JM&B Monthly Gold & Silver Report
March 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

Contents

1. Commentary

March saw a month of price consolidation for gold and silver.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 11th March 2009, (GFMS) – Global Hedge Book Analysis Q4-2008
Producer dehedging activity in the fourth quarter of 2008 slowed once again, with only 1.54 Moz (48 t) (adjusted for option delta) removed from the global producer book. In nominal terms (unadjusted for options delta) the volume of the global book fell by 2.13 Moz (66 t) from end-September levels. Looking at the year as a whole, the chart below plots the level of de-hedging on a quarterly basis, and the slowdown through 2008 is visible. However, 2008 as a whole represented the third consecutive year of strong de-hedging, at 11.52 Moz (358 t) in delta-adjusted terms.

In terms of company activity, the quarter's events were concentrated among four main companies. Again AngloGold Ashanti and Barrick Gold were prominent de-hedgers. In addition, Kinross Gold and Mineral Deposits also reduced hedge cover. Over the year, the standout activity remained with AngloGold and Barrick, which between them accounted for over 7.67 Moz (239 t), or two thirds of the year's activity. These two companies still hold the largest hedge books, which constitute two thirds of the global total.

Producers' hedge buybacks are evidently having a positive effect on realised prices, which decreased by $35/oz quarter-on-quarter, compared with a decline in the average spot gold price of $77/oz. Furthermore, the value of the global book on a marked-to-market basis has eased from over negative $10 billion at end-December 2007 to negative $5.8 billion, lightening the liabilities on the balance sheets of many gold companies.

The de-hedging activity in 2008 left the delta-adjusted hedge book at end-December standing at just 15.52 Moz (483 t), a far cry from the levels of almost 100 Moz at the beginning of the decade. This gives a simple average run-rate of de-hedging over the past nine years (from the level of the hedge book at end-1999) of 9.27 Moz (288 t) per annum. Projecting this historical pace of de-hedging forward, it would see the remainder of the global book eliminated in 18 months. This is, however, an overly simplistic way of looking at the situation. The diminishing size of the producer book limits the scope of widespread cuts and as such, we believe a marked slowdown in hedge buybacks is a more plausible outcome.

London, 13th March 2009, (Bloomberg) – Gold holdings in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, advanced to a record to become the world's sixth-largest stockpile, overtaking assets held by Switzerland.

The fund held 1,041.53 metric tons of bullion as of yesterday, up 0.3 percent from March 11, according to figures on the company's Web site. The fund's holdings are larger than the 1,040.1 tons held by Switzerland in January, according to data by the producer-funded World Gold Council.

Total inflows into exchange-traded products are up 330 tons for the year, exceeding net inflows for the whole of last year by nine tons, according to Barclays Capital.

Expectations for the dollar to weaken against the euro, a recovery in oil prices, and a build up in inflation will "support an uptrend in prices over the forthcoming months," Barclays analysts led by Gayle Berry, said in a report sent today.

Zurich, 19th March 2009, (Reuters) - The Swiss National Bank has no plans to buy or sell gold, SNB board member Thomas Jordan said.

'We currently have a fixed level of gold holdings, we have no plans to change it,' Jordan said at a SNB event in Zurich.

The SNB's recent intervention in the foreign exchange market only aimed to prevent a strong appreciation and was as such a pre-emptive move.

2.2 Technical Comments

Long Term Technical Comments

Gold failed at resistance around 1000 USD/oz in February and consolidated in price throughout March:

Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
2nd March	2nd March	18th March	31st March
937.3	937.3	893.3	916.5

London afternoon fix in €/oz:

Open	High	Low	Close
2nd March	2nd March	18th March	31st March
743.0	743.0	680.1	689.0

The price correction in gold, which began at the end of February, has so far proved to be limited.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver could still not break above the 65 WMA in March:

Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
2nd March	23rd March	3rd March	31st March
13.14	13.76	12.68	13.11

London fix in €/oz:

Open	High	Low	Close
2nd March	9th March	19th March	31st March
10.43	10.62	9.633	9.835

Same comment as for gold!

John Fineron, 1st April 2009

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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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