

# JM&B Monthly Gold & Silver Report

## June 2008

<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](http://www.platinum.matthey.com/publications/price_reports.html)

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## 1. Commentary

Although still in correction mode in June, both gold and silver finished the month on a positive note.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**Tokyo, 30th June 2008, (Reuters)** – Japan's first bullion-backed exchange-traded fund 1326.T made a slow debut on the Tokyo Stock Exchange on Monday, reflecting reluctance among brokers for the alternative product with low fees, traders and analysts said.

The bourse [TSE.UL] cross-listed the SPDR Gold Shares ETF, the world's most popular of its kind, to draw more investors.

Gold ETFs allow investors to buy the metal on an exchange like regular stocks without having to take actual delivery, luring retail and institutional investors who might otherwise be reluctant to trade in commodities.

But domestic brokers so far prefer selling investors over-the-counter investment trusts with higher fees and have been slow to catch up with growing needs for the hedging tool against stocks and bonds, traders and analysts said.

The ETF, whose marketing agent is State Street Global Markets (STT.N: [Quote](#), [Profile](#), [Research](#)) and which is sponsored by a subsidiary of the World Gold Council, rose slightly in line with firming cash gold prices.

The turnover of 48,350 shares, or 472.6 million yen (\$4.45 million), fell short of what some had expected.

One share in the ETF is equivalent to one-tenth of an ounce of gold, with a minimum trading unit in Tokyo of 50 shares and management fees of about 0.4 percent a year.

"Apparently, brokerages are not well prepared. Some didn't even know its trading code when I requested it," said Koichiro Kamei, an analyst at Tokyo-based Market Strategy Institute.

The ETF's turnover compared with 235,380 shares, or 762.4 million yen, for its domestic rival, an Osaka-listed ETF tracking a gold price index 1328.OS.

One share for the ETF on the Osaka Securities Exchange (8697.OJ: [Quote](#), [Profile](#), [Research](#)) is equivalent to a gram of gold. It is managed by Nomura Holdings Inc's (8604.T: [Quote](#), [Profile](#), [Research](#)) asset management unit and is backed by structured bonds, not physical gold.

#### Tokyo's advantage

Atsushi Saito, president and CEO of the Tokyo bourse, said at a news conference he saw an advantage in Tokyo's ETF.

"It is important to note that it is cross-listed as this means it will add liquidity to the market," he said.

Tokyo's gold ETF finished the first trading day at 9,730 yen per share, up from the exchange's base price of 9,690 yen, based on Friday's London afternoon fixing of \$919.50 an ounce.

Cash gold <XAU=> was quoted at \$934.05/935.05 an ounce in late Asian trading hours.

The SPDR Gold ETF GLD.P XAUEXT-NYS-TT, first listed in New York in 2004 and later cross-listed in Singapore and Mexico, is the world's biggest such fund, with 644.16 tonnes of gold held in bank vaults on behalf of investors.

"The listing in Tokyo fills in the last missing link for investors around the globe, who benefit from the product's easy access to the gold market," MSI's Kamei said.

In Hong Kong, where the SPDR Gold ETF is expected to be cross-listed this year, some traders are wary that a slowdown in cash gold price rises could dim the product's prospects.

"I think it may take people some time to adjust to the price. At \$900-something, the price is still high," said Ronald Leung, director of Lee Cheong Gold Dealers in Hong Kong.

Japanese retail investors kept looking to sell gold this year as it briefly touched a record above \$1,000 an ounce, eager to reap the rewards after decades of safe-haven buying.

The latest Ministry of Finance data showed Japan's gold ingot exports in the January-May period nearly doubled to 64.56 tonnes from 36.2 tonnes a year earlier, in sight of the annual record of 72 tonnes hit in 2007. [ID:nT270048]

#### New Investors

Itsuo Toshima, head of Japan and South Korea for industry body the World Gold Council, said despite record exports last year Japan's net exports stood at around 50 tonnes.

"Those who bought gold bars at 1,000 yen a gram in the past are sure to sell them now. At the same time, a new generation of buyers are putting their money in," Toshima said, adding that such buyers include investors familiar with equities.

"I think they're the ones who will be attracted by this financial product," he said.

Japanese investors are keen to diversify their portfolios from conventional assets as global inflation is feared to spill over to Japan, where core CPI inflation is still relatively low at 1.5 percent, even though that is a decade-high.

"Inflation concerns would eventually make the product a hit," said Norihiro Fujito, a general manager at Mitsubishi UFJ Securities Co.

"If and when gold tests \$1,000 an ounce again, we now have better alternatives to mining stocks like Sumitomo Metal Mining Co (5713.T: [Quote](#), [Profile](#), [Research](#))," Fujito said. (\$1=106.17 Yen) (Additional reporting by Miho Yoshikawa and Lewa Pardomuan; Editing by Michael Watson)

## 2.2 Technical Comments

### Long Term Technical Comments

The correction in gold continued in June:



### Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
2 <sup>nd</sup> June	30 <sup>th</sup> June	12 <sup>th</sup> June	30 <sup>th</sup> June
888.3	930.3	862.3	930.3

London afternoon fix in €/oz:

Open	High	Low	Close
2 <sup>nd</sup> June	30 <sup>th</sup> June	12 <sup>th</sup> June	30 <sup>th</sup> June
573.0	589.2	559.6	589.2



Gold broke above its second downtrend line in June and will either continue to consolidate in a sideways trading range or attack overhead resistance.

### 3. Silver

#### 3.1 News and Fundamental Considerations

Second quarter 2008 News from the Silver Institute:

<http://www.silverinstitute.org/news/2q08.pdf>

## 3.2 Technical Comments

### Long Term Technical Comments

Silver's price correction also continued in June:



### Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
2 <sup>nd</sup> June	30 <sup>th</sup> June	11 <sup>th</sup> June	30 <sup>th</sup> June
16.86	17.65	16.58	17.65

London fix in €/oz:

Open	High	Low	Close
2 <sup>nd</sup> June	30 <sup>th</sup> June	12 <sup>th</sup> June	30 <sup>th</sup> June
10.85	11.19	10.70	11.19



For silver, the same technical picture as gold.

John Fineron, 1<sup>st</sup> July 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](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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