

JM&B Monthly Gold & Silver Report

June 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

Gold and silver weakened in price in June and both approached long-term price supports.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Berne, 14th June 2007, (SNB) – The Swiss National Bank is adjusting the composition of its currency reserves. Before the end of September 2009 it will sell 250 tonnes of gold and increase its foreign exchange reserves by a corresponding amount. The overall level of currency reserves will remain unchanged.

The gold sales fall within the bounds set by the second Gold Agreement of 8 March 2004, in which the central banks of the Eurosystem, plus the Sveriges Riksbank and the Swiss National Bank, agreed to limit their gold sales over a period of five years, beginning on 28 September 2004. The Gold Agreement specifies that annual sales by all signatories may not exceed 500 tonnes and that the total sales volume over this period shall not amount to more than 2,500 tonnes. For the gold sales it was planning, the SNB was allocated a quota not claimed by other

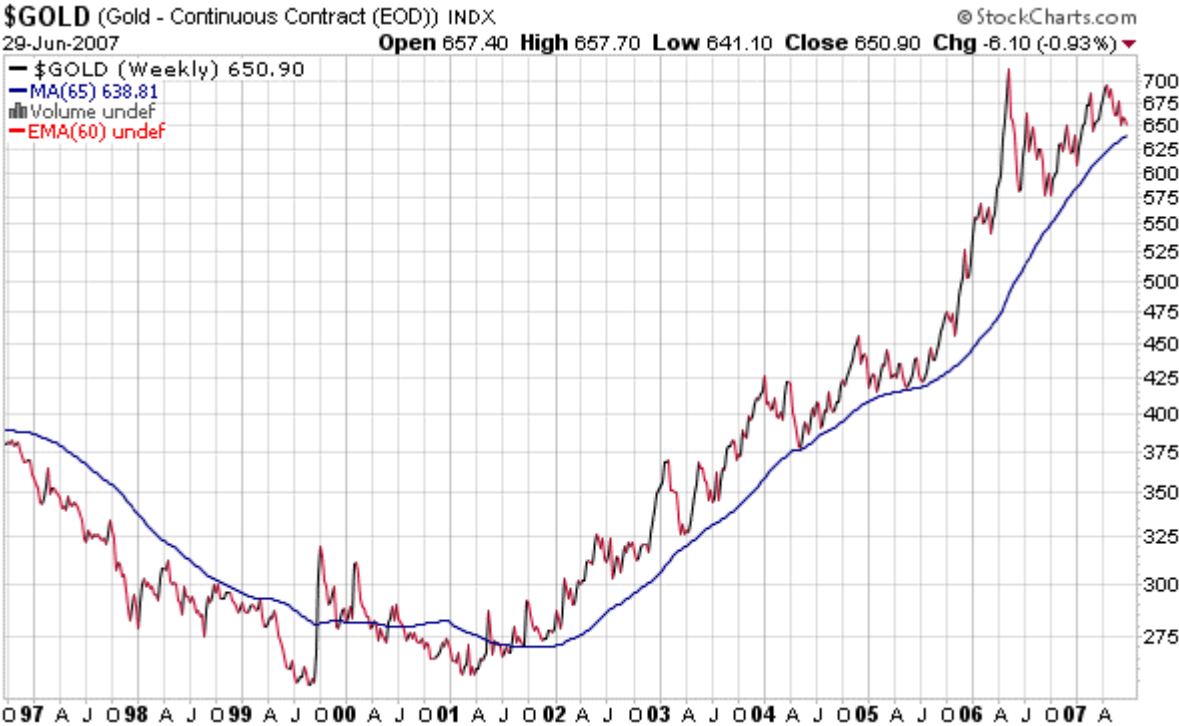
central banks that were party to the agreement of 2004. The SNB has chosen an approach for its gold sales that will avoid market unrest, with regular sales transactions.

The Swiss National Bank holds currency reserves in the form of foreign currency and gold, thereby ensuring that it has room for manoeuvre in its monetary policy at all times. As a result of the sharp rise in the price of gold, the proportion of the currency reserves held as gold has increased by about a quarter since mid 2005, from 33% to the current level of 42%. The purpose of the SNB's gold sales is to rebalance the composition of currency reserves with respect to its monetary policy requirements. Moreover, by reducing its gold reserves and increasing its foreign exchange reserves, the overall risk on SNB assets will decline. Once the sales have been completed, the Swiss National Bank's gold holdings will amount to some 1,040 tonnes.

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 June	5 th June	27 th June	29 th June
666.5	671.5	642.1	650.5

London afternoon fix in €/oz:

Open	High	Low	Close
1 st June	4 th June	27 th June	29 th June
497.5	497.6	477.7	481.5



As in May, gold declined again in price in June, but found support at it's 200 DMA.

3. Silver

3.1 News and Fundamental Considerations

News from the Silver Institute:

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

3.2 Technical Comments

Long Term Technical Comments

Silver broke the key 65 WMA in June, but we would like to see 3 closes below this important long-term trend before commenting further.



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st June	5 th June	27 th June	29 th June
13.53	13.71	12.26	12.54

London fix in €/oz:

Open	High	Low	Close
1 st June	4 th June	27 th June	29 th June
10.07	10.15	9.119	9.29



After falling through support at it's 200 DMA, silver fell to the next support level at it's 65 WMA. The latter support, proved to be an excellent buy-point for some 18 months starting in spring 2004.

John Fineron, 3rd July 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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