

JM&B Monthly Gold & Silver Report

October 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

Steady upward price movement for gold in October contrasted with sideways movement for silver.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 13th October 2009, (Commodity Online) – This is the month of religious festival celebrations across India, and the hot selling commodity is gold, despite the skyrocketing price of the yellow metal. This year, banks are in the forefront promoting the sale of gold bars and gold coins in India.

Many banks in India have started major marketing campaigns to sell gold coins and bars. People in India are buying more gold bars and coins as buying gold jewellery items are no longer considered the best investment option, says Sanjeev Mehta, a bullion dealer in Mumbai.

He says gold jewellery items always come with extra 25% work duties and thus are costlier than gold coins and bars. "Gold coins and bars are always non-perishable and more solid investment options than gold jewellery items. That is why banks are promoting gold coins and bars these days," he said.

HDFC Bank, one of the major banks, has unleashed a gold marketing campaign this week. It reads: "We understand that you deserve to be benefited doubly this festive season. Presenting to you, the 24K HDFC Bank Mudra Pure Gold Bar at a special offer exclusively for you. What's more, with the purchase of every Mudra Pure Gold Bar, you are gifted a GiftPlus Card at 75% discount on Issuance Charges, so that you can load it with any denomination above Rs. 1500 to spread the festive cheer among your loved ones."

The gold coins from HDFC Bank have the following specifications:

- They are 99.99% pure, assay certified, signifying the highest level of purity as per international standards
- They are imported from Switzerland
- They are available in 2.5 g, 5 g, 8 g, 10 g, 20 g and 50 g
- They are presented in tamper-proof packs

The Bank is offering up to 2.5% discount on bars of 2.5g and 5g and up to 4% discount on bars of 8g and more.

S. Ramakrishnan, Head - Retail Liabilities Product Group, HDFC Bank says: Our campaign is directed at common people to enable them to bring home prosperity for themselves with HDFC Bank Mudra Pure Gold Bar.

Go ahead, walk in to the nearest HDFC Bank branch & buy the purest HDFC Bank Mudra Pure Gold Bar, he added.

Houston, 23rd October 2009, (Bloomberg) – Pension funds will increase gold holdings to acquire "financial insurance," pushing prices higher as currencies drop, according to Shayne McGuire, director of global research at the Teacher Retirement System of Texas.

I think the largest institutions like our own are realizing that we barely own any," McGuire said in an interview in Hong Kong. The same thing applies to most of the pension funds which manage trillions of dollars in world wealth.

Record government debt and interest rates close to zero percent are pushing gold higher for a ninth straight year as investors seek to protect their wealth against the prospect of rising inflation and currency debasement. Teacher Retirement, backed by \$95 billion in assets, has launched its first internally managed gold fund, worth \$250 million, invested in precious metals, mining stocks and exchange-traded funds. McGuire is the portfolio manager of this new fund.

The fund is a reflection of our interest in gold,” said McGuire, the author of Buy Gold Now published in March 2008 that correctly predicted the metal will rally. That’s mostly because of diversification” that benefits our overall portfolio.

Gold represents only 0.4 percent of total global financial assets valued at around \$200 trillion in 2007, McGuire said, adding the future focus for the metal was investment demand.

The interest in the gold sector continues to be strong,” said Stephen Goodman, investment banker with New York-based Casimir Capital L.P. We are pleased to connect a growing number of institutional investors globally with opportunities.

Gold for immediate delivery climbed to a record \$1,070.80 an ounce on Oct. 14 and traded at \$1,059.25 at 4:42 p.m. in Singapore. It has risen 47 percent in the past year. Gold for December delivery in New York traded at \$1,059.70. McGuire said it’s difficult to estimate how quickly it will rise, and saw significant upside in the next two to three years.

The U.S. Dollar Index, which measures the currency against those of six major trading partners, has fallen 7.5 percent this year as President Barack Obama increased the nation’s marketable debt 22 percent to \$7.01 trillion to revive growth.

Financial institutions worldwide have reported credit losses and writedowns of about \$1.62 trillion since the start of 2007, when the credit crisis began. Group of 20 governments have pledged about \$11.9 trillion to ease credit and revive economic growth, according to the International Monetary Fund.

I don’t think the question really is what is gold worth but what are currencies not worth, McGuire, 43, said yesterday. Consider the tremendous fiscal excess that major governments have made to prevent the world economy from collapsing,” he said. Owning gold today is financial insurance,” he said.

McGuire, with 15 years of international financial experience, has worked for the seventh-largest pension fund in the U.S. since 2001. He had managed a \$2 billion European equity portfolio and was ranked among the best Latin American analysts by Institutional Investor in 1995 and 1996, he said.

Teacher Retirement has nearly 1.3 million public education and higher education employees and retirees participating in the system, according to its Web site.

2.2 Technical Comments

Long Term Technical Comments

Steady upward movement for the gold price in October:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1 st October	20 th & 23 rd October	2 nd October	30 th October
1004	1062	1004	1040

London afternoon fix in €/oz:

Open	High	Low	Close
1 st October	12 th October	2 nd October	30 th October
690.4	715.7	684.4	704.6



As in September, gold rose in October, only to correct towards the end of the month.

3. Silver

3.1 News and Fundamental Considerations

No news this month.

3.2 Technical Comments

Long Term Technical Comments

After a strong rise in September, silver moved essentially sideways in October:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st October	13 th October	2 nd October	30 th October
16.55	17.99	16.21	16.57

London fix in €/oz:

Open	High	Low	Close
1 st October	13 th October	5 th October	30 th October
11.38	12.11	11.10	11.19



Silver appeared to be consolidating in price at the end of October.

John Fineron, 3rd November 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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