, inching higher after a weak start, with tech stocks attempting to snap a 3 day losing streak. The Dow Jones Industrial Average was fairly flat down -1.10 points, or -0.01%, to 21,478.17, the S&P500 advanced +3.53 points, or +0.15%, to 2,432.54 and the Nasdaq rallied +40.795 points, or +0.67%, to 6,150.855. The best performing sectors were tech (+1.04%) and healthcare (+0.54%), while energy (-2.01%) and REITs (-1.21%) were the laggards. European stocks rose for the second time in three days as a rally in financial services companies and retailers offset declines in the oil and gas names. The FTSE Euro First 300 index crept up +1.49 points, or +0.1% to 1,505.34 and the Euro Stoxx 600 index gained +0.69 of a point, or +0.18% to 382.99. Regionally the DAX was lifted +0.13%, FTSE100 +0.14% and CAC40 +0.1%. Oil prices collapsed yesterday as the U.S. opened following 8 straight days of gains, with investors taking a glass half empty approach to events in the market. Reports that Russia was against any proposal to deepen production cuts wasn't taken kindly by investors, with futures selling off right from the opening bell. The move also suggests that last week's gains were probably more due to short covering than any fundamental shift in sentiment. The focus will return to inventories this week, with the market expecting a draw-down of 2 million barrels (BBG survey). August WTI crude slumped -\$1.84, or -3.9% to US\$45.23 a barrel and closed a touch higher at \$45.61. Treasuries rallied as the FOMC minutes came largely in line, with the notable hawkish surprise being the apparent willingness to start the balance sheet process in July vs the assumed September. The 2y note yield fell -0.38bps to 1.4063% and the 10y bond yield declined -2.49bps to 2.3249%.

On the data front new orders for U.S. made goods fell farther than expected in May, although this was evened out with slightly stronger orders for capital goods suggesting manufacturing remains on a moderate growth path. Factory orders fell -0.8% in May (-0.5% expected) from -0.3% a month earlier and Durable goods orders improved slightly down -0.8% as expected, better than the -1.1% prior read. The Commerce Department also noted that orders for non-defense capital goods excluding aircraft – seen as a measure of business spending plans - rose +0.2%, improving from the prior -0.2% read. The minutes from the June FOMC meeting down played recent inflation weakness, noted risks related to financial stability, and suggested that the easing in financial conditions strengthened the case for rate hikes. The minutes also appeared to indicate that some members favoured a July announcement of balance sheet normalisation, while others preferred to wait until September. Economic activity was characterised as “rising moderately on average”, with international risks appearing to “recede further.”



Tensions between Washington and North Korea continue to intensify with leader Kim Jong Un vowing his nation will never put its weapons programs up for negotiations, a day after test-launching its first inter-continental ballistic missile (ICBM). The rhetoric suggests more tests are imminent as the country works to perfect nuclear armed missiles capable of striking farther distances. The U.N. Security Council has just concluded an emergency open meeting regarding the aggression. U.S. Ambassador to the U.N. Nikki Haley told the constituents N Korea was "quickly closing off the possibility of a diplomatic solution" and the United States was prepared to defend itself and its allies. "One of our capabilities lies with our considerable military forces. We will use them if we must, but we prefer not to have to go in that direction" she said.

PRECIOUS: Gold hit a new cycle low overnight at \$1217.80 during the early NYK hours, yet came back to close just off the Asia highs at \$1227. Gold began the day in Asia around \$1223.50 and some more provocative comments by North Korea began to hit the wires. Things like Kim Jong Un was prepared to send 'many packaged gifts to the US' for their independence day celebrations. This sent USDJPY south from 113.30 to 112.80 and gold off towards \$1229.00. SGE traders, after being very dormant for the past few sessions, came out of the the blocks firing and were good buyers over the AM session. The premium approached \$10 for onshore traders throughout the morning which was up a \$1 or so from prior sessions and remained there into the lunchtime close. As the USDJPY started to bottom out, some offers began to appear in August gold. There was still good buying from Asian names on the way down but gold continued to slide into the European session. This continued into the NYK open, gold falling sharply in line with a plummeting oil price, tripping stops through \$1220 and posting a fresh low of \$1217.80. Gold then slowly and steadily turned around from there. The FOMC minutes announcement that 'the committee was unable to reach an agreement in June on the timing of the balance sheet reduction' prompted gold and silver higher again towards \$1227 and \$16.10 respectively. Gold sits now close to some fairly important levels to the downside, \$1214.25 being the May low, followed by \$1195-1200 which mark a series of troughs in March. To the topside the 200 dma is the first resistance which cuts in around \$1231.50. For now we continue to watch the Yen, Gold's correlation with the currency remaining very strong at 0.78 on a rolling daily basis past 3 months.

This morning gold was quite volatile early on in what were very thin conditions. After opening around \$1227 and initially falling off a few dollars the market was aggressively swept back higher to touch \$1229 before easing back off. For a second day in a row there was heavy Comex offering ahead of \$1230 (cash), with some chunky orders visible there. The metal dipped and then came back higher leading into the SGE open, with traders expecting there to be decent demand there similar to the previous day. It never emerged however, with light neutral trade experienced on the exchange. Some macro offers then swiftly brought the market lower and we continue to trade a \$1224-27 range into the early afternoon. Traders next event to focus on will be Friday's NFP figures, which always have the potential to provide fireworks. Until then though we see the metal consolidating between \$1215-35. In other markets equities were softer, Nikkei currently leading the decline off -0.55% on the day, the Hang Seng is -0.25%, Shanghai Composite -0.3% and ASX200 -0.05%. The dollar was reasonably subdued, moving most against the yen (USDJPY - 0.25% @ 112.98 last) and was mixed. Crude bounced back from yesterday's rout the August WTI currently sitting at \$45.50, up +\$0.35 or +0.75% on the day. Have a good day ahead.