

Gold drops to near one-month low after US dollar rallies

GOLD PRICES fell to a near one-month low on Tuesday as investors took refuge in the dollar after weak Chinese trade data, while caution prevailed ahead of US inflation figures later this week.

Spot gold slipped 0.6% to \$1,925.79 an ounce by 01:46 p.m. EDT (1746 GMT), after hitting its lowest since July 10. US gold futures settled 0.5% lower at \$1,959.9.

"A lot of nervousness about the global growth outlook and it is probably going to be a lot weaker than people anticipated and that's triggered a move into the dollar," said Edward Moya, senior market analyst of the Americas at OANDA.

The dollar rose 0.5% against its rivals, making gold less attractive for other currency holders.

All eyes will be on US consumer price index data due on Thursday. US inflation likely accelerated slightly in July to an annual 3.3%, while the core rate was likely unchanged at 4.8%, according to a Reuters poll of economists.

Fed Governor Michelle Bowman on Monday outlined the likely need for additional rate hikes to lower inflation to the US Federal Reserve's 2% target, while New York Fed chief John C. Williams expected rates could begin to come down next year.

Reflecting downbeat sentiment in gold, holdings of the world's largest gold-backed exchange-traded fund, SPDR Gold Trust, fell to a five-month low on Monday.

Silver dropped 1.7% to \$22.76 per ounce; platinum XPT fell 2% to \$901.51; and palladium shed 1.5% to \$1,220.99. — **Reuters**

SPOT PRICES

TUESDAY, AUGUST 8, 2023

METAL	
PALLADIUM free \$/troy oz	1,216.22
PALLADIUM JMI base, \$/troy oz	1,223.00
PLATINUM free \$/troy oz	901.40
PLATINUM JMI base \$/troy oz	907.00
KRUGGERAND, fob \$/troy oz	1,923.00
IRIDIUM, whs rot, \$/troy oz	4,590.00
RHODIUM, whs rot, \$/troy oz	4,090.00

GRAINS (August 3, 2023)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1 st Class, \$/ton	925.00
FRAGRANT (100%) 2 nd Class, \$/ton	896.00
RICE (5%) White Thai-\$/ton	572.00
RICE (10%) White Thai-\$/ton	571.00
RICE (15%) White Thai-\$/ton	560.00
RICE (25%) White Thai-\$/ton (Super)	560.00
BROKER RICE A-1 Super \$/ton	469.00

LIFFE COFFEE			
New Robusta 10 MT - \$/ton			
High	Low	Sett	Psett
Sept.	2,695	2,659	2,688
Nov.	2,562	2,532	2,559
Jan.	2,488	2,460	2,485
Mar.	2,441	2,421	2,439

LIFFE COCOA			
(Ldn)-10 MT-\$/ton			
High	Low	Sett	Psett
Sept.	2,665	2,589	2,621
Dec.	2,697	2,610	2,632
Mar.	2,648	2,571	2,591
May	2,602	2,532	2,551

COCONUT	
MANILA COPRA (based on 6% moisture)	
Peso/100kg	Buyer/Seller
Lag/Qzn/Luc	23 3,450.00/3,500.00
Philippine Coconut Oil - Crude	
CIF NY/NOLA	54.25
PALM OIL RAIL/NOLA	57.25
COCONUT OIL (PHIL/IDN), \$ per ton	
CIF Europe	
Sept./Oct.'23	1,080.00/1,100.00
Oct./Nov.'23	1,080.00/1,090.00
Nov./Dec.'23	0.00/1,112.50
Dec./Jan.'24	0.00/1,120.00

LONDON METAL EXCHANGE	
LME FINAL CLOSING PRICES, US\$/MT	
3 MOS.	
ALUMINUM H.G.	2,200.50
ALUMINUM Alloy	1,800.00
COPPER	8,347.50
LEAD	2,125.00
NICKEL	20,841.00
TIN	27,300.00
ZINC	2,456.00

Oil rises on higher US economic growth view; China trade weighs

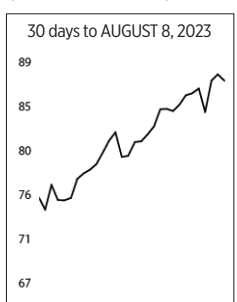
NEW YORK — Oil prices edged higher on Tuesday as a US government agency projected a rosier outlook on the economy, but bearish data on China's crude imports and exports weighed.

Brent crude futures gained 83 cents to settle at \$86.17 a barrel. US West Texas Intermediate (WTI) crude rose 98 cents to \$82.92.

Both contracts had fallen by \$2 earlier in the session, but prices reversed course after a monthly report from the US Energy Information Administration (EIA) projected gross domestic product growth to rise by 1.9% in 2023.

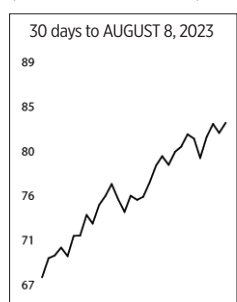
The EIA also expects Brent crude oil prices to average \$86 in the second half of 2023, up about \$7 from the previous forecast.

ASIA-DUBAI (AUGUST CONTRACT)



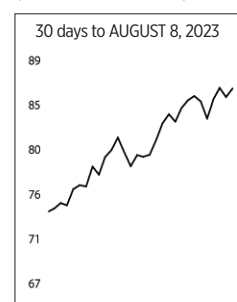
DOLLARS PER BBL	
Aug	2 3 4 7 8
\$/bbl	86.31 83.98 87.11 87.73 87.11
Average (August 1-8)	\$86.35
Average (July 3-31)	\$80.45

NEW YORK-WTI (SEPTEMBER CONTRACT)



DOLLARS PER BBL	
Aug	2 3 4 7 8
\$/bbl	79.49 81.55 82.82 81.94 82.92
Average (August 1-8)	\$81.68
Average (July 3-31)	\$76.04

LONDON-BRENT (OCTOBER CONTRACT)



DOLLARS PER BBL	
Aug	2 3 4 7 8
\$/bbl	83.20 85.14 86.24 85.34 86.17
Average (August 1-8)	\$85.17
Average (July 3-31)	\$80.15

Source: REUTERS

US crude production is expected to rise by 850,000 barrels per day (bpd) to a record 12.76 million bpd in 2023, the report

added, overtaking the last peak of 12.3 million bpd in 2019.

Crude prices have been rising since June, primarily because of ex-

tended voluntary cuts to Saudi Arabia's production as well as increasing global demand, the EIA said.

Weighing on prices on Tuesday, however, China's July oil imports were down 18.8% from the previous month to the lowest daily rate since January, but still up 17% from a year earlier.

Overall, China's imports contracted by 12.4% in July, far steeper than the expected 5% drop. Exports fell by 14.5%, compared with a fall of 12.5% tipped by economists.

US crude oil stocks rose last week, while gasoline and distillate stockpiles dropped, according to market sources citing American Petroleum Institute figures on Tuesday. — **Reuters**

NYSE falls after bank rating cuts spark sell-off

ALL THREE major Wall Street benchmarks finished lower on Tuesday in a broad sell-off after the downgrading of several lenders by credit rating agency Moody's reignited fears about the health of US banks and the economy.

After a five-month rally pushed the benchmark S&P 500 and Nasdaq Composite within 5% of their lifetime highs, August has now recorded five losing sessions out of six. The S&P is down 2% this month, with the Nasdaq dropping 3.2%.

Tuesday's decline was triggered after the agency cut ratings on 10 small- to mid-sized lenders by one notch and placed six banking giants, including Bank

of New York Mellon, US Bancorp, State Street, and Truist Financial, on review for potential downgrades.

Moody's also warned that the sector's credit strength would likely be tested by funding risks and weaker profitability.

Market confidence in US banks has been gradually returning after the failures of three lenders earlier this year, including Silicon Valley Bank, shocked the financial system.

The S&P 500 Banks index has slipped 2.5% year to date, compared with a 17.2% gain by the S&P 500, and the downgrades exposed the fragility of investors' confidence towards financial stocks.

The banks index slid 1.1% on Tuesday, while the KBW Regional Banking index dipped 1.4%.

Big banks Goldman Sachs and Bank of America each eased around 1.9%, while Bank of New York Mellon dropped 1.3% and Truist fell 0.6%.

Reaction to the bank downgrades pushed up the CBOE Market Volatility index, Wall Street's fear gauge, at one point hitting a two-month high.

The Dow Jones Industrial Average fell 158.64 points or 0.45% to 35,314.49; the S&P 500 lost 19.06 points or 0.42% to 4,499.38; and the Nasdaq Composite dropped 110.07 points or 0.79% to 13,884.32.

Eight of the 11 major S&P 500 sectors fell. While financials was,

understandably, one of the biggest decliners, materials and consumer discretionary also weighed heavily.

Drugmakers globally rose after Denmark-based Novo Nordisk said its obesity drug, Wegovy, reduced the risk of heart disease. United Parcel Service slipped 0.9% after the US economy bellwether cut its annual revenue forecast.

Volume on US exchanges was 10.94 billion shares, in line with the average over the last 20 trading days at the New York Stock Exchange (NYSE). The S&P 500 posted 13 new 52-week highs and 17 new lows; the Nasdaq Composite recorded 46 new highs and 195 new lows. — **Reuters**

No decoupling, but West and China drift apart

CHINA'S unexpectedly poor export performance as revealed on Tuesday is still largely down to wider economic headwinds. But underlying trade and investment trends point to an unmistakable long-term drift in commercial ties with the West.

Official data showed a 14.5% drop in July exports amid weak consumer demand in the world markets served by China — the fastest decline since the pandemic hit in 2020. Lower imports meanwhile highlighted the lackluster domestic Chinese picture.

For now, such cyclical factors outweigh any impact of calls by Western governments for companies to "de-risk" supply chains as a new era of distrust prompts the United States and Europe to cut trade reliance in strategic sectors with China.

But the longer-term direction of travel emerges more clearly as you pan out from the monthly trade headline.

Take foreign direct investment — the more forward-looking clue as to where commercial ties between countries are heading.

Foreign investment into China fell to around 0.4% of output by the end of June compared to an average of 1.6% for the five years

before the pandemic — a 67% real decline over the period to the lowest level since records began 25 years ago.

"We would expect that to recover with the reopening but that really hasn't been the case," said Louise Loo, senior economist with Oxford Economics.

"That is more of a geopolitical story because of the regulatory environment, because of what is happening on the supply chain side," she added of regulatory crackdowns on some sectors that have unnerved potential investors.

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Some, meanwhile, point to the fact that US-China trade — exports and imports of goods combined — hit a record \$690 billion last year as evidence that the reality does not match the frosty political rhetoric.

But Stephen Roach, senior fellow at Yale Law School's Paul Tsai China Center, noted that such tallies were expressed in dollars unadjusted for surging inflation and came at a time when overall output was dragging many indicators higher.

In fact, he calculated, US-China bilateral trade in goods and services in real terms fell to

3% of US output in 2022 from a peak of 3.7% in 2014 — a decline of about a fifth.

"While this is a far cry from full decoupling... it certainly qualifies as a meaningful step in that direction," he wrote in a column last month.

The picture in Europe is more mixed but clearly visible in the trade data of Germany, which under former chancellor Angela Merkel nurtured strong commercial ties with China that helped turbo-charge its economy through the 2000s and beyond.

According to official data accessed by Reuters last week, exports to China made up just 6.2% of total German exports in the first half of the year — the lowest share since 2016.

The fact that China is no longer the market it was for German exporters has less to do with de-risking and is more likely a consequence of China increasingly able to produce goods it previously had to buy from Germany, analysts noted.

Last month's China strategy document unveiled by Chancellor Olaf Scholz's three-way coalition left open exactly how far Berlin would ultimately go in reining in commercial ties.

Mark Leonard of the European Council on Foreign Relations said the German stance was critical given that four German firms — Mercedes-Benz, BMW, Volkswagen, and BASF — accounted for a third of all European investment in China between 2018 and 2021.

"The stakes are high, because where Germany goes, the rest of Europe often follows," he wrote in a July 28 commentary.

The trade environment could be about to get frostier.

US President Joseph R. Biden is expected in coming days to issue his long-awaited executive order to screen outbound investments in sensitive technologies to China, according to people familiar with the matter.

As campaigning for elections next year in United States and Taiwan gets going, US foreign policy could turn more hawkish, Oxford Economics' Ms. Loo noted of a further development that could weigh further on China's trading outlook.

"Our conviction around a near-term possibility of a more predictable and transparent framework for US-China relations remains low," she said. — **Reuters**



China swings into deflation in July as recovery falters

BEIJING — China's consumer prices fell into deflation in July, while factory gate prices extended their declines, as the world's second-largest economy struggled to revive demand and pressure mounted for authorities to release more direct stimulus.

The consumer price index (CPI) for the month dropped 0.3% year on year, the National Bureau of Statistics (NBS) said on Wednesday, a slightly slower fall than the median estimate for a 0.4% decrease in a Reuters poll. It was the first year-on-year decline since February 2021. CPI was unchanged in June.

The producer price index (PPI) fell for a 10th consecutive month, down 4.4% from a year earlier after a 5.4% drop the previous month. That compared with a forecast for a 4.1% fall.

China's economic recovery slowed after a brisk start in the first quarter, as demand at home and abroad weakened. Authorities have rolled out a flurry of policy measures to support the economy, with more steps expected.

"Both CPI and PPI in year-on-year terms fell into negative territory and confirmed economic deflation," said Xing Zhaopeng, senior China strategist at ANZ.

Mr. Xing expected the CPI to hover around 0 in the second half of the year, saying "it would be hard to maneuver monetary policy. The Politburo meeting called for a stable yuan exchange rate, which would conflict with monetary easing."

The figures come amid mounting fears China is entering an era of much slower economic growth akin to the period of Japan's "lost decades" since the 1990s, which

saw consumer prices and wages stagnate for a generation.

China's anaemic prices contrast sharply with the crippling inflation most other major economies have seen, which forced central banks elsewhere to rapidly raise interest rates.

However, there are also signs global inflation may be peaking and in some cases reversing with prices in Brazil sharply slowing, raising the sudden prospects of an interest rate cut in the world's 10th largest economy.

Chinese authorities have downplayed concerns about deflation. Liu Guoqiang, deputy governor of the central bank, last month said there would be no deflationary risks in China in the second half of the year, but noted the economy needs time to return to normal after the pandemic.

The NBS said separate statement CPI was expected to rebound as the economy recovers and the relationship between supply and demand improves.

The government has set a consumer inflation target of around 3% this year, which be up from 2% recorded in 2022.

Despite recent policy stimulus, consumers and manufacturers remained cautious amid the still-weak housing market and high youth unemployment, and a diminishing appetite among foreign firms to invest in China.

Investors have been anxiously waiting for policy makers to inject stimulus measures after the powerful Politburo meeting last month, with the stock market mostly underwhelmed by the lack of concrete actions. — **Reuters**

Taiwan pitches deeper Europe engagement after German investment

TAIPEI — Taiwan chipmaker TSMC's €3.5 billion (\$3.83 billion) investment in Germany will drive deeper engagement between the island and Europe, Taiwan's economy minister said on Wednesday, pitching the political benefits of the deal.

For Taiwan, under increasing pressure from Beijing to accept China's sovereignty claims over the island, the investment in a new factory is a show of goodwill towards Europe, even as the European Union (EU) has shown no desire to proceed with a Bilateral Investment Agreement, or BIA, Taipei has long hoped for.

"TSMC's investment in Europe will help bring even closer cooperation between Taiwan and the EU," Taiwan Economy Minister Wang Mei-hua told reporters

in Taipei, when asked if signing the BIA would get more Taiwanese chipmakers to the bloc.

"Just like how Taiwan and the United States are continuing to strengthen cooperation, like the '21st Century' trade initiative and double tax avoidance, TSMC going to Europe will certainly strengthen bilateral relations in the future," she added, referring to a recently signed trade deal with Washington.

Taiwanese officials, while pointing out TSMC's investments are a company decision, have also said that European countries should strengthen ties with Taiwan if they want continued semiconductor cooperation.

Taiwan has repeatedly called for progress on a BIA with the European Union. The EU included Taiwan on its list of trade part-

ners for a potential bilateral investment agreement in 2015, but it has not held talks with Taiwan on the issue since.

A BIA would be politically significant for Taiwan given its diplomatic isolation and general exclusion from most global bodies and agreements, though it is a World Trade Organization member.

The TSMC investment in Germany will need approval by Taiwan's economy ministry, and Ms. Wang said they will also consider the company's "vigorous" investments at home when weighing the German plans.

A source familiar with the German talks told Reuters that approval was likely not a problem given that the plant will be making less advanced chips for the auto industry, rather than higher-end,

more profitable chips for things like artificial intelligence applications.

"It will free space in Taiwan to make more valuable chips," the source said, requesting anonymity as they were not authorized to speak to the media.

TSMC's overseas expansion, which includes new factories in the United States and Japan, has sparked concerns in Taiwan, where semiconductor manufacturing is the backbone of the economy, about a "goodbye to Taiwan" trend among chip firms.

Ms. Wang said that TSMC has repeatedly said its most advanced manufacturing and research would continue to be rooted in Taiwan, but that more chip production overseas was part of a global trend about giving greater resilience to supply chains. — **Reuters**