JM&B Monthly Gold & Silver Report
April 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

Contents

1. Commentary

Both gold and silver appreciated considerably in price in April in USD, but less so in EUR terms.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Dubai, 3rd April 2011, (WGC) – Gold demand in India will continue to grow and is likely to reach 1,200 tonnes or approximately Rs 2.5 trillion by 2020, at current price levels, according to a research by World Gold Council (WGC).

"The rise of India as an economic power will continue to have gold at its heart. India already occupies a unique position in the world gold market and, as private wealth in India surges over the next ten years, so will Indian demand for gold", WGC Managing Director for India and the Middle East Ajay Mitra said in a statement here. Indian gold demand has grown 25 per cent despite 400 per cent price rise of the rupee in the last decade, making the country a key driver of global gold demand, the research said.

Gold purchases in India accounted for 32 percent of the global total in 2010. Further, the council expects an increase by over 30 per cent in real terms. "India's continued rapid growth which will have significant impact on income and savings, will increase gold purchasing by almost 3 per cent per annum over the next decade," the council said in a statement.

It added, "In gold terms, India is a market with significant scale. In 2010, total annual consumer demand reached 963.1 tonnes. As seen in the last decade, Indian demand for gold will be driven by savings and real income levels, not by price". According to Mitra, in parallel to growth, socio and demographic challenges will need to be addressed given its immense diversity.

"This also applies to the gold market. Nevertheless, gold purchasing will continue, underpinned by India's long-standing and deep cultural affinity for gold; a love affair which transcends generations and makes India unlike any other gold market," he said.

At more than 18,000 tonnes, Indian households hold the largest stock of gold in the world. 'India: Heart of Gold' is the second in a series of WGC research with focus on India. The first paper, 'India Heart of Gold: Revival' was released in November 2010, and focused on the historical demand of the past 10 years and the revival in 2010.

Austin, Texas, 16th April 2011, (Business Week) – The University of Texas Investment Management Co., the second-largest U.S. academic endowment, took delivery of almost $1 billion in gold bullion and is storing the bars in a New York vault, according to the fund's board.

The fund, whose $19.9 billion in assets ranked it behind Harvard University's endowment as of August, according to the National Association of College and University Business Officers, added about $500 million in gold investments to an existing stake last year, said Bruce Zimmerman, the endowment's chief executive officer. The holdings are worth about $987 million, based on yesterday's closing price of $1,486 an ounce for Comex futures.

The decision to turn the fund's investment into gold bars was influenced by Kyle Bass, a Dallas hedge fund manager and member of the endowment's board, Zimmerman said at its annual meeting on April 14. Bass made $500 million on the U.S. sub-prime-mortgage collapse.

"Central banks are printing more money than they ever have, so what's the value of money in terms of purchases of goods and services," Bass said yesterday in a telephone interview. "I look at gold as just another currency that they can't print any more of."

Gold reached an all-time high of $1,489.10 an ounce yesterday in New York as sovereign debt concerns boosted demand for the metal as a store of value. Gold has climbed 28 percent in the past year on Comex.

The endowment, which oversees funds held by the University of Texas System and Texas A&M University, has 6,643 bars of bullion, or 664,300 ounces, in a Comex-registered vault in New York owned by HSBC Holdings Plc, the London-based bank, according to a report distributed at the meeting in Austin.

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
1st April	28th April	1st April	28th April
1418	1536	1418	1536

London afternoon fix in €/oz:

Open	High	Low	Close
1st April	18th April	12th April	28th April
1007	1046	1002	1035

A strong month for gold in USD terms.

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

3. Silver

3.1 News and Fundamental Considerations

Singapore, 4th April 2011, (Bloomberg) – Silver climbed to its most expensive level versus gold since 1983 as rising inflation spurred by commodity shortages, economic recovery and turmoil in the Middle East bolstered demand.

An ounce of gold bought 37.15 ounces of silver at 2:32 p.m. in Singapore, compared with an average of 62 in the past 10 years. Silver for immediate delivery has more than doubled in the past year while gold gained 27 percent, cutting the ratio from a high of 70 in June.

"Silver has yet to hit a record which means the ratio will decline further" to levels unseen since 1980, when the billionaire Hunt brothers hoarded the metal, said Hwang Il Doo, Seoul-based senior trader with KEB Futures Co. "Investor and industrial demand is strong as the economic recovery is under way and inflation becomes a worry."

The jobless rate in the U.S. unexpectedly fell to a two- year low in March. The European Central Bank may boost interest rates this week to damp inflation that is likely to exceed its target through 2011 as the regional economy strengthens.

A United Nations index of world food prices jumped to a record in February, contributing to riots across northern Africa and the Middle East that toppled leaders in Egypt and Tunisia. Corn prices traded near a 33-month high today, while crude oil in New York hovered near the highest level since September 2008.

Silver Outperforms
Silver for immediate delivery gained as much as 0.6 percent to $38.7875 an ounce, the highest since 1980, and traded at $38.6575 an ounce in Singapore. The cash metal reached a record $49.45 an ounce in January 1980. Gold advanced 0.2 percent to $1,436.97 an ounce.

Silver is the second-best performer in the UBS Bloomberg CMCI commodity index in the past year. Holdings in exchange- traded products backed by the metal climbed for a second day on April 4, rising 22.9 metric tons to 15,395.52 tons, according to data compiled by Bloomberg.

"Funds are very bullish on silver," said Ng Cheng Thye, Singapore-based director with Standard Merchant Bank Ltd. "It looks like silver will approach $45 an ounce quite soon. Gold will find it difficult to cross the $1,460 level because the momentum is not there."

Investors have bought precious metals to protect their wealth against risks spurred by civil unrest in the Middle East, the Japanese nuclear crisis and financial turmoil in Europe.

Sales Double
Muammar Qaddafi's diplomatic outreach failed to entice European leaders, as Italy rejected a reported cease-fire proposal and recognized the rebels' interim council as the nation's only legitimate government. In Japan, Tokyo Electric Power Co. began dumping radioactive water from its crippled plant into the sea so that it would have a place to store more highly contaminated water.

Silver will rise to $60 an ounce in the next three years, while gold will climb to $2,000 an ounce, according to Aaron Smith, managing director of Superfund Financial (Hong Kong) Ltd. and Superfund USA Inc. Smith correctly predicted record copper prices in November and a month later rightly anticipated that silver would outperform gold.

American Precious Metals Exchange, one of the largest U.S. gold and silver dealers, said yesterday its sales may double this year. Sales of items including 1-ounce gold coins and 10-ounce silver bars are “on pace” to reach as high as 15 million units for the year, Chief Executive Officer Michael Haynes said. The dealer shipped 7.5 million items last year.

Industrial applications such as electrical switches and batteries accounted for 50.3 percent of silver demand in 2008, compared with 40 percent five years earlier and 51 percent in 2007, according to The Silver Institute.

New York, 7th April 2011, (Silver Institute) – Booming silver investment was the primary source of the astounding 78 percent intra-year increase in silver prices in 2010. A sturdy rebound in total fabrication demand, led by the industrial sector, was also significant, according to World Silver Survey 2011, released today by the Silver Institute.

Silver Price and Investment
Silver posted an average price of $20.19 in 2010, a level only surpassed in 1980, and a marked increase over the $14.67 average price in 2009. This buoyancy is very much alive today, with the 2011 price averaging $31.86, based on the London fix, through the end of the first quarter. World investment rose by an impressive 40 percent last year to 279.3 million troy ounces (Moz), resulting in a net flow into silver of $5.6 billion, almost doubling 2009’s figure.

Exchange traded funds (ETFs) registered another sterling performance in 2010, with global ETF holdings reaching an impressive 582.6 Moz, representing an increase of 114.9 Moz over the total in 2009. The iShares Silver Trust accounted for almost 40 percent of the increase, with other notable gains achieved by Zurcher Kantonalbank, ETF Securities, and the Sprott Physical Silver Trust.

A significant boost in retail silver investment demand paved the way for higher investment in both physical bullion bars and in coins and medals in 2010. Physical bullion bars accounted for 55.6 Moz of the world investment total last year. Coins and medals fabrication rose by 28 percent to post a new record of 101.3 Moz. In the United States, over 34.6 million U.S. Silver Eagle coins were minted, smashing the previous record set in 2009 at almost 29 million. Other key silver bullion coins reaching milestones include the Australian Kookaburra, the Austrian Philharmoniker, and the Canadian Maple Leaf–all three posting record highs in 2010.

Increasing a hefty 47 percent last year to 178.0 Moz, implied net silver investment recorded its all-time high. Much of the increase was due to ETFs, the over-the-counter market, and investment in physical bars.

Fabrication Demand
Total fabrication demand grew by 12.8 percent to a 10-year high of 878.8 Moz in 2010; this surge was led by the industrial demand category. Last year, silver’s use in industrial applications grew by 20.7 percent to 487.4 Moz, nearly recovering all the recession-induced losses in 2009, and is now seeing pronounced advances in 2011. Jewelry posted a gain of 5.1 percent, the first

substantial rise since 2003, primarily due to strong GDP gains in emerging markets and the industrialized world's improving economic picture. Photography fell by 6.6 Moz, realizing its smallest loss in nine years, as medical centers deferred conversion to digital systems. Silverware demand fell to 50.3 Moz from 58.2 Moz in 2009, essentially due to lower demand in India.

Mine Supply and Costs, Above-Ground Stocks, Scrap Supply, Producer Hedging and Government Sales

Silver mine production rose by 2.5 percent to 735.9 Moz in 2010 aided by new projects in Mexico and Argentina. Gains came from primary silver mines and as a by-product of lead/zinc mining activity, whereas silver volumes produced as a by-product of gold fell 4 percent last year. Mexico eclipsed Peru as the world's largest silver producing country in 2010, and Peru is followed by China, Australia and Chile. Global primary silver supply recorded a 5 percent increase to account for 30 percent of total mine production in 2010.

Primary silver mine cash costs remained relatively flat year-on-year, falling by less than 1 percent to $5.27/oz. from a revised $5.29/oz. in 2009.

Net silver supply from above-ground stocks increased to 142.9 Moz in 2010, primarily due to higher scrap supply, a shift of net-producer hedging to the supply side, and a considerable rise in net-government stock sales. Regarding scrap supply, 2010 witnessed a 14 percent increase over 2009 as gains in industrial and jewellery recycling exceeded an ongoing decline in recovery from photographic sources.

The swing to net-producer hedging of 61.1 Moz ended a four-year run of de-hedging and is attributed to higher silver prices and was limited to a group of by-product, rather than primary silver producers.

Net government sales of silver rose to 44.8 Moz, primarily the result of increased sales from Russia, with China and India remaining relatively silent for the second consecutive year.

World Silver Supply & Demand (million ounces)	2009	2010
Supply		
Mine Production	718.3	735.9
Net Government Sales	15.5	44.8
Old Silver Scrap	188.4	215.0
Producer Hedging	-	61.1
Implied Net Disinvestment	-	-
Total	922.2	1056.8
Demand		
Fabrication		
Industrial Applications	403.8	487.4
Photography	79.3	72.7
Jewellery	158.9	167
Silverware	58.2	50.3
Coins & Medals	79	101.3
Total Fabrication	779.2	878.8
Producer De-hedging	22.3	-
Implied Net Investment	120.7	178
Total Demand	922.2	1056.8

Mumbai, 13th April 2011, (FT) – Indian investors, long known for their enthusiasm for gold, are ditching bullion for silver as they expect it to generate higher returns than the yellow metal, the country's main industry body said.

The Bombay Bullion Association's head said that investors were buying more silver than ever, underpinning prices in India that are already at record highs.

"The type of demand for silver that we have experienced in the last few months has never been seen before," Prithviraj Kothari, president of the BBA, said. "Demand has gone up 25 per cent compared to a year ago as people are going crazy for silver because they think it will give them better returns than gold."

In 2010 India consumed about 2,800 tonnes of silver, this year's consumption is expected to rise to 4,000 tonnes, according to the BBA. Silver prices in Mumbai, India's main trading hub for precious metals, hit an all-time high of Rs60,125 a kilogram ($1,364) on Friday, more than double year-ago levels. Global silver prices rose to more than $40 a troy ounce for the first time since 1980 at the end of last week.

India silver imports increased nearly sixfold last year, according to Bloomberg, as wholesale buyers boosted their stocks while the price of the metal was trading at half its current level. Since February imports have moderated as traders wait for a correction in the market.

Historically, silver was bought in India's poor rural areas, which account for 70 per cent of the country's 1.2bn population. However, since January a growing number of urban middle-class investors have also started hoarding silver. Anjani Sinha, chief executive of National Spot Exchange, said that since the start of the year it has been opening 3,000-4,000 new silver accounts every month.

Bharagava Vaidya, a precious metals trader in Mumbai, said that Indian investors started switching from gold to silver about a year ago when prices for the grey metal were particularly low relative to bullion.

"Demand spiked in an absolutely unprecedented manner," said Mr Vaidya.

The price of the grey metal globally has been rallying since February when pro-democracy protests and social unrest throughout the Middle East that toppled regimes in Tunisia and then Egypt sent investors scrambling for havens.

But traders warned that, although India's demand for silver was expected to remain strong in the long term, the country's love affair with gold was far from over, especially once the festival season started next month.

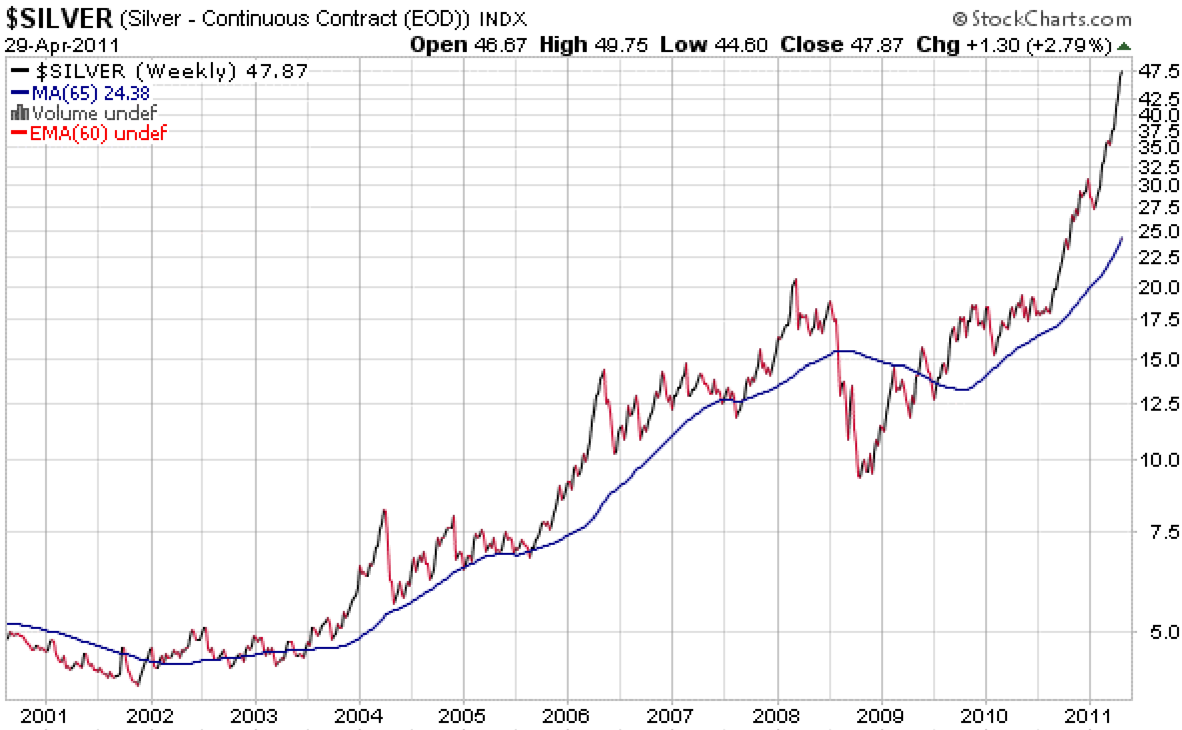
Mr Vaidya said: "During the Akshaya Tritiya festival [May 6] many people will buy gold...it might be less of an investment-driven decision and more of religious one."

For India's Hindu-majority population, Akshaya Tritiya is a holy day during which devotees pray, fast and buy gold believing that it brings good fortune. Some dealers said that closer to Akshaya Tritya silver holders might contemplate cashing in on the extraordinary gains of the grey metal to get back into bullion.

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
1st April	28th April	1st April	28th April
37.63	48.70	37.63	48.70

London fix in €/oz:

Open	High	Low	Close
1st April	28th April	1st April	28th April
26.59	32.88	26.59	32.88

After making a new marginal all time high in USD terms, silver looked poised to correct in price at the end of the month.

John Fineron, 2nd May 2011.

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

This document is supplied in PDF format. To view, you may need to download the free Adobe Acrobat Reader:

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.

Special Legal Notice/Disclaimer concerning this report

This report represents the views of Johnson Matthey & Brandenberger AG, which may be materially different from those of Johnson Matthey plc and other group companies.

General Legal Notice/Disclaimer

Certain links on this Web site lead to resources located on servers maintained by third parties over whom JM&B has no control. JM&B accepts no responsibility for the information contained on such servers.

The information, text, graphics and links contained in these pages are provided for information purposes only. JM&B does not warrant the accuracy, or completeness of the information, text, links, and other items contained on this server or any other server.

JM&B accepts no responsibility for loss, which may arise from reliance on information contained in this site.

No warranty of any kind, either expressed or implied, is made as to the information contained in these pages, including, but not limited to any implied warranty of merchantability, fitness for a particular purpose or non-infringement of third party intellectual property of or by JM&B products. Some jurisdictions do not allow the exclusion of implied warranties, so the above exclusion may not apply to you.

JM&B may make changes to the information contained in these pages, or to the products described in them, at any time without notice, however JM&B makes no commitment to update the information given in these pages.