

JM&B Monthly Gold & Silver Report

March 2007

<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

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1. Commentary

After significantly correcting in price at the start of the month, both gold and silver ended March consolidating in price with gold stronger than silver.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

India, 8th March 2007, (Financial Express) – Reliance, Tatas, Birlas, Kotak, ICICI Prudential, Sundaram BNP Paribas, and UTI are among a host of mutual funds (MFs) who are awaiting Securities and Exchange Board of India's (Sebi) nod to launch gold exchange traded funds (ETFs). The MFs are hopeful of getting the green light from the market regulator to launch their products soon.

Among the major reasons for the mutual funds to evince keen interest in gold ETF are popularity and global acceptance. Apart from hedging against price rises, the ETF is expected to bring better returns as each unit is equal to the price of one gram of gold, which is less volatile

compared to equities, industry sources said. "Benchmark, which pioneered the concept of gold ETF when it filed for Gold scheme with Sebi in 2002, has seen many leading players picking up its unique concept and it has become path breaking innovation. We expect at least a dozen players to launch gold ETFs in the next few months," said Rajan Mehta, executive director, Benchmark MF.

New York, 15th March 2007, (Bloomberg) – Gold holdings by central banks and other government organizations declined for the eighth straight year in 2006, to the lowest in almost 60 years, figures from the International Monetary Fund show.

Bullion holdings were 867.6 million ounces last year, down 1.2% from 2005, the Washington-based International Monetary Fund said on its Web site. That's the lowest since 1948, according to the World Gold Council. Gold climbed 23% last year as investors took up some of the supply through exchange-traded funds, or ETFs. „There is a lot of speculation some major central banks out of Asia or emerging countries will be increasing their gold position,” said Markus Bachmann, manager of the \$280 million Craton Capital Precious Metals Fund in Johannesburg. „What is far more important is the demand coming from the ETFs.”

Of the top 15 government holders, Russia was the only bank to make purchases. Its total was 12.91 million ounces in December, up 3.8% from 12.44 million a year earlier, according to the IMF. Russia central bank spokesman Vladimir Lavrov in Moscow declined to comment. Sellers last year included France, Austria, Spain, the Netherlands, Portugal, Sweden, the Philippines, the Czech Republic, Serbia, Colombia, El Salvador and Mexico. The European Central Bank was also a seller, according to its Web site. China's holdings of 19.29 million ounces in December have stayed unchanged since 2001, when they were 16.1 million ounces, the IMF figures show.

„People like to talk about central banks buying gold when actually they rarely do,” said Matthew Turner, an analyst at Virtual Metals Research & Consulting in London. To be sure, gold is attracting some of the emerging nations. The central banks of Kazakhstan, Belarus, Tajikistan, Suriname and Ukraine increased their holdings last year. „Over the last 10 years what essentially happened was a lot of new gross sales activity from central banks, mainly the Europeans, and very little buy-side activity,” said Philip Klapwijk, chairman of London-based research company GFMS Ltd. who has followed gold and central banks since 1989.

„Last year there was a change and the buy-side interest could be identified to a reasonable scale.” Governments don't tend to buy and sell investments because of the price, Klapwijk said. „Diversification is the name of the game.” Of the 4.98 billion ounces of gold in inventories at the end of 2005, 52% was in the form of jewellery, 18% was in central bank vaults and 16% was investor owned, Klapwijk said. „By the end of this decade, private individual stocks are likely to exceed official stocks for the first time ever,” he said.

Gold Rush Atmosphere Fuels Chinese Gold Market

20 percent of Chinese said they were willing to spend 10 to 30 percent of the estimated \$2 trillion in their savings accounts on gold investment

Santa Monica, 17th March 2007, (PRWeb) – As much as 300 billion Yuan (US\$36.15 billion) in private money is estimated to flow into the gold market, creating demand for about 3,000 tons of gold.

A market demand for 300 to 500 tons of gold will be created by individual traders, reports top gold investment advisor Kevin DeMeritt of <http://www.goldcentral.com/> [Lear Financial], the parent company of <http://www.goldcentral.com/> [Gold Central], one of the top gold coin companies in the U.S. states.

Gold has always had a special place in the hearts of Chinese people. It represents wealth and good fortune but now the rush to buy gold coins and gold jewellery is reaching fever pitch in major cities across the country.

Other than tradition, a combination of other factors, including the depreciation of the US dollar, and the surge in prices of a wide range of commodities, has also fueled the latest rush to buy gold bullion and gold coins.

In Guangzhou, capital of South China's Guangdong Province, retail sales of gold coins and gold products had reached 7.82 tons since February, even though the volatility of Shanghai's stock market was enough to trigger a global share sell-off last week, it does not seem to have discouraged Chinese investors.

It is very easy to set up a gold trading account. All that is required is a bank account. At the height of the market, as many as 90,000 new accounts are being opened every day across China. People of all ages are crowded around terminals, banging away on keypads, one transaction after another. The traders, many of them elderly, shell peanuts or get on with their knitting in between trades.

In Beijing, a special gold ornament named "lucky balls" has attracted much attention in recent days.

Local media reported that the biggest gold store in the capital, Beijing Caishikou Department Store, every day sells thousands of such one-gram small balls, which could either be worn on the wrist or around the neck.

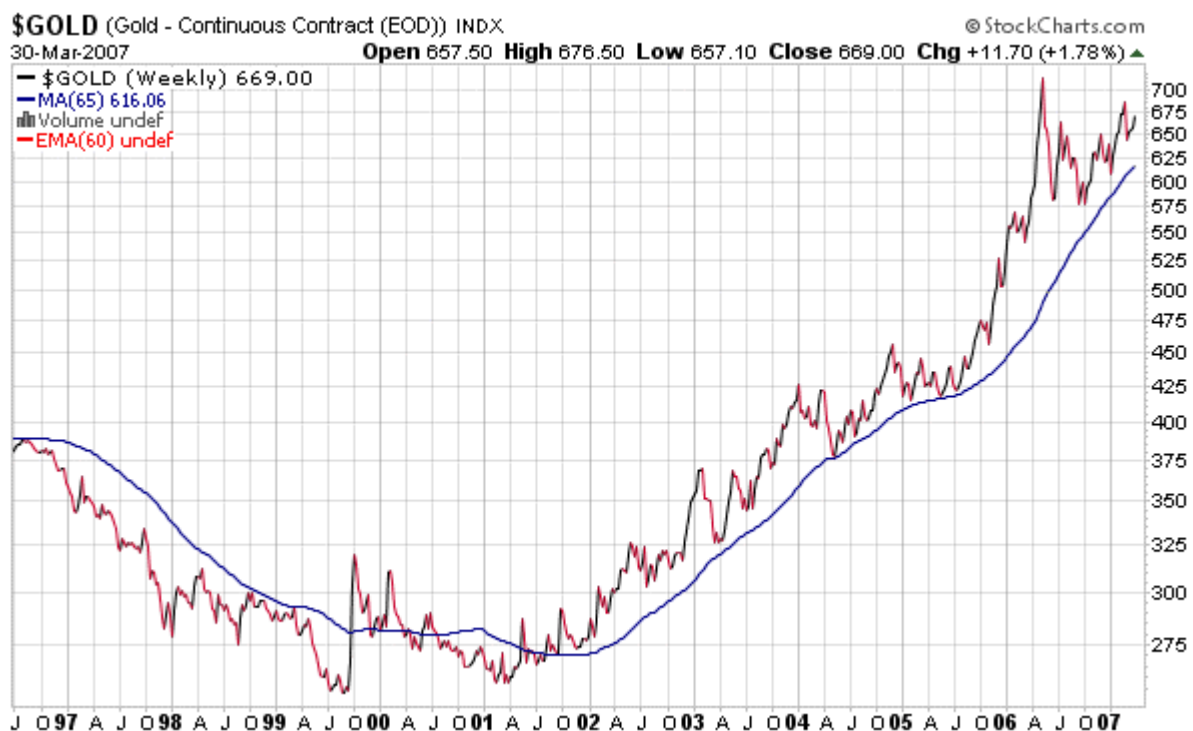
LBMA Member Gold Price Forecast 2007

Forecast 2007					
GOLD					
Each contributor has given a high, low and average price for 2007 and a brief commentary about what will happen over the course of the year. Click on the name to read the forecast from that contributor.					
Annual average as at end February: \$647.156					
NAME	COMPANY	CITY	HIGH	LOW	AVG.
Graf, Adam	Federated Global Investment Management Corp.	New York	785	620	755
Norman, Ross	TheBullionDesk	London	850	580	716
Reade, John	UBS Investment Bank	London	800	580	700
Widmer, Michael	Calyon Corporate and Investment Bank	London	800	550	700
Gutman, James	Goldman Sachs	London	775	600	700
Steel, James	HSBC Bank USA NA	New York	720	580	680
Bergtheil, Jon	JPMorgan Chase Bank	London	750	570	678
Murenbeeld, Martin	Dundee Group of Companies	Vancouver	755	565	674.50
Klapwijk, Phillip	GFMS Ltd	London	752	602	674
Davis, David	Credit Suisse Standard Securities	Johannesburg	725	600	665
Richardson, Peter	Deutsche Bank	Sydney	720	590	660
Enland, Richard	Standard Bank	London	700	575	660
Panizzutti, Frederic	MKS Finance	Geneva	750	580	652
O'Connell, Rhona	ROC Consultancy Ltd	London	750	570	650
Weldon, Gregory	Weldononline.com		750	550	650
Tully, Edel	Mitsui Precious Metals	London	715	520	650
Jacazio, Costanza	Barclays Capital	London	730	570	650
Wrzesniok, Wolfgang	Heraeus Metallhandelgesellschaft m.b.H.	Hanau	730	585	645
Vaidya, Bhargava	BN Vaidya & Assoc	Mumbai	725	550	645
Turnbull, Trevor	Scotia Capital	Toronto	750	575	640
Turner, Matthew	Virtual Metals	London	750	560	640
Hochreiter, Rene	James Allen	Johannesburg	750	590	620
Fertig, Peter	Dresdner Bank AG London Branch	London	700	540	620
Christian, Jeffrey	CPM Group	New York	850	550	616
Henton, Helen	Standard Chartered Bank	London	680	580	613
Rhodes, Jeffrey			730	540	610.50
Takai, Bob	Sumitomo Corp	Tokyo	680	540	600
Biondi, Adrien	Commerzbank International SA	Luxembourg	675	505	580
Briggs, Stephen	SGCIB	London	675	500	580
AVERAGES:			742.138	566.103	652.379

2.2 Technical Comments

Long Term Technical Comments

The long-term price trend for gold remains up:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1 st March	1 st March	14 th March	30 th March
670.4	670.4	643.25	661.8

London afternoon fix in €/oz:

Open	High	Low	Close
1 st March	1 st March	14 th March	30 th March
508.0	508.4	486.6	496.7



Gold and more so silver corrected significantly in price at the start of the month. Gold then proceeded upwards in price, looking to test price resistance at 690 USD/oz at some point, perhaps in the not too distant future.

3. Silver

3.1 News and Fundamental Considerations

LBMA Member Silver Price Forecast 2007

SILVER					
Each contributor has given a high, low and average price for 2007 and a brief commentary about what will happen over the course of the year. Click on the name to read the forecast from that contributor.					
Annual average as at end February: \$13.3488					
NAME	COMPANY	CITY	HIGH	LOW	AVG.
Graf, Adam	Federated Global Investment Management Corp.	New York	18.30	12.70	15.50
Reade, John	UBS Investment Bank	London	20.00	10.00	14.00
Panizzutti, Frederic	MKS Finance	Geneva	18.00	12.00	13.75
Klapwijk, Phillip	GFMS Ltd	London	16.20	11.80	13.75
Norman, Ross	TheBullionDesk	London	14.85	11.95	13.60
England, Richard	Standard Bank	London	14.00	11.50	13.10
Richardson, Peter	Deutsche Bank	Sydney	13.50	12.40	13.06
Rhodes, Jeffrey			18.25	10.25	13.03
Widmer, Michael	Calyon Corporate and Investment Bank	London	17.00	11.00	13.00
Butler, Tom	Virtual Metals	London	16.00	9.00	13.00
Steel, James	HSBC Bank USA NA	New York	14.00	11.50	12.80
Turnbull, Trevor	Scotia Capital	Toronto	15.00	10.50	12.75
Christian, Jeffrey	CPM Group	New York	18.50	10.50	12.50
Tully, Edel	Mitsui Precious Metals	London	14.80	9.80	12.50
Vaidya, Bhargava	BN Vaidya & Assoc	Mumbai	14.75	9.50	12.40
Bertheil, Jon	JPMorgan Chase Bank	London	14.00	10.00	12.30
Hochreiter, Rene	James Allen	Johannesburg	16.00	10.00	12.00
Takai, Bob	Sumitomo Corp	Tokyo	15.00	10.00	12.00
Henton, Helen	Standard Chartered Bank	London	13.50	10.50	12.00
Wrzesniok, Wolfgang	Heraeus Metallhandelgesellschaft m.b.H.	Hanau	14.20	9.95	11.95
Fertig, Peter	Dresdner Bank AG London Branch	London	13.50	10.00	11.75
O'Connell, Rhona	ROC Consultancy Ltd	London	15.00	10.40	11.50
Biondi, Adrien	Commerzbank International SA	Luxembourg	13.70	9.75	11.25
Weldon, Gregory	Weldononline.com		16.50	8.50	11.00
Briggs, Stephen	SGCIB	London	13.75	8.00	9.75
AVERAGES:			15.532	10.460	12.570

Interesting silver news items can be found here:

www.silverinstitute.org/news/1q07.pdf

3.2 Technical Comments

Long Term Technical Comments

No change in the long-term trend for silver:



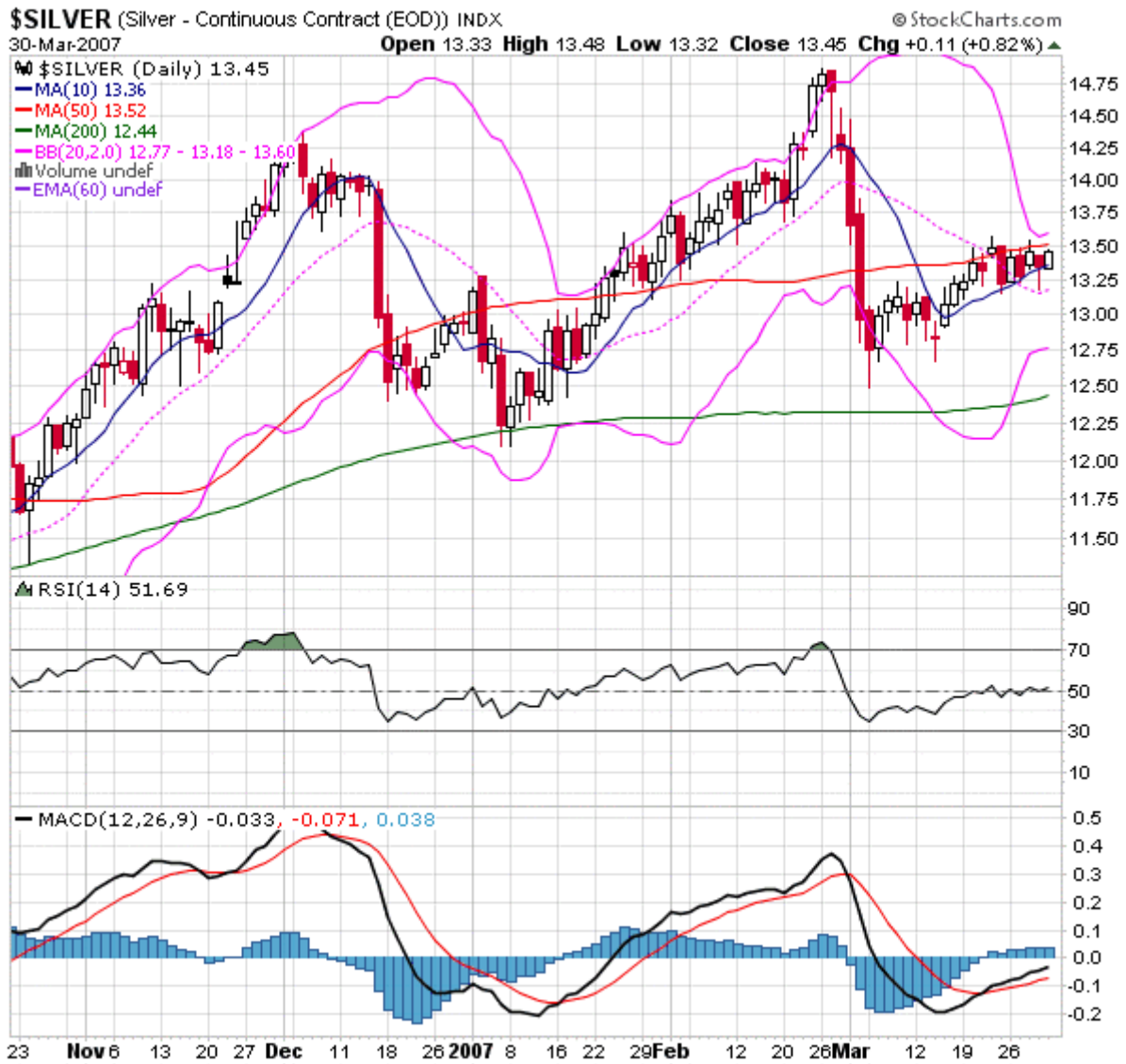
Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st March	14.29	14 th March	30 th March
14.29	14.29	12.65	13.35

London fix in €/oz:

Open	High	Low	Close
1 st March	10.81	14 th March	30 th March
10.81	10.81	9.591	10.04



Following a significant price correction at the start of the month, silver only managed to partially recoup lost ground and was consolidating in a sideways price pattern at the end of March.

John Fineron, 2nd April 2007

Appendix: More about this report

Purpose of the Report

The purpose of this report is to comment on developments in the gold and silver markets on a monthly basis. Johnson Matthey plc issues reports on the platinum group metals:

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

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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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