



MKS PAMP GROUP

Daily Asia Wrap

5th September 2017

Range Asian Hours
(from Globex open)

	GOLD	SILVER	PLATINUM	PALLADIUM
OPEN	1333.90/10	17.87/89	1007/09	977/79
HIGH	1337.90/10	17.92/94	1010/12	981/83
LOW	1332.30/50	17.83/85	1001/03	975/77
LAST	1333.30/50	17.84/86	1001/03	976/78

MACRO

U.S. Ambassador to the United Nations Nikki Haley told the Security Council that North Korean leader Kin Jong-un, "is begging for war" and that, "the time has come for us to exhaust all of our diplomatic means before it's too late." Washington are preparing a new sanctions resolution to be presented to the council, with a view to vote on it early next week. Meanwhile in an attempt to ease tensions, Swiss President, Doris Leuthard has offered her country's services as a mediator, noting that "We are ready to offer our role for good services as a mediator. I think in the upcoming weeks a lot will depend on how the U.S. and China can have influence in this crisis." In related developments, German Chancellor Angela Merkel spoke to President Trump on the phone and agreed that tougher EU sanctions are required, while Japan is planning, in the event of war, for a mass evacuation of nearly 60,000 Japanese citizens currently in South Korea.

Oil futures ended trade on Monday marginally higher in thin trade due to the U.S. Labor Day Holiday. As refineries started to come back online following the devastation caused by Hurricane Harvey, WTI (+0.25%) pushed higher during European hours before easing late into the early close, while Brent crude also eased late to book a -0.6% decline. With regard to currency majors, the USD softened modestly in mixed trade on Monday, seeing the DXY end -0.01% lower as participants moved into safe-haven assets such as the yen. Stocks in London lost ground on Monday following the weekend developments on the Korean peninsula, while a softer than expected Markit Construction PMI print of 51.1 (exp: 52.0) weighed further upon on the bourse. The FTSE 100 pulled back -0.36%, while mining stocks, predominately gold related caught a bid. Equities across Europe saw weakness on Monday as participants moved into safe-haven assets following the North Korean hydrogen bomb test on Sunday. The Stoxx Europe 600 ended trade -0.52% lower to snap a three session winning streak, while the German Dax posted a -0.33% decline.

PRECIOUS

Following the flight to safety on Monday after North Korea's hydrogen bomb test, bullion continued to see strength during Asian trade on Tuesday as the risk-off theme continued. Monday's shortened session as a result of the U.S. Labor Day Holiday saw gold gap higher at the open, printing USD \$8 above Friday's closing level, before surging toward USD \$1,338 amid



heavy early interest. Mild profit taking saw bullion temper somewhat during Asian afternoon trade, however interest returned once again in Europe on the back of North Korean headlines, seeing the metal to a USD \$1339.90 high during early European hours, before further profit taking and thin liquidity into the close saw gold to USD \$1,334.25, ending around +0.7% higher than Friday's closing level. After running into resistance on Monday toward USD \$1,340 and importantly around the U.S. Presidential Election Day high print (Nov 2016), bullion once again tested this level during Asian trade following headlines that North Korea were moving ICBM's toward launch sites. As we saw on Monday, the headline driven gains proved to be unsustainable and bullion settled into a narrow range either-side of USD \$1,335 during the afternoon, seeing resilient price action on the back of the underlying risk-off tone. We continue to see interest on dips underneath USD \$1,335 and moves below USD \$1,330 and USD \$1,325 are likely required to flush out any short term long positioning that has accumulated so far this week. With a move through USD \$1,340 proving to be unattainable thus far, we wait for both further developments out of the Korean peninsula and New York's appetite for bullion today following their return from holiday. It is worth noting that Saturday, September 9, is North Korea Foundation Day and such days in the past have been used for missile testing. After reporting yesterday that palladium was testing toward USD \$1,000, the white metal came within a whisker of the figure briefly on Monday, before being unceremoniously dumped in illiquid conditions. From a support standpoint USD \$950 should restrict further declines, while we are expecting the metal to once again move toward USD \$1,000 over the near-term on the back of tightening supplies. Data today includes U.S. Factory orders, durable goods orders and capital goods orders.

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