JM&B Monthly Gold & Silver Report
November 2006

http://www.johnson-matthey.ch/

Introduction

The purpose of this report is to comment on developments in the gold and silver markets on a monthly basis. For more information about this report, please consult the Appendix. Johnson Matthey plc issues reports on platinum group metals:

http://www.platinum.matthey.com/publications/price_reports.html

Contents

1. Commentary

Gold and silver made significant price gains in November and from a technical point of view both metals could move higher going into December and January. This typical seasonal pattern was last displayed in December 2005/January 2006.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Hedging

New York, 6th November 2006, (Reuters) – Gold mining companies shrank hedge books by 2 million ounces in the third quarter, slower than the rate of the first half of 2006 but still indicating miners remain committed to reducing the size of hedges, a quarterly survey released Monday said.

According to The Hedge Book, compiled Virtual Metals and Halliburton Mineral Services for Mitsui Global Precious Metals, 40 of the 54 companies with price protection programs at the beginning of the third quarter reduced their forward sales, options and other hedge positions.

The reduction compared with 5 million ounces of hedges unwound in the first two quarters of this year and less than 1 million ounces unwound in the third quarter last year.

"The rate of dehedging was bound to slow after the huge reductions seen in the first and second quarter. At a relatively large 2.0 million ounces, however, the Q3 2006 fall suggests global mining companies remain committed to reducing their hedge commitments and have very little appetite for new hedging," Edel Tully, head of precious metals research at Mitsui Global Precious Metals said in a press release.

The biggest reductions were by AngloGold Ashanti <ANGJ.J> with 0.6 million ounces, Newcrest <NCM.AX> with 0.4 million ounces and Barrick <ABX.TO> with 0.3 million ounces, the study said.

Central Banks

Mumbai, 29th November 2006, (Iris) – S S Tarapore, former deputy RBI governor and the head of the committee on fuller capital account convertibility has suggested that the government allow the Reserve Bank of India (RBI) to increase the share of gold in the country`s foreign exchange reserves in order to diversify risks arising from volatility in global currencies, reports Business Standard.

He further added that such an arrangement will help the apex bank to hedge against global inflation.

While addressing a meeting on foreign exchange management today, he said further that the possibilities of diversification are very limited. Gold is unique in the sense that it is both a commodity and a store of value. He has opined that in case of volatility in the prices of gold as well as in the value of currencies, there are long term advantages in raising the proportion of gold in foreign exchange reserves.

He further clarified that the proportion of gold in the reserves would act as a bedrock which will not be used in early stages of any draw down of reserves or when there are periodic fluctuations in the reserves. Gold invariably moves inversely with the dollar and also rises in value when international inflation gathers momentum.

He pointed out that with a significant rise in the foreign exchange reserves, the share of gold has reached as low as 3.6%.

He further said that RBI`s portfolio managers should also focus on the value of holdings of different currencies in terms of gold. This will clearly show that gold has held its own over the secular period.

Before RBI moves over to an active gold policy, the fear of gold in politic have to be removed. The costs of the present passive gold policy and what a proactive gold policy would deliver if RBI were to undertake a two-way transaction in gold should be clearly spelled out.

China

Shanghai, 28th November 2006, (Shanghai Daily) – Gold sales on the Chinese mainland gained three percent in the third quarter, boosted mainly by surging demand for investment bullion, the China affiliate of the World Gold Council said yesterday in an industry report.

Sales totalled 62.9 tons in the third quarter, including jewellery and investment bullion, the gold advocate said.

Demand for investment gold, or products sold by banks, more than doubled to 2.5 tons for period, while demand for gold jewellery added a mere one percent to 60.4 tons.

"The wild fluctuation of gold prices in the third quarter boosted gold investment as investors saw more chances to profit," said a World Gold Council official.

The sales increase followed a two percent dip in the second quarter, when the yellow metal lost its luster amid rising prices.

Gold bullion prices in Asia, London and New York passed US$700 an ounce in May, refreshing 1980's high. More investors got into gold when prices dropped in July, the official said.

Over the first three quarters, gold trading in banks was estimated to top 50 tons, the report said.

Banks such as the Industrial and Commercial Bank of China, China Construction Bank and Bank of China offer paper gold trading, in which investors can profit from price fluctuations. ICBC and the Agricultural Bank of China also let investors take bullion home.

Chinese people are traditionally held gold in high esteem, said Wang Lixin, China manager for the World Gold Council.

Gold sales for all of China, including Hong Kong and Taiwan, increased three percent in the third quarter to 71.7 tons, according to industry reports.

2.2 Technical Comments

Long Term Technical Comments

No change in the long-term price trend for gold, which remains up:

Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1st November	30th November	1st November	30th November
614.1	646.7	614.1	646.7

London afternoon fix in €/oz:

Open	High	Low	Close
1st November	6th November	1st November	30th November
480.8	492.5	480.8	488.4

A significant price gain for gold took place in November. As we said a month ago 'At this juncture, gold is by no means overbought and further price gains are likely.' Obviously the recent price gains for both gold and silver have to some extent been caused by USD weakness, therefore any USD strength could result in price weakness for precious metals and thus provide a buying opportunity for those waiting to buy, but we would not count on it!

3. Silver

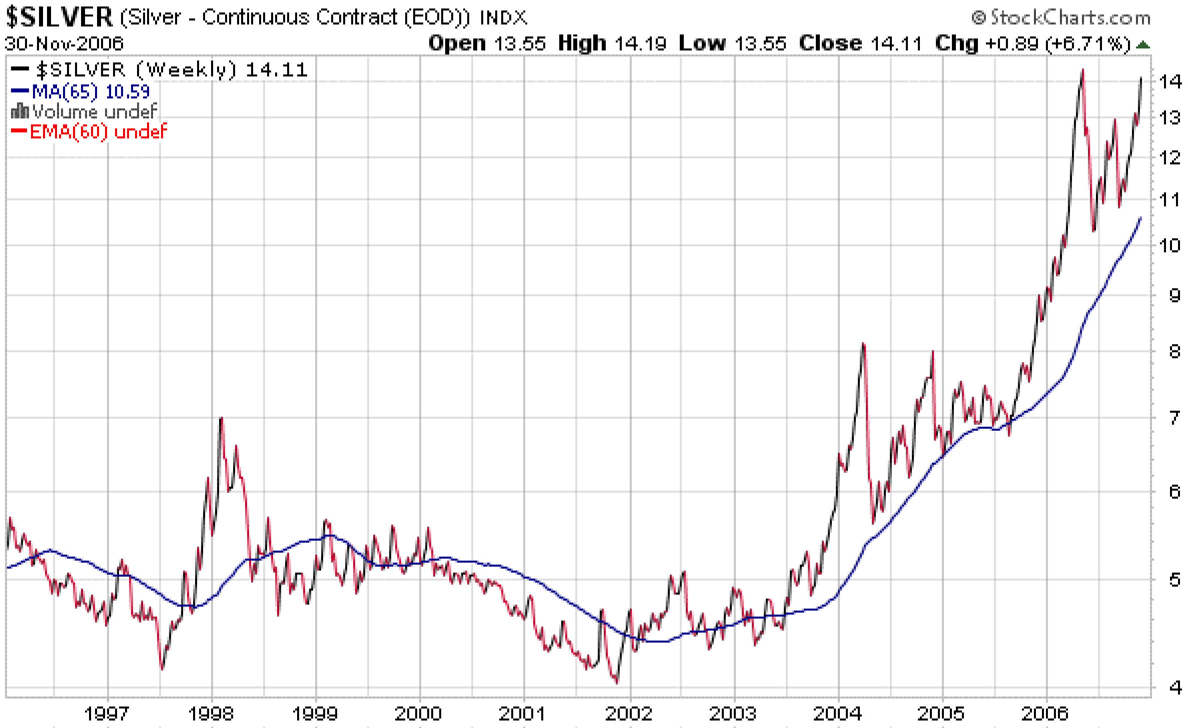
3.1 News and Fundamental Considerations

Nothing to report in November.

3.2 Technical Comments

Long Term Technical Comments

The long-term technical picture for silver still remains positive and a test of the 2006 high appears possible:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1st November	30th November	1st November	30th November
12.36	13.68	12.36	13.68

London fix in €/oz:

Open	High	Low	Close
1st November	29th November	1st November	30th November
9.683	10.38	9.683	10.37

Like gold, silver gained in price significantly in November. Although the daily chart is now showing an overbought picture, the weekly and monthly charts indicate that we may well see higher prices yet, before a correction takes place.

John Fineron 1st December 2006

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Appendix: More about this report

Purpose of the Report
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http://www.adobe.com/products/acrobat/readstep.html

This report is prepared in the English language, as are the vast majority of contributions on precious metal markets.

Structure of Report
The report comprises two sections:

Fundamental Considerations
This section addresses aspects of supply and demand in gold and silver, which typically affect the market over periods of several years. Over the long term, the price of a commodity will rise or fall until natural supply and demand reach equilibrium. Completion of this process, can take many years and is significantly influenced by hoarding and dis-hoarding. For example, dis-hoarding of stockpiles to compensate for supply shortages can proceed over decades and thereby delay movement to a true equilibrium price.

Technical Comments
This section describes aspects of technical analysis in gold and silver, which can be used to assist in buy and sell decisions over periods of weeks to months. Traders often use technical analysis to trade or profit from price movements up or down. Because large traders, e.g. hedge funds, often use the same signals, price-movements are often amplified and technical signals become self-fulfilling prophecies due to the herd-mentality.

Learn more about technical analysis:

http://stockcharts.com/education

and the terms used:

http://stockcharts.com/education/GlossaryA.html

Learn more about candle charts:

http://www.litwick.com/about.html

All charts used are courtesy of Stockcharts.com unless otherwise stated.

Find out more about the Elliot wave principle:

http://www.prognosis.nl/principle/index.html

Please note that our technical comments will be purely technical in nature and will not attempt to rationalise or second-guess the reasons for price movements.

Advice on buying and selling precious metals
It is not the policy of Johnson Matthey & Brandenberger AG, to advise customers on specific buy or sell points. We are however prepared to assist customers in formulating views on precious metal markets and preparing strategies suited to their individual buying and selling needs.

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