



## MKS PAMP GROUP

### Daily Asia Wrap

25<sup>th</sup> September 2017

Range Asian Hours  
(from Globex open)

	<b>GOLD</b>	<b>SILVER</b>	<b>PLATINUM</b>	<b>PALLADIUM</b>
<b>OPEN</b>	1297.80/00	17.00/02	932/34	920/22
<b>HIGH</b>	1297.80/00	17.00/02	935/37	927/29
<b>LOW</b>	1288.40/60	16.89/91	930/32	919/21
<b>LAST</b>	1293.50/70	16.94/96	934/36	924/26

#### MACRO

Weekend German elections have seen Chancellor Angela Merkel narrowly hold onto power for a fourth term, however gains to the far right movement will see her conservatives forced to form a coalition, as support for Merkel's conservative bloc slumped to the lowest level since 1949. The anti-immigration Alternative for Germany (AfD) were the major surprise, winning 13.8% of the vote and entering parliament for the first time. U.S. Republicans are once again facing an uphill battle to repeal and replace Obamacare, with John McCain of Arizona and Rand Paul of Tennessee on the record as having said they would vote against the Graham-Cassidy bill and Susan Collins of Maine announcing on Sunday that she has 'a number of serious reservations'. With 48 Democrat's in opposition, it would only take three Republican defections to defeat the bill. IHS Markit reported U.S. services activity remained robust during September, however the manufacturing sector held a subdued pace. Markit's services PMI print eased only marginally from August's 21-month high, printing 55.1 (exp: 55.8), while the manufacturing PMI inched higher to 53.0 (exp: 53.0) from 52.8 previously, as new orders expanded at one of the slowest rates recorded over the past 12-months and output rates were unchanged from August's 14-month low. Chief Business Economist at IHS Markit, Chris Williamson noted with the release; "Although the September surveys indicated a moderation in growth of business activity, the overall rate of expansion remained robust." Equity markets in the U.S. closed narrowly mixed on Friday, recovering from early session weakness as investor's set aside concerns over North Korea and healthcare stocks rallied following news Senator John McCain wouldn't support the latest Republican healthcare bill. The S&P 500 saw six of eleven main sectors end higher as the bourse edged to a +0.06% gain at 2,502.22 points, while the DJIA slipped just -0.04% lower to 22,349.59 points. On a weekly basis the S&P 500 added close to +0.1% and the DJIA gained +0.4%. The greenback experienced broad based weakness on Friday, however was able to pare losses during New York hours as geopolitical concerns abated somewhat. The DXY index closed just -0.01% lower after reversing declines against the yen, closing back above 112.00 following a 111.65 low print in Asia. Upbeat Markit PMI data out of France, Germany and the Eurozone helped to support regional bourse's on Friday, however gains were tempered somewhat in Germany leading into the weekend elections. The Stoxx Europe 600 ended trade with a modest +0.09% gain as a stronger euro restricted further wins, while the German Dax pulled back -0.06% as investor's traded cautiously after poll results indicated the German far right movement



would see strong support on the weekend. In the U.K. the FTSE 100 outperformed to end +0.64% higher, seeing strength from an ailing pound following a speech from Theresa May in Florence regarding Brexit negotiations.

## **PRECIOUS**

A stronger dollar on Monday wrestled away any risk premium that gold had accumulated on the back of recent posturing by Donald Trump and Kim Jong-un, with large early session volumes seeing bullion toward Friday's New York low. Weekend sanctions imposed by China on North Korea and election results out of Germany likely contributed to the early risk tone, as a sharp stop loss run on the previous session low opened up gold to a brief test below USD \$1,290. The metal saw interest return once China opened for business, with bullion still holding a USD \$7 premium relative to loco London gold, while a tempering of early dollar strength during afternoon trade kept price action buoyant above USD \$1,290. The key for gold over the short-term will be holding support around USD \$1,288.50, a level which was tested on multiple occasions last week. Should bullion break further away from USD \$1,300 we will be looking to USD \$1,280 - USD \$1,284 (55 DMA) as the next level of support, while a move below this could open up the 200 DMA at USD \$1,246.50. CFTC positioning remains stretched, however has pulled back as a result of long liquidation during the week to September 19, while silver positioning has softened, predominately a result of increased shorts. Silver traded in a relatively resilient fashion during Asian trade today, withstanding an initial move below USD \$17 to see underlying support around USD \$16.90 restrict further declines. Both platinum and palladium edged higher during Asian trade today, with the latter building upon Friday's +0.8% gain. Data releases today include German IFO survey results, Chicago Fed Nat Activity Index and the Dallas Fed Manufacturing Activity Index.

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