# MGMC 萬兆豐 NEWSLETTER

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June 22, 2017

PROFESSIONAL DILIGENCE INC.

| | OPEN | HIGH | LOW | CLOSE | HIGH-LOW CHANGE | CLOSING CHANGE | PREVIOUS CLOSE |
|---|---|---|---|---|---|---|---|
| **MAJOR CURRENCIES** | | | | | | | |
| EUR / USD | 1.1135 | 1.1169 | 1.1127 | 1.1167 | 0.0042 | ↑ 0.0034 | 1.1133 |
| USD / JPY | 111.38 | 111.74 | 111.07 | 111.38 | 0.67 | ↓ -0.09 | 111.47 |
| GBP / USD | 1.2627 | 1.2710 | 1.2590 | 1.2671 | 0.0120 | ↑ 0.0045 | 1.2626 |
| USD / CHF | 0.9748 | 0.9754 | 0.9723 | 0.9724 | 0.0031 | ↓ -0.0027 | 0.9751 |
| AUD / USD | 0.7581 | 0.7581 | 0.7543 | 0.7555 | 0.0038 | ↓ -0.0023 | 0.7578 |
| USD / PHP | 50.12 | 50.47 | 50.07 | 50.28 | 0.40 | ↑ 0.10 | 50.18 |
| **PRECIOUS METALS / ENERGY** | | | | | | | |
| GOLD | 1244.45 | 1247.76 | 1240.90 | 1246.24 | 6.86 | ↑ 3.42 | 1242.82 |
| SILVER | 16.51 | 16.53 | 16.35 | 16.46 | 0.18 | ↑ 0.00 | 16.46 |
| OIL | 43.38 | 44.20 | 42.05 | 42.53 | 2.15 | ↓ -0.98 | 43.51 |
| **WORLD INDICES** | | | | | | | |
| DJIA | 21,466.39 | 21,492.62 | 21,390.00 | 21,410.03 | 102.62 | ↓ -57.11 | 21,467.14 |
| NASDAQ | 6,202.75 | 6,236.66 | 6,200.86 | 6,233.95 | 35.79 | ↓ 45.92 | 6,188.03 |
| S & P 500 | 2,439.31 | 2,442.23 | 2,430.74 | 2,435.61 | 11.49 | ↓ -1.42 | 2,437.03 |
| FTSE | 7,472.71 | 7,477.17 | 7,417.45 | 7,447.79 | 59.72 | ↓ -24.92 | 7,472.71 |
| NIKKEI 225 | 20,192.16 | 20,215.11 | 20,117.79 | 20,138.79 | 97.32 | ↓ -91.62 | 20,230.41 |
| HANGSENG | 25,752.27 | 25,846.52 | 25,575.98 | 25,694.58 | 270.54 | ↓ -148.46 | 25,843.04 |
| AORD | 5,792.30 | 5,792.30 | 5,703.20 | 5,703.20 | 89.10 | ↓ -89.10 | 5,792.30 |
| PSEi | 7,921.88 | 7,921.88 | 7,851.97 | 7,886.37 | 69.91 | ↓ -31.49 | 7,917.86 |

**PHYSICAL GOLD**
**P.M. Fixing Closing Prices ( June 21, 2017 )**

| Product Name | SELL/BUY (HKD/Bar) | SELL/BUY (USD/Bar) | SELL/BUY (RMB/Bar) |
|---|---|---|---|
| MIBD 99 / 5 Taels Gold | HKD 58875/59675 | USD 7536/7638 | RMB 50044/50724 |
| MIBD 999.9 / 1 Kilo Gold | HKD 314858/325784 | USD 41068/42494 | RMB 273790/283290 |

**WORLD INTEREST RATES**

| US | EUR | GBP | JPY | CHF | CAD | AUD | NZD |
|---|---|---|---|---|---|---|---|
| 0.5 % | 0.00 % | 0.5 % | -0.1 % | - 0.75 % | 0.5 % | 1.5 % | 2.25 % |

# Gold Slightly Up On Technical Bounce, Weaker Equities

Gold prices were ending the U.S. day session slightly higher Wednesday, on some more short-covering in the futures market and on some technical chart consolidation after prices hit a four-week low early on.

Mostly weaker world stock markets Wednesday also worked in favor of the gold market bulls.

Gold was last up $2.40 an ounce at $1,245.80. Silver was last down $0.067 at $16.355 an ounce.

World equity markets were mostly lower Wednesday due in part to falling crude oil prices recently and lower world government bond market yields.

Slumping oil prices and lower bond yields suggest inflationary price pressures will remain squelched.

While weaker stock markets on this day were a friendly element for safe-haven gold, the specter of very low inflation is an underlying bearish factor for the precious metals and all raw commodity markets.

Gold market watchers need to keep a close watch on U.S.-North Korea tensions.

The U.S. citizen who was held captive in North Korea and then died after he returned to the U.S. has many U.S. citizens, congressmen and pundits calling for President Trump to take action.

Trump said he will deal with the matter, but just how he reacts is a big question mark.

Some are speculating the incident is the tipping point for which the U.S. takes military action to take out North Korea's ballistic missile capabilities.

This matter could well be the next major international incident that drives significant safe-haven demand into the gold market.

The key “outside markets” on Wednesday saw Nymex crude oil futures prices trade lower and hit a 14-month low.

The oil market bears have the solid overall near-term technical advantage as prices are trading below $43.00 a barrel.

Meantime, the U.S. dollar index was slightly lower today.

However, the greenback bulls have gained some upside momentum recently as prices hit a four-week high on Tuesday.

Technically, gold prices closed near mid-range.

The gold bulls and bears are on a level overall near-term technical playing field.

Gold bulls' next upside near-term price breakout objective is to produce a close above solid technical resistance at $1,275.00.

Bears' next near-term downside price breakout objective is pushing prices below solid technical support at $1,225.00.

First resistance is seen at $1,250.00 and then at this week's high of $1,257.30.

First support is seen at today's low of $1,241.70 and then at 1,230.00.

Silver prices closed nearer the session low and hit another five-week low today.

The silver bears have the firm overall near-term technical advantage.

Silver bulls' next upside price breakout objective is closing prices above solid technical resistance at $17.00 an ounce.

The next downside price breakout objective for the bears is closing prices below solid support at the May low of $16.06.

First resistance is seen at $16.50 and then at this week's high of $16.68.

Next support is seen at today's low of $16.315 and then at $16.06.

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## U.S. Existing Home Sales Unexpectedly Rebound 1.1% In May

After reporting a notable decrease in U.S. existing home sales in the previous month, the National Association of Realtors released a report on Wednesday showing an unexpected rebound in existing home sales in the month of May.

NAR said existing home sales climbed by 1.1 percent to an annual rate of 5.62 million in May after tumbling by 2.5 percent to a downwardly revised 5.56 million in April.

The rebound surprised economists, who had expected existing home sales to edge down to an annual rate of 5.55 million in May from the 5.57 million originally reported for the previous month.

NAR chief economist Lawrence Yun said the unexpected increase in sales in May came as more buyers overcame the increasingly challenging market conditions prevalent in many areas.

"The job market in most of the country is healthy and the recent downward trend in mortgage rates continues to keep buyer interest at a robust level," Yun said.

The report said low inventory levels helped push the median existing home price to a new high of $252,800 in May, up 3.2 percent from $245,000 in April and up 5.8 percent from $238,900 a year ago.

Yun said, "Listings in the affordable price range are scarce, homes are coming off the market at an extremely fast pace and the prevalence of multiple offers in some markets are pushing prices higher."

NAR said there were 1.96 million existing homes available for sale at the end of May, up 2.1 percent from the end of April but still 8.4 percent lower than a year ago.

"Current demand levels indicate sales should be stronger, but it's clear some would-be buyers are having to delay or postpone their home search because low supply is leading to worsening affordability conditions," Yun said.

The report said existing home sales in the Northeast spiked by 6.8 percent, while sales in the West and South jumped by 3.4 percent and 2.2 percent, respectively.

Meanwhile, existing home sales in the Midwest slumped by 5.9 percent.

Single family home sales rose by 1.0 percent to an annual rate of 4.98 million, and existing condominium and co-op sales climbed by 1.6 percent to a rate of 640,000.

On Friday, the Commerce Department is scheduled to release a separate report on new home sales in the month of May.

New home sales are expected to jump to an annual rate of 600,000 in May after tumbling to a rate of 569,000 in April.

## Gold Holds Onto Critical Ground

It is undeniable that gold prices have been dropping since the failure to take out $1300 per ounce.

Nonetheless, gold succeeded in gaining roughly $85 in value as it traded from $1212 the previous month.

A respectable rally came to an end and the question at that point was what percentage would be given back as gold pricing began to decline.

Typically, a shallow retracement will result in a net drawdown of either 23.6% or 38.2% retracement, key numbers of the Fibonacci ratio.

A deep retracement will typically lead to a 61.8% reduction of the net gain during the rally.

In this rally, gold prices traded to an intraday high of $1298 on June 6th.

From that point forward, gold prices have consistently traded to lower pricing for the last three weeks.

Within the first week of this current correction, gold prices quickly broke below the 23.5% retracement at $1280 and challenged the 38.2% retracement at $1267, the low of that week.

During the second week of this current correction, gold prices broke below the 38.2% retracement level closing just at the 50% retracement at $1256.70.

The lower pricing in gold for the first two weeks gave technical confirmation that this current correction would not be a typical shallow correction.

With the 50% retracement taken out by week two, market technicians, including myself, saw the 61.8% retracement as a likely price point for this correction to subside.

It appeared that model would hold when, on Monday, gold exhibited a dramatic price drop, trading slightly below but closing just above of its 61.8% retracement.

However, yesterday's activity put even that model into question when gold opened below that retracement level and closed modestly lower on the day.

Although a deep correction can result in as much is a 78% retracement of the prior rally, in a bullish model we typically do not look for a retracement of that magnitude.

The key to yesterday's trading activity was the fact that the intraday low was critically close to the 200-day moving average, a key level that market technicians use to ascertain whether a financial market is in a long-term bullish or bearish stance.

That brings us to today's activity, in which gold futures have firmed modestly and are currently trading at $1247.20 with a net gain of $3.70 on the day.

More so, over the last two trading days, the intraday lows have held at roughly $1241, which demonstrates, at least on a short-term basis, some support for gold at this price point.

Lastly, this modest gain moved gold prices back above the 61.8% retracement.

Whether or not gold prices will ultimately find support and begin to trade higher from this level is uncertain.

What is certain is that this is how gold would act if it were forming a base, finding support, and then moving to higher ground.

## Weaker Oil Spooking Equity Investors Could Be Good For Gold

Gold is seeing a bit of a reprieve as a sharp drop in oil prices is spooking financial markets, according to analysts.

In commodity markets, crude oil is attracting the most investor attention, as prices fall to their lowest level in seven months, trading at $42.65 an ounce, down 2% on the day.

According to reports, the oil market is seeing its worst first-half year performance in almost 20 years.

Prices are down more than 20% from the start of the year.

Further weakness in oil prices could continue to support gold as weakness in the energy sector raises growing recession concerns,analysts said.

August gold futures settled Wednesday's session at $1,245.80 an ounce, up 0.18% on the day.

At the same time the S&P 500 is down 0.15% on the day at 2433 points.

"The energy sector is a big contributor for the U.S. economy and these low prices are hurting the sector," said Sean Lusk, director of commercial hedging with Walsh Trading.

"The energy sector has the potential to drag down the S&P 500 and that will be good for gold."

Lusk said that if oil breaks below the November lows, the next target would be around $40, representing a one-year low.

He added that there are concerns that crude will eventually hit new multi-year lows.

"Gold is holding good support above $1,240 an ounce, but we really need to see lower equity prices if it is going to push past $1,300," he said.

"We could see that happen if lower oil prices continue to spook investors."

Bill Baruch, senior market strategist at iiTrader, agreed that slumping oil is a boost for gold.

He added that while a lot of the selloff in crude is related to growing supply, there are growing issues on the demand side.

"We are heading into the busiest seasonal period for oil and demand has been pretty low.

That is a problem when you have this massive supply glut," he said.

Todd Horwitz, chief market strategist of BubbaTrading.com, is also optimistic on gold in a low-oil price environment.

"We aren't seeing any growth in the economy so where is the demand for oil going to come from," he said.

"Bond prices are heading higher on growing economy concerns and that will ultimately good for gold and silver."

Looking at current price movement, Baruch said it is encouraging that gold is holding initial support at $1.240 an ounce; however, he added that he would like to see a drop to $1,230 an ounce, as that represents a major support/retracement level.

“However, in this uncertain environment it makes sense to buy gold after a 5% correction from a major swing high,” Baruch said. “I do see good value for gold at these levels.

## Major Averages Turn In A Mixed Performance

After ending the previous session mostly lower, stocks turned mixed over the course of the trading session on Wednesday.

While the Nasdaq climbed firmly into positive territory, the Dow and the S&P 500 pulled back further off the record closing highs set on Monday.

The Nasdaq advanced 45.92 points or 0.7 percent to 6,233.95, while the Dow fell 57.11 points or 0.3 percent to 21,410.03 and the S&P 500 edged down 1.42 points or 0.1 percent to 2,435.61.

The mixed performance on Wall Street came as traders expressed some uncertainty about the near-term outlook for the markets following the recent record highs for the Dow and the S&P 500.

Traders also kept a close eye on the price of crude oil, which pulled back into bear territory in the previous session.

Crude for August delivery tumbled $0.98 to $42.53 a barrel, falling to the lowest closing level for a front-month contract in over ten months.

Concerns about oversupply continued to weigh on oil prices despite the release of a report from the Energy Information Administration showing a bigger than expected weekly drop in crude oil inventories.

Biotechnology stocks moved substantially higher on the day, extending the rally seen over the past several sessions.

The NYSE Arca Biotechnology Index surged up by 3.8 percent to its best closing level in almost two years.

Significant strength was also visible among gold stocks, as reflected by the 1.7 percent gain posted by the NYSE Arca Gold Bugs Index.

The strength in the sector came as gold for August delivery rose $2.30 to $1,245.80 an ounce.

Software, semiconductor, and internet stocks also saw notable strength on the day, contributing to the advance by the tech-heavy Nasdaq.

On the other hand, energy stocks moved sharply lower along with the price of crude oil, adding to the losses posted in the previous session.

Reflecting the weakness in the energy sector, the Philadelphia Oil Service Index plunged by 3.4 percent, while the NYSE Arca Oil & Gas Index slumped by 2.7 percent and the NYSE Arca Natural Gas Index fell by 1.4 percent.

Chemical, brokerage, and trucking stocks also came under pressure on the day, partly offsetting the strength seen in the sectors mentioned above.

In overseas trading, stock markets across the Asia-Pacific region moved mostly lower during trading on Wednesday.

Japan's Nikkei 225 Index fell by 0.5 percent, while Hong Kong's Hang Seng Index slid by 0.6 percent.

The major European markets also moved to the downside on the day.

In the bond market, treasuries have pulled back following yesterday's strength, extending a recent see-saw trend.

Subsequently, the yield on the benchmark ten-year note, which moves opposite of its price, is up by 1.4 basis points at 2.167 percent.

The Labor Department's weekly jobless claims report may attract some attention on Thursday along with the Conference Board's report on leading economic indicators.

## Dollar Little Changed Despite Solid Housing Data

The dollar is trading slightly lower against all of its major rivals Wednesday afternoon, but is little changed overall.

The week has been light on economic data so far this week, but existing home sales data came in better than expected this morning.

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The rebound surprised economists, who had expected existing home sales to edge down to an annual rate of 5.55 million in May from the 5.57 million originally reported for the previous month.

Existing risks to global growth such as an abrupt tightening of financial conditions likely eased over the past year, thanks to careful communication by the US Federal Reserve, but new threats have emerged due to high policy uncertainty surrounding the fiscal and trade plans of the Trump administration, the European Central Bank said Wednesday.

The dollar has slipped to around $1.1150 against the Euro Wednesday afternoon, from an early high of $1.1127.

Bank of England Chief Economist Andrew Haldane said he considered the case for a rate hike at the June monetary policy meeting.

However, he voted to maintain the bank rate citing still few signs of higher wage growth despite upward pressure on inflation and chances of a sharper than expected slowing in the economy.

"Both are reasons for monetary policy not to rush its fences," Haldane said in a speech on Wednesday.

"Provided the data are still on track, I do think that beginning the process of withdrawing some of the incremental stimulus provided last August would be prudent moving into the second half of the year," he said.

The buck fell to a low of $1.2709 against the pound sterling Wednesday, but has since rebounded to around $1.2665.

Britain's budget deficit reached the lowest for the month of May since

2007 on higher tax receipts, figures from the Office for National Statistics showed Wednesday.

Public sector net borrowing excluding public sector banks decreased by GBP 0.3 billion from the previous year to GBP 6.7 billion.

This was the lowest borrowing for May since 2007.

Economists had forecast the deficit to narrow to GBP 6.8 billion from April's revised shortfall of GBP 9.39 billion.

The greenback rose to a high of Y111.724 against the Japanese Yen Wednesday, but has since retreated to around Y111.300, nearly unchanged for the day.

Members of the Bank of Japan's monetary policy board said that the country's economic recovery continues, although at a delayed pace, minutes from the bank's April 26-27 meeting revealed on Wednesday.

There remains considerable uncertainty in overseas economies, the bank said, and downside risks to Japanese economic activity remain.

Japan's all industry activity rebounded in April from March, data published by the Ministry of Economy, Trade and Industry showed Wednesday.

The all industry activity index climbed 2.1 percent month-on-month in April, reversing a 0.7 percent fall in March.

The monthly rate also exceeded the expectations of 1.6 percent.

## GLOBAL ECONOMIC CALENDAR

| GMT | COUNTRY | INDICATOR | VOL. | FCAST | PREV |
|---|---|---|---|---|---|
| 12:30 | US | Initial Jobless Claims (Jun 16) | !! | 240K | 237K |
| 12:30 | US | Continuing Jobless Claims (Jun 9) | ! | 1.928M | 1.935M |
| 13:00 | US | Housing Price Index (MoM) (Apr) | !! | | 0.6% |

**! Low Volatility Expected  !! Moderate Volatility Expected  !!! High Volatility Expected**

## TECHNICALS

**GOLD**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 1255.89 | 1251.83 | 1249.03 | 1244.97 | 1242.17 | 1238.11 | 1235.31 |

**SILVER**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 16.72 | 16.62 | 16.54 | 16.45 | 16.36 | 16.27 | 16.18 |

**EURO**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 1.1223 | 1.1196 | 1.1181 | 1.1154 | 1.1139 | 1.1112 | 1.1098 |

**YEN**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 112.39 | 112.06 | 111.72 | 111.40 | 111.05 | 110.73 | 110.39 |

**GBP**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 1.2844 | 1.2777 | 1.2724 | 1.2657 | 1.2604 | 1.2537 | 1.2484 |

**CHF**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 0.9775 | 0.9764 | 0.9744 | 0.9734 | 0.9713 | 0.9703 | 0.9682 |

**AUD**

| R3 | R2 | R1 | PIVOT | S1 | S2 | S3 |
|---|---|---|---|---|---|---|
| 0.7614 | 0.7597 | 0.7576 | 0.7560 | 0.7538 | 0.7522 | 0.7501 |