

JM&B Monthly Gold & Silver Report

October 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

Once again, gold registered significant price gains in October. Silver struggled to break higher in price.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

New Delhi, 15th October 2007, (Economic Times) – Gold imports are likely to surge 17 per cent to over 840 tonnes as compared to 715 tonnes last year.

"If the volatility in the gold prices remains at reasonable levels, the fourth quarter could turn out to be a great season as far as imports are concerned," World Gold Council Managing Director Ajay Mitra said on the sidelines of the launch of Reliance Money Gold Coin.

He said imports are likely to rise 30-40 per cent over the last year. However, conservative estimates put the rise in the range of 20 per cent while last year's growth in import was over 15 per cent.

Gold imports in India shot up nearly 90 per cent to 521 tonnes during January-June period as compared to the corresponding period last year.

The gold import data for July-September period has not yet been released. However, going by the market expectations, gold imports are likely to remain at around last year's level, he said.

Gold imports have shot up 40-50 per cent till September this year.

"Going by the prevailing condition, bullish trend is likely to continue," he said, adding combination of factors like crude oil prices, fluid political situation and weak dollar determine gold prices.

Moscow, 22nd October 2007, (Dow Jones) – Gold reserves held by the Central Bank of Russia totalled 13.8 million Troy ounces Oct. 1, up from 13.1 million ounces July 1, an increase of 5.3% during the third quarter of the year, the central bank said Monday.

The central bank said it is gradually increasing its gold reserves, buying gold on the domestic interbank market.

The pace of gold accumulation in the third quarter was fractionally higher than the 5.0% rise in overall gold and foreign exchange reserves in the same period. The central bank has said in the past it would like to keep the share of gold in its reserves between 5% and 10%, and hasn't announced any formal change in its policy in the light of the dollar's sharp decline over recent years.

The central bank Friday also said it isn't buying gold from the federal precious metals and stones depository Gokhran, but is considering direct purchases from gold producers in future.

2.2 Technical Comments

Long Term Technical Comments

Point and figure chart analysis gives gold a technical target of 930 USD/oz as an intermediate price target in the on-going bull-market. This will obviously take time and is unlikely to take the form of a straight line.



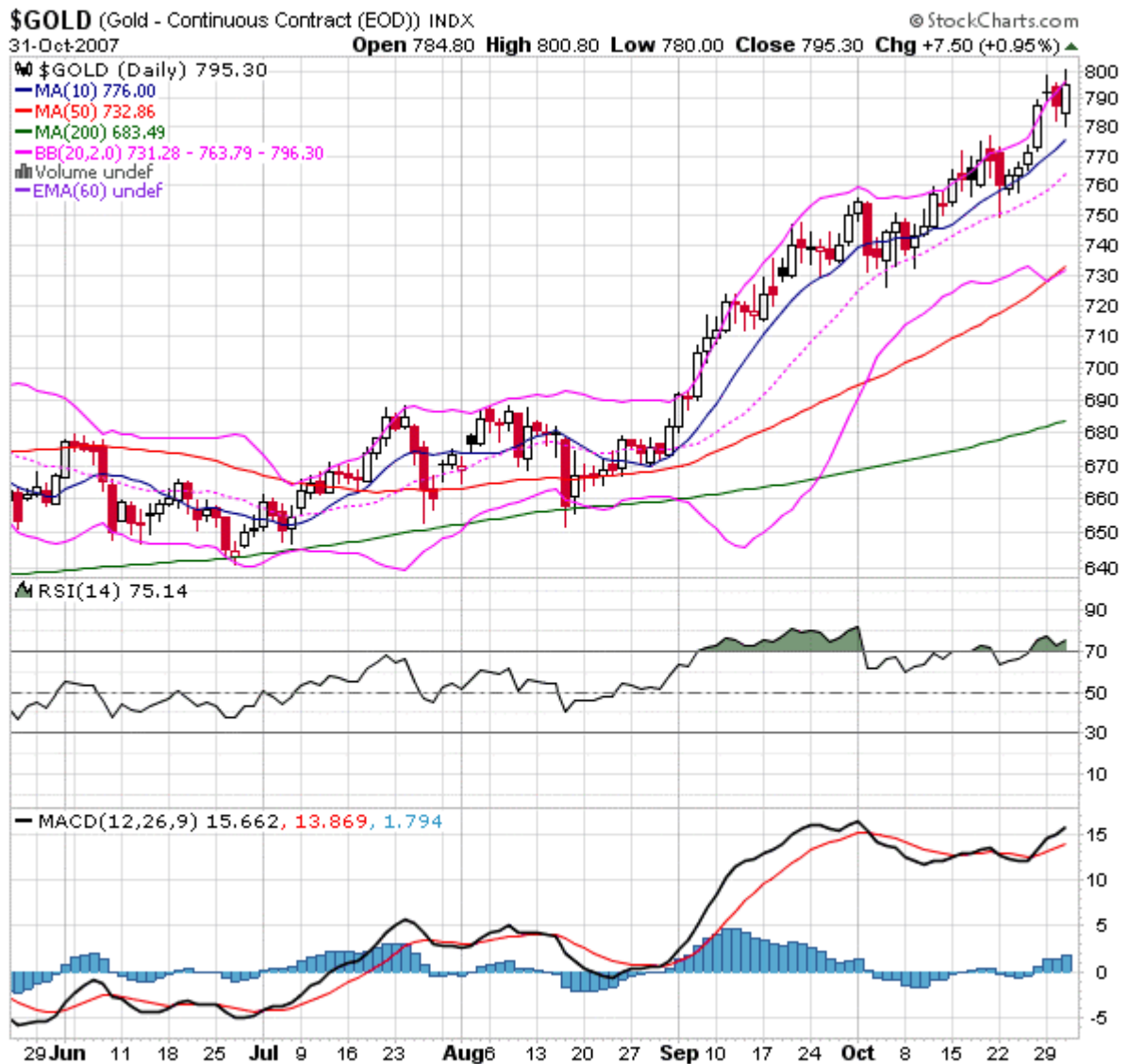
Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1 st October	31 st October	4 th October	31 st October
742.5	789.5	725.5	789.5

London afternoon fix in €/oz:

Open	High	Low	Close
1 st October	29 th October	4 th October	31 st October
521.6	547.1	514.4	546.5



Another strong month for gold price gains. Although gold was technically overbought at the end of October, a sell signal not been given, therefore technical analysis suggest prices will increase further before a correction or consolidation takes place.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Below 14.40 USD/oz on a closing basis there was no breakout for silver in October. However, should silver manage to breakout of consolidation, significantly higher prices may be expected.



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st October	29 th October	4 th October	31 st October
13.78	14.41	13.22	14.32

London fix in €/oz:

Open	High	Low	Close
1 st October	29 th October	4 th October	31 st October
9.68	10.00	9.368	9.908



After significant price gains in September, silver spent October consolidating in price. At the end of the month silver looked poised to test resistance at 14.40 USD/oz.

John Fineron, 1st November 2007

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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