



MKS PAMP GROUP

Daily Asia Wrap

26th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1309.95/15	17.13/15	940/42	913/15
HIGH	1313.40/60	17.24/26	944/46	920/22
LOW	1307.40/60	17.09/11	939/41	913/15
LAST	1310.70/90	17.18/20	939/41	915/17

MACRO

News out of Japan during late Asian trade on Monday, with Prime Minister Shinzo Abe announcing he plans to dissolve parliament on Thursday and send the country to the polls next month. In an opportunistic play, Mr Abe has called the election following a weekend survey by the Nikkei newspaper showing his Liberal Democratic Party would get 44 per cent of the vote relative to 8 per cent for the opposition Democratic Party. North Korea ratcheted up the rhetoric between themselves and the U.S. on Monday, accusing President Trump of declaring war on the hermit state. Speaking in New York, North Korean Foreign Minister Ri Yong Ho told reporters, "Since the United States declared war on our country, we will have every right to make countermeasures, including the right to shoot down United States strategic bombers even when they are not inside the airspace border of our country." In response, the Pentagon said it would be providing President Trump with "options", should the rouge state continue with their provocative actions. The Chicago Fed's national activity index slipped into negative territory during August, falling to -0.31 (exp: -0.25) to follow an upwardly revised +0.03 (prev: -0.01) during July. Factory output and consumer spending were the main drags on the headline figure, while employment-related indicators held within positive territory. The less volatile three-month moving average inched lower to -0.04 in August from a flat read in July. Meanwhile the Dallas Fed reported manufacturing activity across Texas pushed higher during September, as the general business activity index increased to 21.3 (exp: 11.5) from 17.0. The production index, a key measure of state manufacturing conditions, slipped to 19.5 from 20.3 previously, new orders rose to 18.6 from 14.3 previously and the index of future business activity jumped to 34.5 from 29.2 in August. Equity markets in the U.S. eased overnight, seeing tech-led weakness as Apple shares declined following reports the company had requested parts suppliers in Taiwan to withhold parts of shipments. The S&P 500 saw weakness across technology (-1.42%) offset gains to energy (+1.47%) and utilities (+0.85%) as the bourse closed -0.22% lower at 2,496.66 points, while the DJIA shed -0.24% to 22,296.09 points and the Nasdaq Composite sunk -0.88% to 6,370.593. U.S. treasuries pushed higher on Monday as yields softened to follow the lead of European counterparts. The ten-year shaved off around 4bps to 2.220%, while the two-year eased 1.4bps to 1.425%. European equities ended generally higher on Monday, with investor's still considering the ramifications of the weekend German elections. The Stoxx Europe ended



trade +0.18% higher, while the German Dax eked out a modest +0.02% return. In the U.K. the FTSE 100 pulled back -0.13% as a stronger pound and declines to financial and mining shares weighed upon the bourse.

PRECIOUS

The geopolitical risk premium returned to bullion on Monday following comments from North Korean Foreign Minister Ri Yong Ho, accusing the U.S. of declaring war on the hermit state. After threatening a consolidated break underneath USD \$1,290 throughout Monday's session, the yellow metal ripped higher once Mr Ri commented that North Korea has the right to shoot down United States airplanes, even if they are not within North Korean airspace. The headlines had gold back above USD \$1,300 for the first time since last week's FOMC meeting, as the greenback reversed course against the Yen to see the pair back below 112.00. Gold vols reacted to the overnight price action, edging higher as 1m pushed to 11.5 (traded 10's not long ago) and 12m above 13. Gold held relatively firm during Asian hours on Tuesday following the New York price action, seeing moderate interest hold bullion around USD \$1,310, with a brief push above the overnight high late in afternoon trade. The recent sustained move below USD \$1,300 is likely to have removed some of the weak long positioning in the market, with this evidenced by the latest COTR data. Although tensions on the Korean peninsula have escalated over the past 24 hours, it remains to be seen whether the geopolitical risk premium built into gold will be sustainable over the medium-long term, rather than once again being a short term energy hit. It is worth noting that there is decent interest tomorrow at USD \$1,300 October Comex expiry, therefore we are likely to see bullion pegged around this level. Near-term resistance for the yellow metal sits toward the USD \$1,317 - \$1,320 pre-FOMC high, while initial support sits around USD \$1,300 and below this USD \$1,288.50. Data releases today include German import prices, U.S. new home sales, conference board consumer confidence and the Richmond fed manufacturing index.

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