JM&B Monthly Gold & Silver Report
November 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

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1. Commentary

Gold had a positive month in November and silver essentially moved sideways in price.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Beijing, 19th November 2008, (Dow Jones) – China's central bank is considering raising its gold reserve by 4,000 metric tons from 600 tons to diversify risks brought by the country's huge foreign exchange reserves, the Guangzhou Daily reported, citing unnamed industry people in Hong Kong.

The Guangzhou-based newspaper didn't elaborate on the plan.

China's forex reserves, at US$1.9056 trillion at the end of September, is the world's largest. U.S. dollar-denominated assets, including U.S. treasury bonds and mortgage agency bonds, account for a big proportion of the forex reserves

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London, 19th November 2008, (WGC) – Dollar demand for gold reached an all time quarterly record of US$32bn in the third quarter of 2008 as investors around the world sought refuge from the global financial meltdown, and jewellery buyers returned to the market in droves on a lower gold price. This figure was 45% higher than the previous record in Q2 2008.Tonnage demand was also 18% higher than a year earlier.

Identifiable investment demand, which incorporates demand for gold through exchange traded funds (ETFs) and bars and coins, was the biggest contributor to overall demand during the quarter, up to US$10.7bn (382 tonnes), double year earlier levels, according to Gold Demand Trends, released today by World Gold Council (WGC).

The figures, compiled independently for WGC by GFMS Limited, show retail investment demand rose 121% to 232 tonnes in Q3, with strong bar and coin buying reported in Swiss, German and US markets. The quarter also witnessed widespread reports of gold shortages among bullion dealers across the globe, as investors searched for a haven. Overall, Q3 saw Europe reach an all time record 51 tonnes of bar and coin buying and France became a net investor in gold for the first time since the early 1980s.

Gold ETFs enjoyed a record quarterly inflow of 150 tonnes in Q3, boosted by extreme levels of economic and financial uncertainty. The peak in inflows occurred in late September, triggered by the collapse of Lehman Brothers and a fear of banking sector failures. Net inflows surged by an unprecedented 111 tonnes during 5 consecutive trading days, equivalent to US$7bn.

As the financial crisis deepened these increases in identifiable investment demand were offset by outflows in “inferred investment”. This was characterised by hedge funds liquidating investment positions in gold as they were forced to raise cash and by institutions liquidating commodity index investments, including gold, as fears of recession deepened. The trend largely reflects gold’s better performance relative to other assets and also explains why the gold price did not perform better during the quarter in the face of very strong demand.

Q3 saw a record US$18bn of consumer demand for gold jewellery with buyers returning to the market on lower price points, around and below US$800, demonstrating the underlying positive sentiment towards gold and its recognition as a store of value. The biggest contributor to the positive trend was India which witnessed a rise of 65% in US$ value or 40 tonnes relative to previous year levels, with the Middle East, Indonesia and China all enjoying rises of more than 40% in value or 10% in tonnage. There were however, strong declines in Western markets with the US down 9% in value and 29% in tonnes, and the UK down 5% in value and 26% in tonnes due to the overall decline in the retail market.

James E. Burton, Chief Executive Officer of World Gold Council, commented:

"Gold’s universal role as a store of value has shone through during this quarter helping attract investors and consumers to all forms of gold ownership. The rise in demand for gold bars and coins has been impressive as has the record rise in gold ETF inflows. Perhaps most encouraging is the return to positive jewellery buying which has been absent for several quarters due to the high levels of price volatility."

"Looking forward, given the uncertainty that surrounds the global economy, gold's safe haven appeal should continue, but so too will the possibility of heightened levels of activity in the speculative side of the gold market, therefore it is too soon to call an end to market volatility."

Despite a deteriorating global and domestic economic climate, demand in India, the largest market for gold demand, recovered during the third quarter, encouraged by lower gold prices, a good monsoon and the onset of the festive season. At 250 tonnes, total consumer demand was 31% higher than Q3 2007 levels. In value terms, demand hit the record quarterly sum of US$5bn.

Demand in Greater China rose 18% to 109 tonnes, with the majority of this increase attributable to a strong rise in demand in mainland China (+16 tonnes).

Jewellery demand in the Middle East, which accounts for more than 90% of total consumer offtake in the region, rebounded in Q3 with tonnage demand up 15% on Q3 2007 and up 47% in dollar terms, hitting a new record of US$2.8bn. Retail investment demand, while relatively small in size at 7 tonnes, recorded strong growth of 23%, and 57% in dollar terms. In Turkey total Q3 offtake, at 99 tonnes, was up 15% on the levels of a year earlier, with investment demand smashing all previous records to reach 31.7 tonnes.

Industrial and dental demand declined to 104 tonnes during the quarter 11% down on year-earlier levels. Electronics, the largest component of industrial demand, was hampered by the downturn in the global economy and a lack of confidence within world markets.

Gold supply was down 9.7% on year-earlier levels, largely driven by a significant reduction in central bank sales. Sales under the Central Bank Gold Agreement (CBGA) totalled a provisional 357 tonnes in the CBGA year ending September 26, the lowest annual figure since the first Agreement was signed in 1999.

London, 23rd November 2008, (GFMS) – Société Générale Gold Hedge Book Analysis Q3-2008

Key Points

- Net producer de-hedging slowed in the third quarter, to 2.03 Moz (63 t), representing an 11% decline quarter-on-quarter.
- The global producer hedge book at end-Q3 stood at 16.92 Moz (526 t) in delta-adjusted terms.
- Producers' realised prices contracted by 5% from the second quarter, to stand at an average $832/oz., broadly in line with the 3% drop in the US dollar gold price.
- The value of the global producer book marked-to-market fell for the second quarter in a row, to negative $6.8 billion, an improvement of $3.2 billion from three months ago. The end-quarter gold price, used to value the book, fell by $46/oz compared with end-Q2.

The first significant fresh hedge of the year, by Mineral Deposits Ltd for project financing purposes, moderated the quarter's net book reduction.

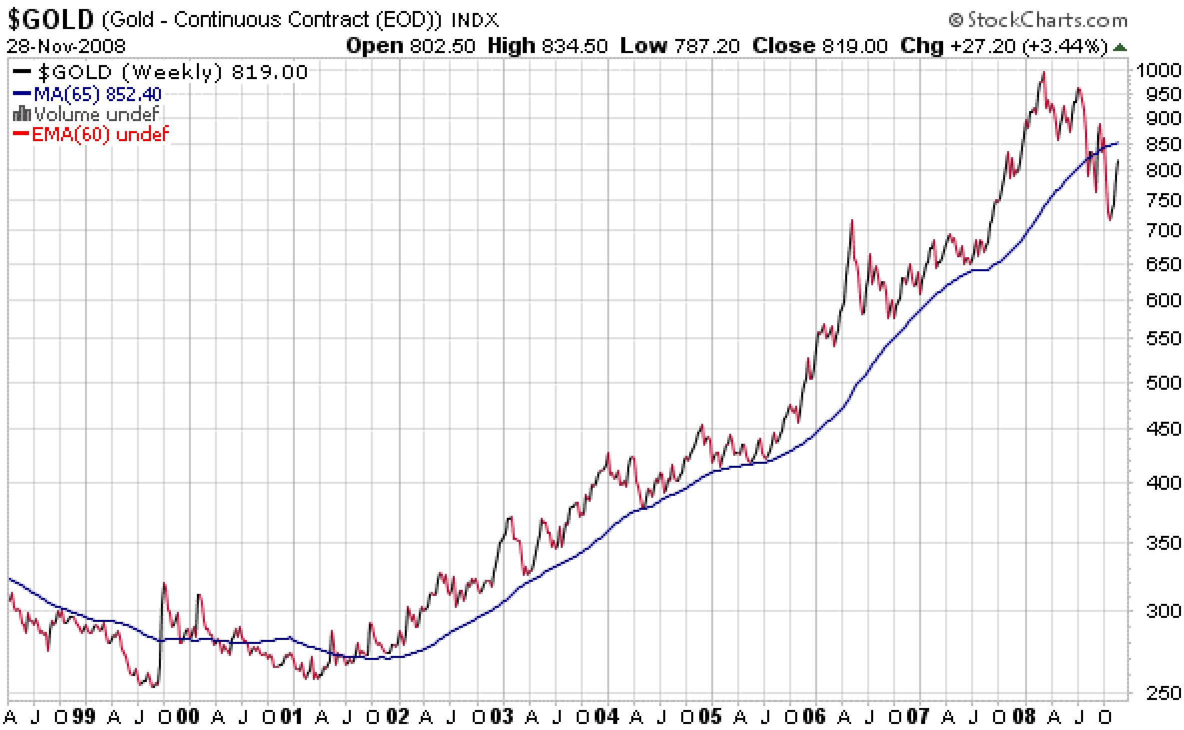
Producer de-hedging slowed in the third quarter, with 2.03 Moz (63 t) removed from the global book. Although a solid reduction, this represented the smallest quarterly cut to the outstanding hedge book since late in 2006. This left the total book, in delta-adjusted terms, standing at 16.92 Moz (526 t) at end-September. In the third quarter net activity was dominated by the holders of the two largest hedge books, AngloGold Ashanti and Barrick Gold, which between them generated 1.76 Moz (55 t) of change in demand in the market. However, the next most significant news in volume terms was the announcement by Mineral Deposits of a 0.53 Moz (17t) project hedge (adjusted for options delta), consisting of forward sales and bought put options.

Other small hedges were recorded during the quarter, but these were not of sufficient quantity to outweigh scheduled deliveries into the global book. Elsewhere, active de-hedging was seen from Avocet Mining, ARC Exploration, St. Barbara Mines and Oceana Gold. Producers' realised prices contracted in the third quarter, along with the lower period average gold price, standing at $832/oz. The marked-to-market value of the book fell to a negative $6.8 billion. In addition, the sensitivity of the options book to changes in the gold price remained largely unchanged from end-June, when the trend of options sensitivity reversed. A retracement in the gold price will still see an increase in the delta-adjusted options volume.

2.2 Technical Comments

Long Term Technical Comments

Although gold recovered significantly in price in November, it still remained below the key 65 WMA trend line:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
3rd November	24th November	13th November	28th November
729.5	822.5	713.5	814.5

London afternoon fix in €/oz:

Open	High	Low	Close
3rd November	24th November	13th November	28th November
571.9	642.9	570.6	640.3

Gold had a fairly solid month of gains in November.

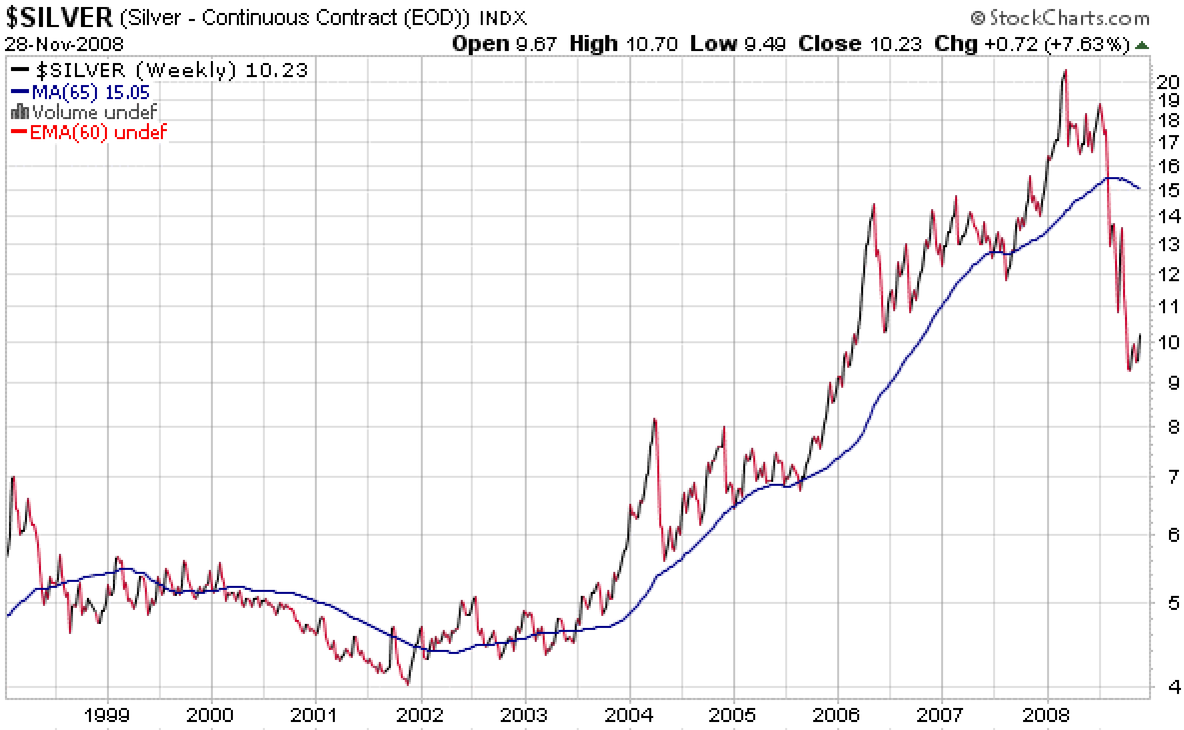
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver didn't manage much of a recovery in November:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
3rd November	6th November	21st November	28th November
10.05	10.41	9.170	10.12

London fix in €/oz:

Open	High	Low	Close
3rd November	6th November	21st November	28th November
7.821	8.114	7.292	7.912

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Silver essentially moved sideways in November, but seemed to find solid price support around 9 USD/oz.

John Fineron, 1st December 2008

Appendix: More about this report

Purpose of the Report
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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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