JM&B Monthly Gold & Silver Report
December 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

Contents

1. Commentary

Gold and silver broke out of their price consolidation patterns in December, raising the prospect of higher prices in January 2008.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Seattle, USA, 28th December 2007, (Bloomberg) – Gold rose, heading for the biggest annual gain since 1979, as a decline in the dollar boosted the appeal of the precious metal as an alternative investment. Silver also climbed.

Gold has jumped 32 percent this year as a weaker U.S. currency, record energy costs and continuing conflict in the Middle East sparked demand for the metal. Investment in the StreetTracks Gold Trust, an exchange-traded fund backed by bullion, surged 39 percent to a record 628 metric tons.

``One would be hard-pressed to find a reason for gold not to continue to rally at this point,'' said Matt Zeman, a metals trader at LaSalle Futures Group in Chicago.

Gold futures for February delivery rose $10.90, or 1.3 percent, to $842.70 an ounce on the Comex division of the New York Mercantile Exchange. The metal gained 3.3 percent this week.

Lower borrowing costs have hurt the dollar this year. The U.S. currency dropped against the euro for a sixth straight day on concerns a slowing economy will force the Federal Reserve to cut interest rates again.

``We expect this monetary environment, one in which central banks around the world are cutting interest rates and injecting liquidity, to remain very bullish for commodities,'' said Chip Hanlon, president of Delta Global Advisors Inc. in Huntington Beach, California, which manages about $1.2 billion. The firm predicts gold will reach $925 in 2008.

The Fed lowered the benchmark lending rate 1 percentage point to 4.25 percent this year, sending the dollar in late November to $1.4967 against the euro, the lowest ever. Five of the past six bear markets in the dollar have rallied gold.

Longest Rally

Gold also rose on demand for a hedge against accelerating consumer prices. Crude oil rose as much as 1.4 percent today to $97.92 a barrel after reaching a record $99.29 on Nov. 21. Oil is up 59 percent this year.

Gold is headed for the seventh straight annual gain, the longest rally since futures began trading in 1975. Futures reached a 27-year high of $848 on Nov. 7

In 1979, gold more than doubled after the Shah of Iran was overthrown, energy costs surged and the dollar slumped. The spot price of the metal climbed to a record $850 on Jan. 21, 1980, and futures reached $873.

Silver trailed gold this year on speculation that slowing global economic growth will hurt demand for base metals. Silver, which has wider industrial applications than gold, has gained 15 percent in 2007. Last year, silver rose 46 percent, while gold gained 23 percent.

Silver futures for March delivery rose 7.7 cents, or 0.5 percent, to $14.895 an ounce.

Shanghai, 31st December 2007, (Bloomberg) –The Shanghai Futures Exchange, China's biggest commodity bourse by value, will introduce gold futures on Jan. 9, underscoring the increased sophistication of the nation's financial markets and rising investor interest in the metal.

Each contract will represent 1 kilogram of gold, with the minimum margin requirement set at 7 percent, the exchange said in a statement on its Web site on Dec. 29. Trials for the new product will commence on Jan. 2.

Commodity markets in China are expanding their offerings to boost turnover and provide tools for hedging against price fluctuations on physical markets. The Asian nation is set to become the world's second-largest gold producer this year, beating the U.S., as mines boost output amid increased demand.

``There is a lot of interest in gold futures for speculation, investment or hedging,'' Zhu Bin, head of research at Nanhua Futures Co., said by phone today from Hangzhou in eastern China.

Gold for immediate delivery has gained 32 percent this year, driven by investors seeking to hedge against rising inflation, and as an alternative holding to the U.S. dollar. The price was at $842.40 an ounce at 10:35 a.m. in Singapore, close to its highest level in almost 28 years.

The Shanghai Gold Exchange, China's biggest precious-metals market, already offers cash and cash-deferred contracts for gold, as well as platinum and silver. Chinese exchanges including the Shanghai Futures Exchange are closed to overseas investors even as they influence world prices of copper and other raw materials.

Hedging Prices

The role of the new gold contract is to ``provide an avenue for investors to hedge against price fluctuations,'' according to the statement from the Shanghai Futures Exchange. ``Physical exchange of gold is not the main objective of futures trading.''

Individual investors will be barred from taking actual delivery of the metal in a bid to discourage those who are not able to handle the risk, the statement said. Institutions will be allowed to take delivery of the precious metal, it said.

``The exchange barred individual investors from entering into delivery out of concern that domestic production might not be enough,'' Zhu said. ``Such a clause might reduce the appeal of the contract but as long as there's sufficient liquidity in the market, pricing should not be much of a problem.''

China will probably produce 260 metric tons of gold this year compared with 240 tons in 2006, putting it on course to surpass the U.S. as the world's second-biggest producer, the China Gold Association said Nov 6.

India, U.S.

Demand in the Asian nation for gold jewellery jumped 24 percent to 221 metric tons in the first nine months, according to GFMS analyst Veronica Han Dec. 3, citing data from the World Gold Council. That compares with 515 tons in India, the biggest consumer, and 165 tons in the U.S.

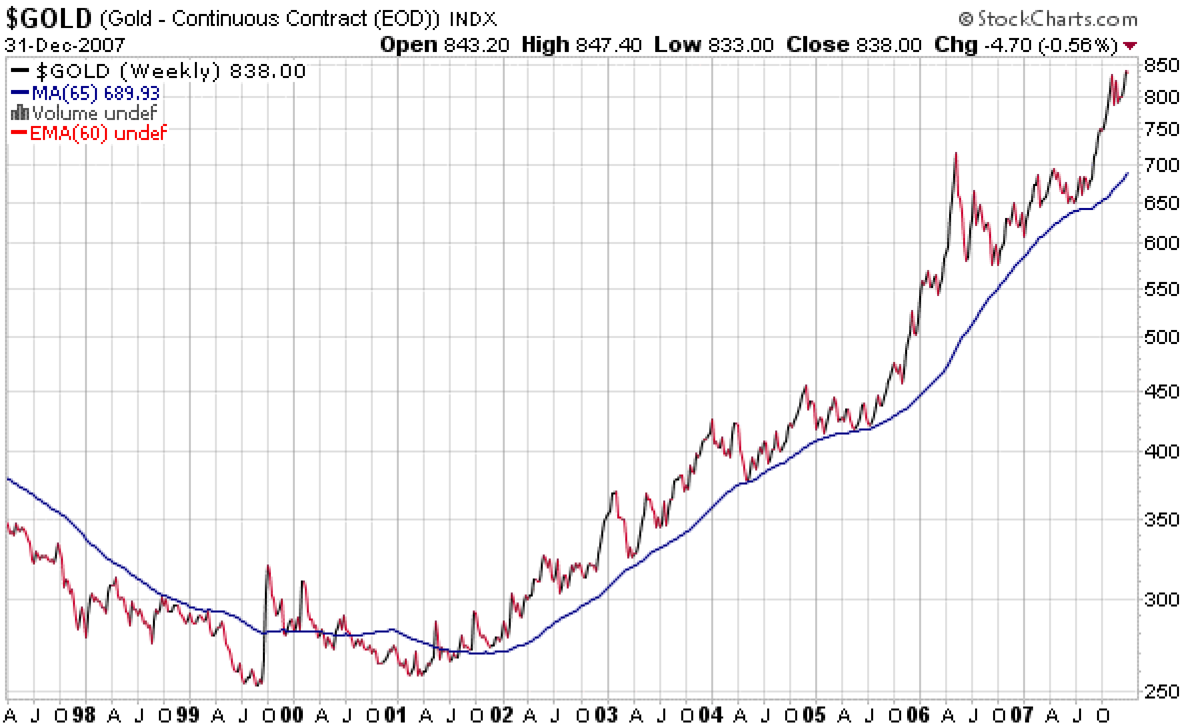
Gold is the fifth futures contract approved by China's financial regulators this year after zinc, rapeseed oil, polyethylene and palm oil. The Shanghai Futures Exchange offers contracts in copper, aluminum, zinc, natural rubber and fuel oil.

Turnover, or the value of the contracts traded, on the Shanghai Futures Exchange, surged 76 percent to 20 trillion yuan ($2.7 trillion) in the first 11 months of the year. Total turnover in 2006 was 12 trillion yuan, according to data on the exchange's Web site. Trading volumes rose 44 percent to 152 million contracts in the first 11 months of this year, compared with 116 million in all of 2006.

2.2 Technical Comments

Long Term Technical Comments

Gold moved up steadily in December to challenge its previous high.



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
3rd December	31st December	3rd December	31st December
784.3	836.5	784.3	836.5

London afternoon fix in €/oz:

Open	High	Low	Close
3rd December	31st December	3rd December	31st December
535.0	568.7	535.0	568.7

Gold broke out of its consolidation pattern in December and looked set to continue increasing in price.

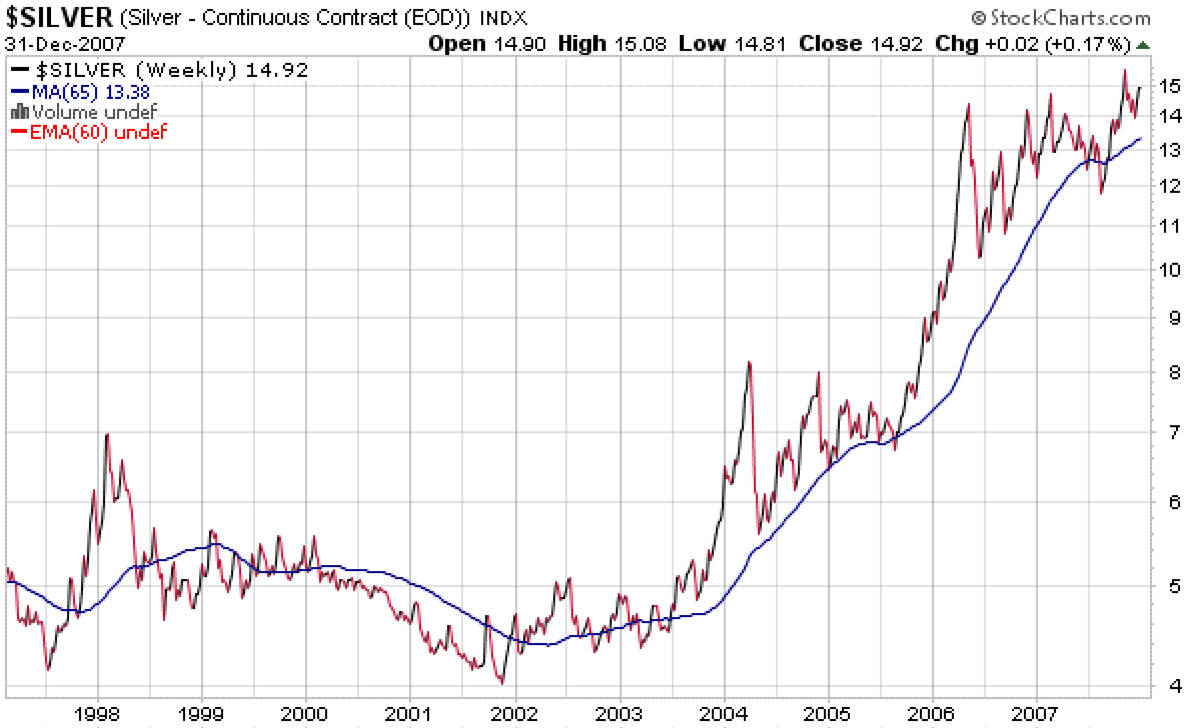
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

No change in the long-term price trend for silver.



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
3rd December	31st December	3rd December	31st December
13.86	14.76	13.86	14.76

London fix in €/oz:

Open	High	Low	Close
3rd December	27th December	3rd December	31st December
9.463	10.11	9.463	10.03

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

As December drew to a close, silver just managed to break out of its consolidation pattern, raising the prospect of still higher prices in January 2008.

John Fineron, 2nd January 2008

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

This document is supplied in PDF format. To view, you may need to download the free Adobe Acrobat Reader:

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.

Special Legal Notice/Disclaimer concerning this report

This report represents the views of Johnson Matthey & Brandenberger AG, which may be materially different from those of Johnson Matthey plc and other group companies.