



MKS PAMP GROUP

Daily Asia Wrap

27th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1293.40/60	16.82/84	925/27	916/18
HIGH	1295.90/10	16.87/89	929/31	918/20
LOW	1290.40/60	16.79/81	924/26	913/15
LAST	1292.20/40	16.85/87	925/27	915/17

MACRO

Federal Reserve Chair Janet Yellen addressed the National Association for Business Economics in Cleveland on Tuesday, and in a continuation from her FOMC press conference last week, Yellen took a hawkish stance on the path to interest rate normalisation. The Fed still expects longer-run inflation to trend toward the 2 percent target and a regular pace of rate hikes ahead is likely still warranted, with Yellen noting that, "My colleagues and I may have misjudged the strength of the labor market, the degree to which longer-run expectations are consistent with our inflation objective, or even the fundamental forces driving inflation," Although Chair Yellen pressed the case for gradual increases to the short-term interest rate, she noted that there are risks associated with moving too slowly, noting "Without further modest increases in the federal funds rate over time, there is a risk that the labor market could eventually become overheated, potentially creating inflationary problems down the road that might be difficult to overcome without triggering a recession," U.S. Republicans have put an end for now to their campaign promise to repeal and replace Obamacare, not even taking the Graham-Cassidy bill to a vote as it became evident they simply did not have the numbers to pass the bill. It now looks likely any further attempts at healthcare reform will have to wait until at least next year, maybe even longer. "We're gonna come back to this after taxes," said co-lead sponsor of the bill, Senator Lindsey Graham. The GOP holds 52 seats in the senate and needed 50 to vote in favor for the bill to pass, however Republican Senators John McCain, Rand Paul and Susan Collins came out in opposition. Consumer confidence in the U.S. declined to 119.8 (exp: 120.0) during September, pulling back from August's five month high of 120.4 (revised lower from 122.9). The main drags came from hurricane hit areas such as Texas and Florida, while the present situation index fell to 146.1 from 151.2 previously and the expectations index declined to 102.2 from 104.0 previously. New home sales in the U.S. decreased -3.4% to a seasonally adjusted annual rate of 560,000 units last month, the lowest level in eight months and likely driven by storm activity. U.S. equity markets ended Tuesday marginally mixed, easing late in trade to hand back early session gains as Federal Reserve Chair Janet Yellen hit the wires. The S&P 500 ended trade just +0.01% higher as a bounce to technology (+0.40%) helped to offset declines amongst eight of eleven components of the bourse. The DJIA booked a fourth consecutive decline to ease -0.05% to 22,284.32 points, while the Nasdaq outperformed to end +0.15% higher. U.S. treasury yields



were on the march once again, seeing the ten-year 1.6bps higher to 2.2357% and the two-year 1.26bps higher to 1.4356% after the treasury sold USD \$26 billion two-year notes at 1.462% yield, the highest in nearly nine years. A softer common currency saw major European bourse's eke out modest gains on Tuesday, as the dust settles following the weekend German elections. The Stoxx Europe 600 edged just +0.03% higher, while the German Dax endured whippy trade after a soft open to end the session +0.08% higher. The U.K. FTSE 100 booked a second consecutive loss on Tuesday, sliding late in trade to end -0.21% down as the pound saw strength against the euro to touch the highest level since July.

PRECIOUS

Bullion once again failed to build upon geopolitical uncertainty on Tuesday, well offered in the face of a rampant greenback to end underneath USD \$1,300 and hand back -1.3% on the session. After trading bid throughout the Asian session, gold soon ran into offers once European names opened for business, sliding below USD \$1,310 in early pricing, before being weighed down by a USD/JPY move through 112.00 to test support at USD \$1,300. The figure broadly held in early New York trade, however Janet Yellen's hawkish speech in Cleveland gave the dollar a further leg higher, seeing gold to a USD \$1,293.35 session low and unable to recover into the close. It is worth noting that ETF's accumulated 285k ounces on Tuesday, clearly happy to pick up the metal on dips. We continued to see solid physical interest from regional names during Asian trade today, reversing an early stop loss run through the overnight low to trade generally buoyant throughout the session. Once again Chinese demand underpinned the price action, however mid-session USD/JPY weakness helped to keep the metal around USD \$1,295 during afternoon trade. Key support continues to sit around USD \$1,290 Dec (tested numerous times), while below this we will be looking to USD \$1,280 - USD \$1,284 (55 DMA) as the next level of support. Should weakness extend further, this could open up the 200 DMA at USD \$1,246.50. Silver disappointed yesterday, unable to make a consolidated break above the 200 DMA at USD \$17.15, and shed -2.2% on the way to a close well below the 100 DMA at USD \$16.90. Platinum continues to soften with the majority of the active contract roll and quarter end producer selling now out of the way, while palladium is proving to be resilient, albeit range bound as the metal approaches parity with platinum. Data releases today include U.S. durable goods, capital goods and pending home sales.

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