

# JM&B Monthly Gold & Silver Report

## March 2011

<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](http://www.platinum.matthey.com/publications/price_reports.html)

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## 1. Commentary

Whilst gold struggled to gain in price in March, silver moved to a new high for the current bull-market.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**Singapore, 2nd March 2011 (Bloomberg)** – Gold Buying in China Jumps as Inflation Flares, Boosting Demand, UBS Says.

Gold purchases in China, the world's largest producer, climbed to 200 metric tons in the first two months of 2011 as faster inflation boosted consumer demand, according to UBS AG, which said the price may gain to \$1,500.

"China is the big buyer," Peter Hickson, global commodities strategist at Switzerland's largest bank, said by phone yesterday, without giving a comparable figure for 2010. The estimate for

the two-month period compares with full-year consumer demand from China of 579.5 tons for last year, according to the World Gold Council, a producer-funded group.

Bullion, which rallied 30 percent last year, surged to a record yesterday as uprisings in the Middle East, quickening inflation and currency debasement boosted global demand. China's consumer prices rose 4.9 percent in January from a year earlier, exceeding policy makers' 4 percent ceiling for a fourth month.

"Chinese interest is huge," said Peter Tse, Hong Kong-based head of precious metals at Bank of Nova Scotia. "Demand for physical gold and imports has increased substantially" due to the Lunar New Year holiday, Tse said today, referring to the week-long break that began Feb. 2.

Immediate-delivery gold was at \$1,429.05 an ounce at 5:08 p.m. in Singapore compared with yesterday's peak of \$1,434.93. Yuan-denominated bullion rose 0.5 percent to 303.58 yuan (\$46.19) a gram in Shanghai, approaching the record 314 yuan, set Nov. 9.

'Gold Is Attractive'

"Gold is attractive," Hickson said. "The more the market becomes concerned about inflation or concerns about unrest in Africa, more and more people will look to gold." The price may rise to \$1,500 an ounce in the next six months, said Hong Kong-based Hickson, who's worked for UBS since 1996.

Blackstone Group LP's Byron Wien said in January that gold may rise to more than \$1,600 this year "as investors across the world place more of their assets in something they consider 'real'." The price may reach \$1,600 this year, Wayne Atwell, a managing director at Casimir Capital LP said the same month.

Protests partly linked to record food prices have erupted across North Africa and the Middle East this year, toppling leaders in Tunisia and Egypt and boosting oil prices. Libyan rebels braced for renewed clashes today with forces loyal to leader Muammar Qaddafi. Iranian protesters have clashed with security forces in Tehran, Al Arabiya reported.

Gold investment in China, the largest buyer of the precious metal after India, may gain 40 percent to 50 percent this year amid a lack of alternatives, Wang Lixin, China representative for the World Gold Council, said last month. He called that forecast a "conservative estimate."

Bars and Coins

China's investment demand in 2010 jumped 70 percent to 179.9 tons, surpassing Germany and the U.S., as buyers sought out bars and coins, the London-based industry group said. Consumption by the jewelry sector rose to a record 399.7 tons, it said. China imported more than 300 tons last year, People's Bank of China Vice Governor Yi Gang said on Feb. 26 in Beijing.

China may be the "next big buyer" of gold, driven by institutional and retail demand, Credit Suisse Group AG analyst Tom Kendall said in Cape Town on Feb. 7. "If you're sitting there in China with money in a deposit account, you're losing between 1-2 percent a year through inflation," Kendall said.

The boom in gold demand in China is driven by concern about inflation pressure and the poor performance of alternative investments, the producer-funded council has said. Premier Wen

Jiabao pledged on Feb. 27 to boost food supplies to hold down costs, and to tackle surging property prices.

### Spooked by Inflation

Jewellers at shopping malls across Beijing are witnessing a gold rush as residents spooked by inflation look to protect their money, the China Daily reported on Feb. 28.

Statistics from Beijing Caibai, the city's largest jewellery store, show sales of gold and other jewellery have totaled about 4 billion yuan so far this year, a 70 percent increase from a year ago, the report said.

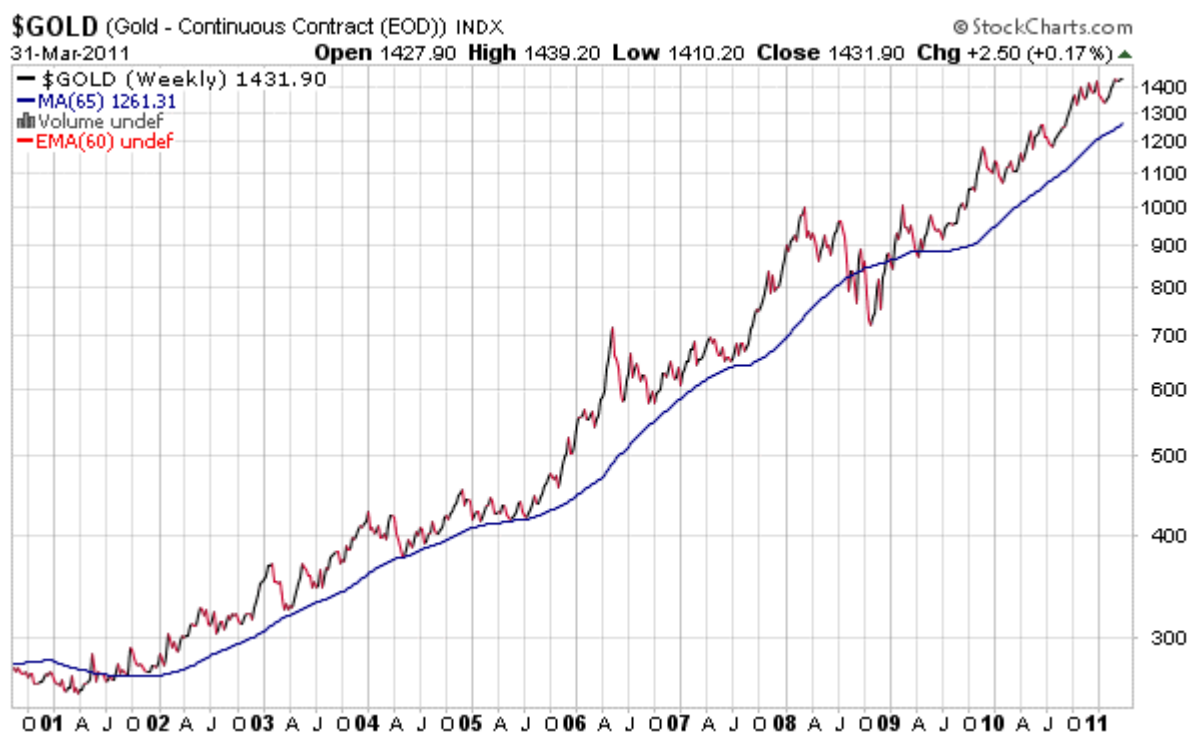
China displaced South Africa as the world's biggest gold producer in 2007. Imports through last October rose almost fivefold to 209 tons from the total shipped in the previous year, according to the Shanghai Gold Exchange. Mine output reached a record 340 tons last year, the China Gold Association has said.

The Industrial and Commercial Bank of China Ltd., the world's biggest lender by market value, started physical-gold linked savings accounts in December with the World Gold Council. Account openings have surpassed 1 million, with more than 12 tons of gold stored on behalf of investors, it has said.

## 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 <sup>st</sup> March	24 <sup>th</sup> March	16 <sup>th</sup> March	31 <sup>st</sup> March
1415	1441	1399	1431

London afternoon fix in €/oz:

Open	High	Low	Close
1 <sup>st</sup> March	2 <sup>nd</sup> March	17 <sup>th</sup> March	31 <sup>st</sup> March
1029	1035	1002	1015



Gold spent most of March fighting price resistance in the 1330-1340 USD/oz price range!.

### 3. Silver

#### 3.1 News and Fundamental Considerations

#### 3.2 Technical Comments

##### Long Term Technical Comments

The long-term trend is still up:



##### Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 <sup>st</sup> March	31 <sup>st</sup> March	15 <sup>th</sup> March	31 <sup>st</sup> March
34.37	37.87	33.88	37.87

London fix in €/oz:

Open	High	Low	Close
1 <sup>st</sup> March	24 <sup>th</sup> March	15 <sup>th</sup> March	31 <sup>st</sup> March
24.87	26.71	24.37	26.66



After correcting mid-month silver advanced once again to another price high for the current bull-market..

John Fineron, 1<sup>st</sup> April 2011.

## Appendix: More about this report

### Purpose of the Report

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[http://www.platinum.matthey.com/publications/price\\_reports.html](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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