

JM&B Monthly Gold & Silver Report

February 2009

<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 started to correct in price towards the end of February.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Dubai, 9th February 2009, (Gulf News) – The value of gold trade (bullion and jewellery) through Dubai jumped 53 per cent, despite the current global economic downturn, hitting a record Dh106.43 billion (\$29 billion) in 2008, compared to Dh70 billion (\$19 billion) in 2007, Dubai Multi Commodities Centre (DMCC), said in its latest report.

"This upward movement clearly shows Dubai's resilience and adaptability to global trends," Dr David Rutledge, chief executive of DMCC, said in a statement.

For the 12 months ending December 31, 2008, a total of 674 tonnes of gold was imported into Dubai, up 21 per cent compared to 559 tonnes in 2007. During the same period, gold exports

from Dubai reached 371 tonnes, an increase of 29 per cent compared to 287 tonnes in the previous year, DMCC said.

More than 100 countries served as gold import partners into Dubai in 2008, led by the United Kingdom and India. During the same period, Dubai exported gold to a record 64 nations, with India and Switzerland topping the list of export partners.

Dr David Rutledge, chief executive of DMCC, said: "Gold prices surged to an all-time record high during the first quarter of 2008 leading to a significant inflow of gold scrap into Dubai for refining. The subsequent slowdown in prices during the last quarter of the year led to a major increase in bullion imports into Dubai, showing that the emirate has become a market for all seasons."

According to additional data released yesterday, the total value of the gold traded through Dubai in the second half of 2008 reached \$15.99 billion, up 57 per cent compared to \$10.16 billion during the corresponding period in 2007 and up 22 per cent compared to \$13.07 billion in the first six months of 2008. "This clearly shows Dubai's resilience and adaptability to global trends," said Dr Rutledge.

He added that "individuals, regional governments and investment funds have historically demonstrated a strong appetite for gold as a safe haven during periods of instability. We anticipate that imports into Dubai, destined for refining and re-export, will continue to perform solidly in 2009, while export levels will also be healthy, driven by investment-led demand in major consuming markets such as India."

Gold retailers predict a drop in sale later this year.

"We have seen a slight lower sale since December. However, the rest of the year was much better - almost 50 per cent growth," Joy Alukkas, chairman of Joy Alukkas Group which runs a chain of retail outlets, told Gulf News.

"For 2009, we anticipate a 20-25 per cent drop due to the current scenario. However sales are also driven by demand in India, which could balance up." He said bullion rate is expected to remain within \$850-\$900 bracket.

Moscow, 17th February 2009, (Dow Jones) – Russia's gold and foreign exchange reserves were at about \$385 billion Feb. 15, compared with \$383.5 billion Feb. 6, Reuters reported, citing an interview Monday with Alexei Ulyukayev, first deputy chairman of the Bank of Russia.

"Gold's share (in reserves) has increased. We are aiming to continue this tendency this year; we are buying gold," he said, the news agency reported on its Web site.

Gold's share in Russia's reserves rose about \$1 billion in January to \$15.5 billion, Reuters said, citing central bank data.

Mumbai, 27th February 2009, (Reuters) – India has not imported any gold so far in February as high prices dampened demand in the world's largest market for the metal and the outlook in the coming weeks remains downbeat, the head of a leading trade body said on Friday.

"Zero. There are no reports (of imports) so far," said Suresh Hundia, president of the Bombay Bullion Association.

India, which annually buys 500-700 tonnes of gold, had imported 23 tonnes in last February.

Prices in India have hit record highs over the past few weeks, partly reflecting a sharp depreciation in the value of the rupee that has made dollar-priced gold costlier.

2.2 Technical Comments

Long Term Technical Comments

Gold failed at resistance around 1000 USD/oz in February:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
2 nd February	20 th February	9 th February	27 th February
918.3	989.0	895.0	952.0

London afternoon fix in €/oz:

Open	High	Low	Close
2 nd February	20 th February	9 th February	27 th February
717.8	782.4	686.2	752.8



Gold moved into correction mode in the last week of February.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Although February was generally constructive for silver, it could not break above the 65 WMA:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
2 nd February	24 th February	3 rd February	27 th February
12.43	14.39	12.37	13.21

London fix in €/oz:

Open	High	Low	Close
2 nd February	20 th February	3 rd February	27 th February
9.712	11.29	9.619	10.43



After a good month, silver started to correct.

John Fineron, 2nd March 2009

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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