MG FALCONER

18092017 **NEWSLETTER** September 18, 2017

	OPEN	HIGH	LOW	CLOSE	HIGH-LOW CHANGE	CLOSING CHANGE	PREVIOUS CLOSE
MAJOR CURRENCIES							
EUR / USD	1.1919	1.1987	1.1901	1.1940	0.0086	0.0023	1.1917
USD / JPY	109.94	111.33	109.89	110.91	1.44	0.64	110.28
GBP / USD	1.3401	1.3616	1.3382	1.3569	0.0234	0.0173	1.3396
USD / CHF	0.9616	0.9648	0.9565	0.9594	0.0082	0.0040	0.9634
AUD / USD	0.8000	0.8035	0.7987	0.8000	0.0048	0.0001	0.8001
USD / PHP	51.25	51.29	51.14	51.28	0.1500	0.1100	51.17
PRECIOUS METALS / ENERGY							
GOLD	1332.88	1333.96	1319.76	1321.33	14.20	8.44	1329.77
SILVER	17.82	17.84	17.58	17.62	0.26	0.17	17.79
OIL	49.72	50.13	49.41	49.83	0.72	0.06	49.89
WORLD INDICES							
DJIA	22,252.44	22,275.02	22,214.52	22,268.34	60.50	64.86	22,203.48
NASDAQ	6,426.16	6,464.27	6,419.65	6,448.47	44.62	19.38	6,429.09
S & P 500	2,495.67	2,500.23	2,493.16	2,500.23	7.07	4.61	2,495.62
FTSE	7,295.39	7,295.39	7,196.58	7,215.47	98.81	79.92	7,295.39
NIKKEI 225	19,793.80	19,933.40	19,787.65	19,909.50	145.75	102.06	19,807.44
HANGSENG	27,736.60	27,893.58	27,514.04	27,807.59	379.54	30.39	27,777.20
AORD	5,798.40	5,798.40	5,748.10	5,755.90	50.30	42.50	5,798.40
PSEi	8,141.39	8,180.85	8,104.95	8,180.85	75.90	35.94	8,144.91

PHYSICAL GOLD
P.M. Fixing Closing Prices (September 15, 2017)

Product Name	SELL/BUY (HKD/Bar)	SELL/BUY (USD/Bar)	SELL/BUY (RMB/Bar)
MIBD 99 / 5 Taels Gold	HKD 62710/63510	USD 8027/8129	RMB 53304/53984
MIBD 999.9 / 1 Kilo Gold	HKD 321425/332350	USD 41925/43350	RMB 279500/289000

WORLD INTEREST RATES

US	EUR	GBP	JPY	CHF	CAD	AUD	NZD
1.25 %	0.00 %	0.25 %	-0.1 %	- 0.75 %	1.00 %	1.50 %	1.75 %

Gold Weighed Down By Prospects Of ECB, Fed Tightening

Gold prices fell on Friday after a European Central Bank (ECB) official called for scaling back the bank's stimulus program, although losses were capped when weaker-than-expected U.S. economic data raised questions about further interest rate hikes.

ECB board member Sabine Lautenschlaeger made the most explicit call so far from an ECB policymaker for paring the bank's 2.3 trillion euros money-printing program.

"For gold this is bad news because this continues the trend of the market pricing in the normalization of monetary policy," said Jens Pedersen, senior analyst at Danske Bank in Copenhagen.

But he said there had already been plenty of headlines about the ECB planning an exit from its bond buying and the U.S. Federal Reserve reducing its balance sheet after its big quantitative easing program.

Spot gold was down 0.6 percent at $1,321.88 an ounce, on track for its biggest weekly decline since early July.

U.S. gold futures for December delivery settled down 0.3 percent at $1,325.20 an ounce.

Those "normalization" actions by central banks tend to pressure gold.

Gold briefly pared losses on news that U.S. retail sales unexpectedly fell in August and industrial output dropped for the first time since January, in contrast to Thursday's strong U.S. inflation data.

Gold largely shrugged off North Korea's firing of another missile over Hokkaido, Japan.

"Markets are paying much more attention to global economic data," said Rob Haworth, senior investment strategist at U.S. Bank Wealth Management in Seattle.

"The synchronized global growth story is gaining momentum and the uptick in inflation seems to mean that the Fed has plans to make their planned moves."

The Fed's two-day monetary policy meeting begins on Sept. 19.

Commerzbank said August gold imports into India, the world's second biggest gold consumer, were the lowest so far this year.

In other precious metals, platinum's discount to gold fell to around $360, the lowest according to data dating back to 1985.

Platinum dropped 1 percent to $969 an ounce after touching $959.95, the lowest since Aug. 16.

This is also around where the 50-day moving average crossed above the 200-day moving average.

The metal was down 3.7 percent for the week, on track for its biggest weekly drop since March.

Silver fell 0.8 percent to $17.61 and was set to mark its first weekly decline in four.

Palladium rose 0.2 percent to $924.10 and was heading for a second weekly decline.

Turbulent Fed Week To Keep Gold Prices On Their Toes

Gold prices might see some more consolidation next week as the metal’s safe-haven allure continues to lose traction, according to analysts.

But, the Federal Reserve meeting could offer surprising support to the yellow metal.

Even bullish gold analysts are admitting that the precious metal could retreat a bit further, especially after commodity markets chose to ignore another North Korean missile strike and a London terrorist attack on Friday.

“I am generally confident in gold, but I feel the metal is due for a bit of a correction next week,” Jasper Lawler, head of research at London Capital Group, told Kitco News.

Lawler noted that the safe-haven status gold offers has been temporarily removed. “When we reached the $1,350 level, it created nervousness.

Today, we had a new missile launch from North Korea, yet gold was not able to capitalize on that, nor did other safe-haven currencies.”

Yet, geopolitical issues will not be disappearing into the background next week either, said Simona Gambarini, an analyst at Capital Economics.

“What happened in London on Friday and North Korea’s missile test — there will probably be a focus on geopolitical risks this week, which could trigger another rally in prices should the situation deteriorate or risks be perceived to have increased,” Gambarini noted.

Ryan McKay, commodity strategist at TD Securities, also highlighted that there is a “build up in speculative positions and gold could be heading a bit lower.”

The Fed meeting on Tuesday and Wednesday is the number one event to watch next week, according to analysts.

“It is all about the Fed next week,” Lawler said.

“If anything, it is going to be okay for gold.

Judging on the language from New York Fed President William Dudley, who didn’t seem to be in any rush for the next rate hike, we might be done with rate hikes this year and that could be bearish for the U.S. dollar.”

Other analysts unanimously agreed that a rate hike next week seems to be out of the realm of possibility.

So, all eyes are now on how the Fed might handle its widely expected balance sheet reduction announcement.

“The Fed meeting will be important and certainly investor focus will return to the central bank from geopolitics,” Gambarini said.

“The Fed is unlikely to hike interest rates again this year due to inflation remaining on track and heightened geopolitical risks.”

What could really rock the boat is if the Fed begins selling the bonds this year, for example in December, noted Lawler.

“That move could create nervousness, and that could be a stock market negative and a gold positive.”

Since the Fed’s efforts to reduce its balance sheet are unprecedented, analysts are left scrambling when trying to forecast market’s reaction to the central bank’s potential statement.

“Difficult to know how it will impact gold because it is unprecedented territory.

We do expect an announcement and it is possible that the Fed will start to downsize their balance immediately,” Gambarini pointed out.

“In theory, it should be negative for gold prices, but it will depend on the amount they plan to reduce.

Our assumption is that it will be very gradual, so the initial impact is likely to be relatively limited since the markets likely priced that in already.”

Some analysts are not taking sides, saying it is “too close to call.”

“The Fed is expected to leave interest rate unchanged and announce its decision on when, how, and why to shrink the balance sheet.

We'll have to wait to see how gold reacts," said Robin Bhar, head of metals Research at Société Générale.

Other key U.S. data to watch this week includes a number of residential reports, such as Building Permits, Housing Starts, Existing Home Sales, and House Price Index.

A couple of additional ones to keep an eye on are Current Account, Philadelphia Fed Manufacturing Index, and Manufacturing PMI.

Despite fears of profit taking in gold, the precious metal will hold above $1,300, Lawler said.

"Immediate support level is $1,316 and resistance is at $1,350.

If we close above $1,350 that would be a sign of good things to come."

Colin Cieszynski, chief market strategist at CMC Markets, expressed a similar view, noting that "$1,300 is not only a round number, but also got Fibonacci support."

He added that "gold came down quickly, which eased overbought conditions, but upward momentum is still slowing at this point."

McKay is looking at $1,307 support and $1,350-$1,375 resistance.

"It will be tough to break above $1,375 unless we have the Fed come out and say that they are not going to be as hawkish, pointing to two hikes instead of four."

As of Friday afternoon, the yellow metal was trading near daily lows, with December gold last seen at $1,325.30 an ounce, down 0.30% on the day.

Dow And S&P 500 Climb To New Record Closing

Following the mixed performance seen in the previous session, stocks moved modestly higher over the course of the trading day on Friday.

With the upward move on the day, the Dow and the S&P 500 reached new record closing highs.

The major averages all finished the day in positive territory. The Dow rose 64.86 points or 0.3 percent to 22,268.34, the Nasdaq climbed 19.38 points or 0.3 percent to 6,448.47 and the S&P 500 edged up 4.61 points or 0.2 percent to 2,500.23.

For the week, the Dow surged up by 2.2 percent, while the S&P 500 and the Nasdaq jumped by 1.6 percent and 1.4 percent, respectively.

The strength on Wall Street came as traders shrugged off some disappointing economic reports, as the data was impacted by Hurricane Harvey.

Most of the major sectors showed only modest moves on the day, although significant strength emerged among semiconductor stocks.

Telecom stocks also saw considerable strength, resulting in a 1.3 percent advance by the NYSE Arca Telecom Index.

The index moved higher for the fifth straight day after hitting its lowest closing level in over a year last Friday.

Railroad and trucking stocks also moved notably higher over the course of the session, while some weakness was visible among software stocks.

In overseas trading, stock markets across the Asia-Pacific region turned in a mixed performance during trading on Friday.

Japan's Nikkei 225 Index advanced by 0.5 percent, while China's Shanghai Composite Index fell by 0.5 percent.

Meanwhile, the major European markets all moved to the downside on the day.

While the U.K.'s FTSE 100 Index tumbled by 1.1 percent, the French CAC 40 Index and the German DAX Index both edged down by 0.2 percent.

In the bond market, treasuries showed a lack of direction before closing nearly flat for the second straight session.

Subsequently, the yield on the benchmark ten-year note, which moves opposite of its price, inched up by less than a basis point to 2.202 percent.

The Federal Reserve announcement is likely to be in focus next week, with traders looking for clues on the outlook for monetary policy.

House data may also attract attention, as reports on homebuilder confidence, housing starts, and existing home sales are all due to be released next week.

Oil Holds Near Five-Month High In Most Bullish Week Since July

Brent oil prices held near five-month highs on Friday, and were on track for the biggest weekly gain since late July, on forecasts for rising demand and the gradual restart of U.S. oil refineries.

The Organization of the Petroleum Exporting Countries this week forecast higher demand for its oil in 2018 and pointed to signs of a tighter global market, indicating its deal with non-OPEC states to cut output is helping tackle a glut.

That was followed by a report from the International Energy Agency (IEA) saying the glut was shrinking thanks to strong European and U.S. demand, as well as production declines in OPEC and non-OPEC countries.

Brent crude LCOc1 was down 3 cents at $55.44 a barrel, in a volatile session that saw it stretch from an intraday low of $54.86 to a high of $55.85 a barrel.

The benchmark was on track for its third straight weekly gain, rising 3.1 percent so far, which would be the highest weekly rise since the end of July.

U.S. West Texas Intermediate crude CLc1 was down 21 cents at $49.68 a barrel.

The contract looked set for a nearly 5 percent weekly gain, also its strongest in almost two months.

Data on this week's U.S. oil rig count, an early indicator of future output, showed energy firms last week cut the most oil rigs in a week since January as a 14-month drilling recovery stalled due to weak crude prices.

Drillers cut seven oil rigs in the week to Sept. 15, bringing the total count down to 749, the least since June, General Electric Co's (GE.N) Baker Hughes energy services firm said in its closely followed report.

Oil investors eyed further impact from increasing crude demand from U.S. oil refineries restarting after hurricane outages.

On Wednesday, 13 of 20 affected U.S. refineries were at or near normal operating rates and another five were restarting or ramping up, according to IHS Markit.

The largest U.S. refinery, Motiva Enterprises plant in Port Arthur, Texas, was at half its full capacity, the company said Wednesday.

Analysts at HSBC said that despite the U.S. refinery outages, 2017 was set to be an "extremely strong year" for oil demand growth, a key factor underpinning a rise in prices.

"We remain convinced of longer-term upside to crude prices. With the lack of new major project sanctions, we expect conventional non-OPEC supply to start declining post-2018," they said.

They maintained their 2018 and 2019 Brent price assumptions at $65 and $70 a barrel, respectively.

U.S. Business Inventories Rise In Line With Estimates In July

A report released by the Commerce Department on Friday showed a modest increase in business inventories in the U.S. in the month of July.

The Commerce Department said business inventories rose by 0.2 percent in July after climbing by 0.5 percent in June.

The uptick in inventories matched economist estimates.

Wholesale inventories showed a notable increase, climbing by 0.6 percent for the second consecutive month.

The report said manufacturing inventories also crept up by 0.2 percent in July, while retail inventories edged down by 0.1 percent.

The Commerce Department said business sales also rose by 0.2 percent in July, matching the increase seen in the previous month.

While manufacturing and retail sales both increased by 0.3 percent during the month, wholesale sales dipped by 0.1 percent.

With inventories and sales both rising, the total business inventories/sales ratio came in unchanged compared to the previous month at 1.38.

U.S. Consumer Sentiment Dips In September Due To Hurricanes

Reflecting a deterioration in consumer expectations, the University of Michigan released a report on Friday showing a pullback in U.S. consumer sentiment in the month of September.

The preliminary report said the consumer sentiment index dropped to 95.3 in September after climbing to 96.8 in August.

Economists had expected the index to fall to 95.1.

"Consumer confidence edged downward in early September due to concerns over the outlook for the national economy," said Richard Curtin, the survey's chief economist.

The index of consumer expectations slid to 83.4 in September from 87.7 in August, reflecting the impact of Hurricanes Harvey and Irma.

Curtin said, "Across all interviews in early September, 9% spontaneously mentioned concerns that Harvey, Irma, or both, would have a negative impact on the overall economy."

"Among those who mentioned the hurricanes, the Sentiment Index was 80.2, while among those who did not spontaneously mention either hurricane, the Sentiment Index remained unchanged from last month at 96.8," he added.

Meanwhile, the report said the current economic conditions index rose to 113.9 in September from 110.9 in August, reaching its highest level since November of 2000.

On the inflation front, one-year inflation expectations edged up to 2.7 percent in September from 2.6 percent in August, while five-year inflation expectations inched up to 2.6 percent from 2.5 percent.

New York Manufacturing Index Indicates Slightly Slower Growth

Activity in the New York manufacturing sector saw a modest slowdown in the pace of growth in the month of September, according to a report released by the Federal Reserve Bank of New York on Friday.

The New York Fed said its general business conditions index edged down to 24.4 in September from 25.2 in August, although a positive reading still indicates growth.

The index has been expected to drop to 19.0.

The modest decrease by the headline index came despite indications of accelerations in the pace of growth in new orders and shipments.

The new orders index climbed to 24.9 in September from 20.6 in August, while the shipments index rose to 16.2 from 12.4.

The report said the number of employees index also advanced to 10.6 in September from 6.2 in August, indicating a faster rate of job growth.

The prices received index also jumped to 13.8 in September from 6.2 in August, while the prices paid index climbed to 35.8 from 31.0.

Looking ahead, the New York Fed said indexes assessing the six-month outlook suggested that firms remained optimistic about future conditions.

The index for future business conditions dropped to 39.3 in September from 45.2 in August but remained firmly positive.

U.S. Retail Sales Dip Unexpectedly Amid Steep Drop In Auto Sales

Primarily reflecting a steep drop in auto sales, the Commerce Department released a report on Friday showing an unexpected decrease in U.S. retail sales in the month of August.

The Commerce Department said retail sales dipped by 0.2 percent in August after rising by a downwardly revised 0.3 percent in July.

Economists had expected retail sales to inch up by 0.1 percent compared to the 0.6 percent increase originally reported for the previous month.

The unexpected decrease in retail sales largely reflected the sharp drop in sales by motor vehicle and parts dealers, which plunged by 1.6 percent in August after coming in unchanged in July.

Excluding the slump in auto sales, retail sales rose by 0.2 percent in August after climbing by 0.4 percent in July.

Ex-auto sales had been expected to increase by 0.5 percent.

Sales by gas stations surged up by 2.5 percent amid higher prices, while sales by miscellaneous store retailers jumped by 1.4 percent.

The increases were partly offset by notable declines in sales by non-store retailers, clothing and accessories stores and electronics and appliance stores.

The report also said closely watched core retail sales, which exclude automobiles, gasoline, building materials and food services, fell by 0.2 percent in August after climbing by 0.6 percent in August.

Despite the monthly decrease, the Commerce Department said retail sales in August were up by 3.2 percent compared to the same month a year ago.

Gold Unable To Make Headway On Weak Retail Sales

Gold has lost ground in the Friday session.

In North American trade, the spot price for an ounce of gold is $1324.61, down 0.37%. On the release front, US retail sales reports were dismal.

Core Retail Sales slowed to 0.2%, missing the forecast of 0.5%. Retail Sales was even worse, posting a decline of 0.2%, compared to the estimate of +0.1%.

On the manufacturing front, the Empire State Manufacturing Index dipped to 24.4, but this easily beat the forecast of 18.2 points. Later in the day, the US releases UoM Consumer Sentiment.

North Korea was back in the headlines on Friday, as the country fired a missile over Japan, which landed in the Pacific Ocean.

A similar launch several weeks ago ratcheted tensions in the region and sent investors flocking to safe-haven gold.

However, investors have not panicked just yet, as the stock markets and gold remain steady despite the North Korean provocation.

If the US decides to respond forcefully to the North Korean move, however, nervous investors could return to gold and send the metal to higher levels.

Earlier in 2017, the Federal Reserve was full of optimism that a strong US economy would warrant three rate hikes during in 2017.

Fast forward to September, the economy has generally performed well, but the US continues to grapple with weak inflation levels.

A strong labor market has not helped push inflation higher, as wage growth remains soft.

Fed policymakers have retreated from their earlier optimistic forecasts, and have been counseling caution and patience regarding rate increases.

A December hike remains iffy, but the odds of a rate increase have slowly been moving higher, and are currently at 50%. CPI, the primary gauge of consumer inflation, improved in August.

Could this be a sign that at long last, inflation is moving in the right direction?

If the markets feel this is the case, the odds of a December hike should continue to increase.

Dollar Battered By European Rivals

The dollar weakened versus European rivals but edged higher against the yen Friday, as traders weighed a slew of U.S. economic data.

The dollar slumped to $1.20 versus the euro before finding its feet near $1.1925.

Losses were more pronounced versus the sterling, as the dollar dropped to $1.3570.

Versus the yen, the buck improved to Y110.

U.S. retail sales dipped by 0.2 percent in August after rising by a downwardly revised 0.3 percent in July.

Economists had expected retail sales to inch up by 0.1 percent compared to the 0.6 percent increase originally reported for the previous month.

With Hurricane Harvey negatively impacting output, the Federal Reserve released a report on Friday unexpectedly showing a notable decline in U.S. industrial production in the month of August.

The report said industrial production slumped by 0.9 percent in August after climbing by an upwardly revised 0.4 percent in July.

Activity in the New York manufacturing sector saw a modest slowdown in the pace of growth in the month of September, according to a report released by the Federal Reserve Bank of New York on Friday.

In news from overseas this week, the Bank of England sent strong signals they about to raise interest rates.

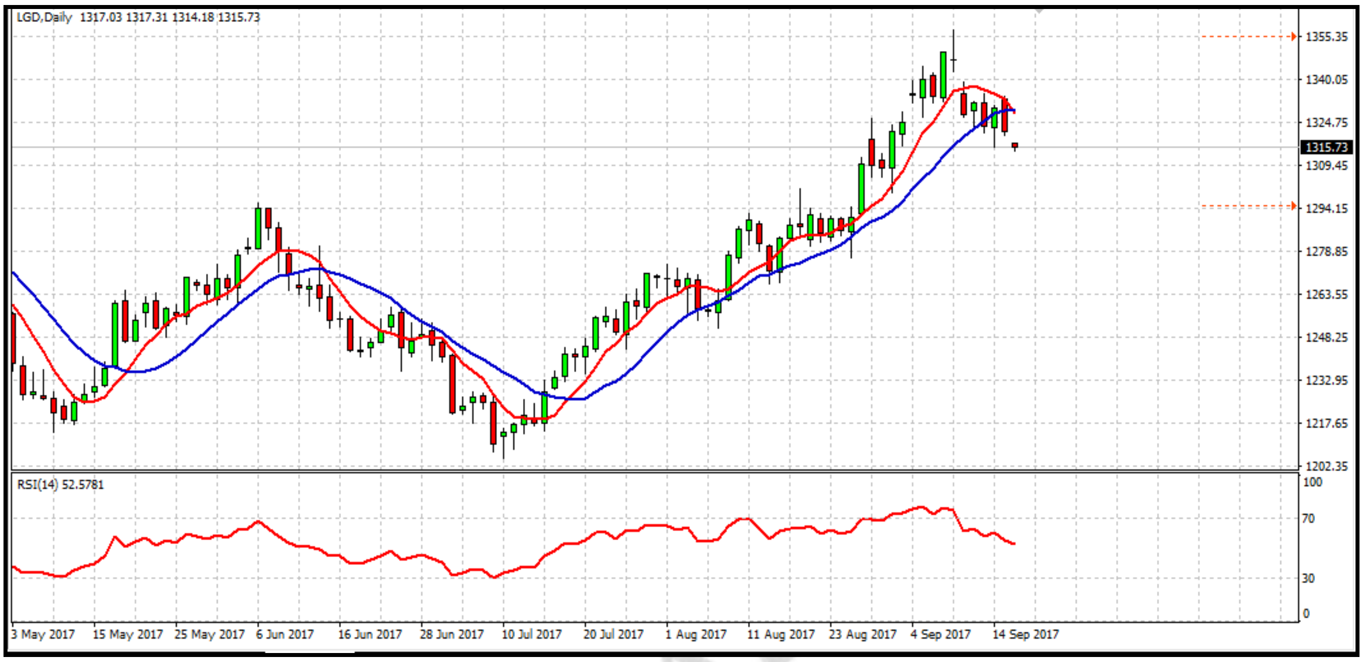
GLOBAL ECONOMIC CALENDAR

GMT	COUNTRY	INDICATOR	VOL.	FCAST	PREV

"NO MAJOR ECOMOIC INDICATOR SCHEDULED"

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

TECHNICALS



GOLD

R3	R2	R1	PIVOT	S1	S2	S3
1344.47	1339.22	1330.27	1325.02	1316.07	1310.82	1301.87

SILVER

R3	R2	R1	PIVOT	S1	S2	S3
18.04	17.94	17.78	17.68	17.52	17.42	17.26

EURO

R3	R2	R1	PIVOT	S1	S2	S3
1.2070	1.2028	1.1984	1.1942	1.1898	1.1857	1.1812

YEN

R3	R2	R1	PIVOT	S1	S2	S3
112.97	112.15	111.53	110.71	110.09	109.27	108.65

GBP

R3	R2	R1	PIVOT	S1	S2	S3
1.3897	1.3757	1.3663	1.3522	1.3429	1.3288	1.3195

CHF

R3	R2	R1	PIVOT	S1	S2	S3
0.9722	0.9685	0.9639	0.9602	0.9557	0.9520	0.9475

AUD

R3	R2	R1	PIVOT	S1	S2	S3
0.8076	0.8056	0.8028	0.8007	0.7980	0.7959	0.7931