



MKS PAMP GROUP

Daily Asia Wrap

8th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1349.00/20	18.09/11	1017/19	958/60
HIGH	1357.30/50	18.21/23	1021/23	967/69
LOW	1347.90/10	18.09/11	1015/17	950/52
LAST	1353.00/20	18.18/20	1019/21	953/55

MACRO

U.S. stocks slipped on Thursday after banking stocks took a hit from declining rates. The Dow Jones Industrial Average dipped -22.86 points, or -0.10%, to 21,784.78, the S&P500 inched down -0.44 of a point, or -0.02%, to 2,465.10 and the NASDAQ crept up +4.555 points, or +0.07%, to 6,397.869. The best performing sector on the day was Healthcare (+1.1%), while Teleco's collapsed (-2.1%). European equities rose as the ECB left monetary policy unchanged and Euro-zone growth figures showed a modest improvement. The FTSE Euro First Index gained +3.36 points, or +0.23% to 1,473.20 and the EuroStoxx 600 Index ticked up +1.0 point, or +0.27% to 374.95. Regionally, the DAX improved +0.67% to 12,296.63, the FTSE100 added +0.58% to 7,396.98 and the CAC40 inched +0.26% higher to 5,114.62. Oil futures were little changed, WTI off -\$0.03, or -0.06%, to US\$49.13 a barrel, as the recovery from Hurricane Harvey stalled at the same time Hurricane Irma threatens to disrupt the sector in Florida. The outlook for demand from refineries remains unknown, with damage still being assessed, although some analysts are predicting damage to the crude oil market may be greater than expected. EIA data showed inventories of crude oil jumped by 4.58 million barrels last week, much greater than expected. The dollar continued its slide with the DXY falling to its lowest levels since January 2015 (91.405). EUR/USD surged as Draghi hinted at starting to reduce the ECB's bond buying program, USD/JPY continues to slip to touch a low of 108.05 and AUD/USD is now comfortably sitting above 0.8000. Yields across the globe fell yesterday, with the U.S. 2-year yield relinquishing -3.81bps to 1.264% and the 10-year down -6.24bps to 2.042%. In data, final euro area Q2 2017 GDP was as expected, at +0.6% QoQ, although the annual rate edged up to +2.3% YoY which marks the the highest since Q1 2011. Initial U.S. jobless claims rose to a two year high of +298k (+236k prior), reportedly almost exclusively due to Hurricane Harvey. The ECB maintained rates and upgraded its growth forecast this year by +0.3% to 2.2%, with ECB president Mario Draghi noting that there has yet to be a convincing uptrend in core inflation. During the press conference after the release, Draghi's first statement was about the strength and broadness of growth, which helped maintain EUR gains. His second statement was about the EUR, but it was targeted at "volatility" rather than strength. Notably, when considering the EUR on a broad basket basis, the appreciation has not been as sharp. He later acknowledged strength, but seemed not concerned. Draghi noted that "financial conditions have tightened", but "are still



broadly supportive.” On QE, he said that they have had “very preliminary discussions” on various scenarios (length, size). The bulk of QE decisions will probably be taken in October (ECB meets 26 Oct).

PRECIOUS

Bullion endured whippy trade on Thursday, in particular around the ECB announcement as the recent USD depreciation accelerated. Early Asian demand kept price action buoyant above USD \$1,330, however the market lacked the impetus required to see gold re-test a break of USD \$1,340 after recent moves through the level failed to consolidate. A mild bid out of China supported a move back above USD \$1,335, while early currency flows from Europe saw the greenback under pressure as bullion once again pushed toward USD \$1,340. ECB president Draghi's comments saw the euro extend its recent gains, making a sustained break above 1.20 to drive broader USD weakness and facilitate a sustained move above USD \$1,340 for bullion, while interest out of New York kept price action buoyant into the close to end toward the session high. Against the recent trend, ETF's saw outflows of 27k ounces on Thursday. Following a subdued start to Asian trade on Friday, gold turned sharply higher following the USD/CNH fix. After fixing higher at 6.5005 the currency pair collapsed to 6.4520, seeing the on-shore premium markedly higher and with it bullion toward USD \$1,355. Late Asian trade saw gold surge to a USD \$1,357.50 high following reports of a magnitude 8.1 earthquake striking off the Pacific coast of Mexico. A break through USD \$1,356 indicates a bullish break of the uptrend from the December low and this level will be key to instigating a push toward the June 2016 high of USD \$1,375. Levels to watch today on the top-side include the aforementioned USD \$1,356 and USD \$1,375, while initial support sits broadly around USD \$1,348 - \$1,350 and below this USD \$1,340. From a geopolitical perspective, bullion is likely to see support into Friday's close as participants position themselves for a potential North Korean missile test this Saturday on the rouge state's Foundation Day. Data releases today include U.K. industrial/manufacturing production, U.K. trade balance and U.S. wholesale inventories.

Although the information in this report has been obtained from and is based upon sources MKS believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute MKS' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as investment advice, offer or solicitation for the purchase or sale of an investment. This report does not consider or take into account the investment objectives or financial situation of a particular party.