

JM&B Monthly Gold & Silver Report

February 2010

<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

Both gold and silver moved above their short-term downtrends in February.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Los Angeles, 17th February 2010, (Market Watch) – The International Monetary Fund said Wednesday that it plans to sell 191.3 tons of gold, likely on the open market, pushing spot prices and gold-miner shares lower. The value of the planned sales would be worth about \$6.19 billion at current prices, according to CNBC.

The sales would follow the unloading of 212 tons of IMF gold to central banks, part of a gold-sale program approved by the IMF's executive board in September of last year.

The latest planned sales would complete the IMF's program to reduce its holdings of the precious metal by about one-eighth. The world lender said it would stagger the sales in order not to affect the markets too much.

"The top priority in conducting the gold sales is to avoid disruption to the gold market," IMF Finance Department Director Andrew Tweedie was quoted as saying in a statement.

"Prior to any sales on the gold market, sales were first made exclusively to interested central banks, thus shifting gold within the official sector. Now the IMF will begin sales of the remaining gold on the market. This will be done in a phased way," Tweedie said.

The announcement, though anticipated, sent the spot price down 0.5% to \$1,101 a troy ounce, though gold futures had finished New York trade slightly higher on news that billionaire investor George Soros was raising his fund's investment in shares of SPDR Gold Trust exchange-traded funds (NYSE:GLD).

Transactions under the previous tranche of the IMF gold-sale program consisted of a 200-ton sale to the Reserve Bank of India in October, followed by November sales of two tons to the Bank of Mauritius and 10 tons to the Central Bank of Sri Lanka.

Moscow, 17th February 2010, (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.

Moscow, 25th February 2010, (Pravda) – China has confirmed the intention to purchase 191.3 tons of gold from the International Monetary Fund at an open auction, Finmarket news agency said.

World central banks started to increase their gold reserves after prices on gold began to climb in 2001. The IMF sells gold within the scope of a program to diversify sources of income and achieve an increase in lending.

The IMF announced an intention to sell 403.3 tons of gold in accordance with the adequate decision made by the board of directors of the fund in September of 2009. India, Mauritius and Sri Lanka purchased about 212 tons of the amount at the end of 2009. India purchased most – 200 tons.

China's interest in international trade is connected with the development of the nation's economy, as well as with the growing consumer demand in the country.

"Chinese officials have confirmed previous announcements from IMF experts and said that the purchasing of 191 tons of gold would not exert negative influence on the world market. China is interested in the development of the domestic consumer market," the agency reports.

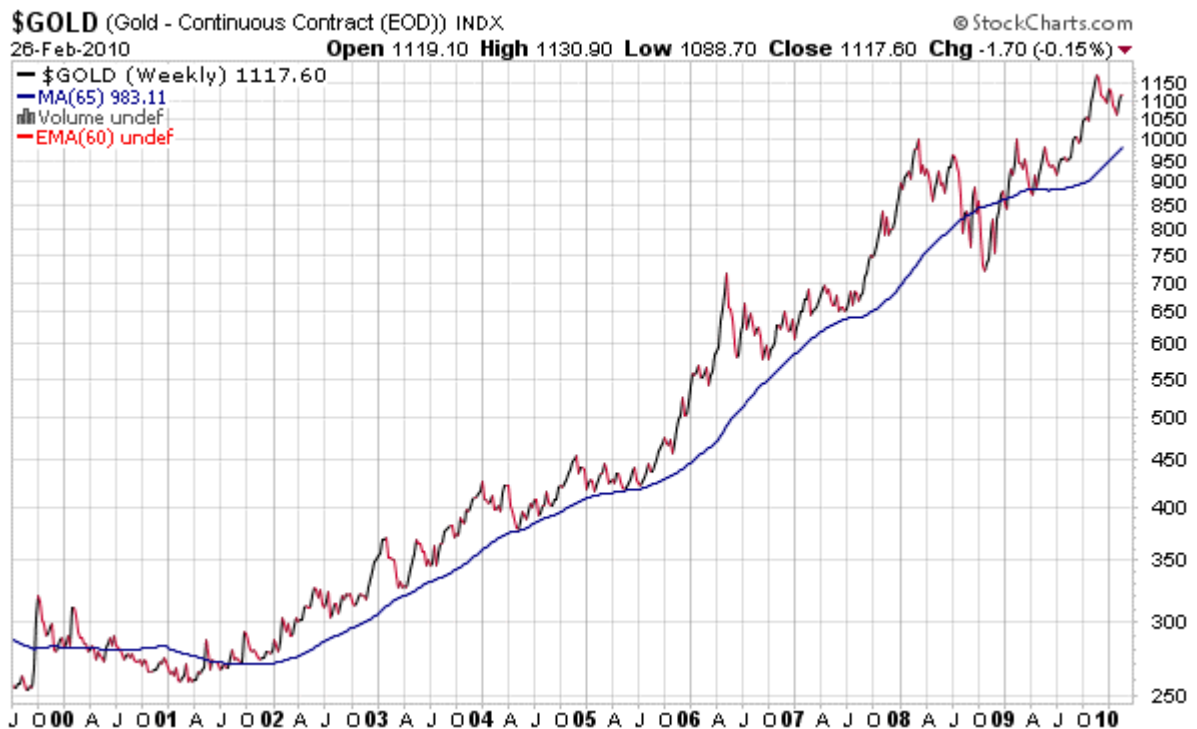
Most of Chinese citizens believe that investing in gold jewellery is a good way to avoid inflation, Rough & Polished agency said.

The IMF has received the profit of \$7.2 billion from gold sales. A part of the funds is to be used for crediting poor countries.

2.2 Technical Comments

Long Term Technical Comments

No change in the long-term trend:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
1 st February	17 th February	5 th February	26 th February
1087	1119	1058	1108

London afternoon fix in €/oz:

Open	High	Low	Close
1 st February	19 th February	5 th February	26 th February
781.7	824.2	773.7	816.9



Gold broke above it's short-term downtrend in February.

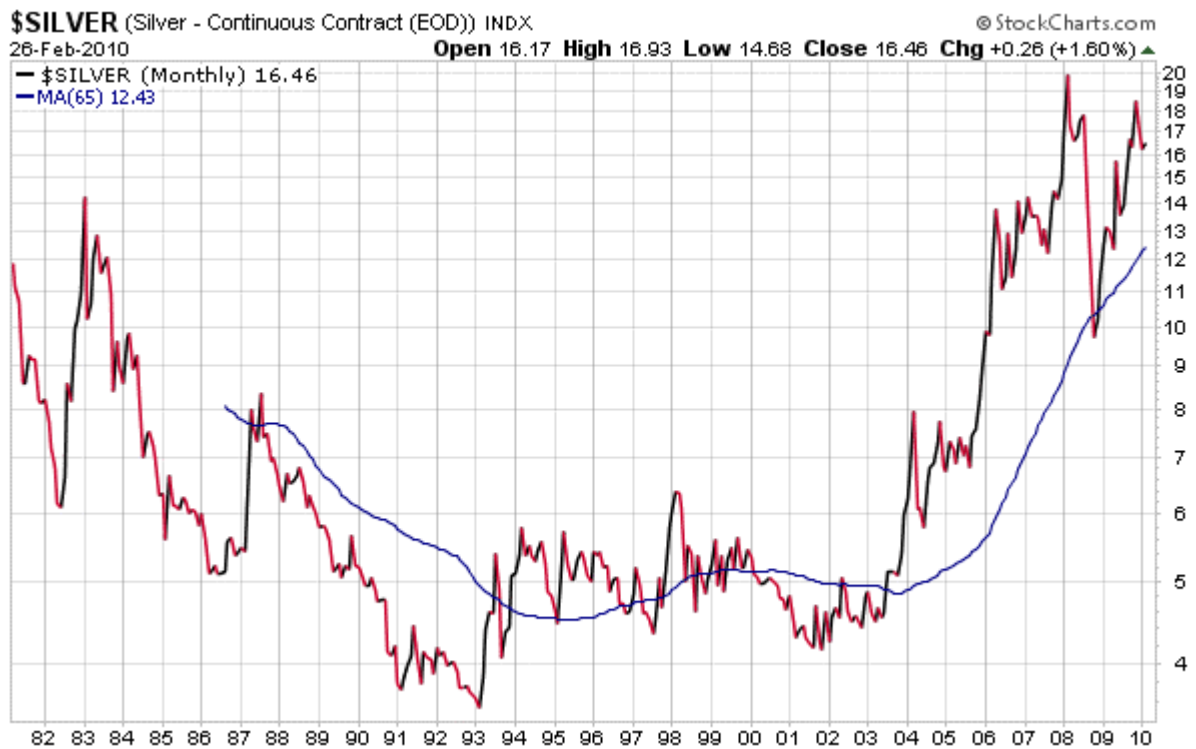
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Still no upward break of the inverted head and shoulders formation:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st February	22 nd February	8 th February	26 th February
16.23	16.44	15.14	16.12

London fix in €/oz:

Open	High	Low	Close
1 st February	22 nd February	5 th February	26 th February
11.68	12.08	11.06	11.86



As with gold, silver broke above it's short-term downtrend in February.

John Fineron, 1st March 2010.

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

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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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