

JM&B Monthly Gold & Silver Report

June 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

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1. Commentary

Both gold and silver spent most of June consolidating in price with a downward bias.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Moscow, 20th June 2011, (Itar-Tass) – The share of gold in the Russian gold and foreign exchange (international) reserves amounted to 26.7 million net troy ounces, or 830.5 tonnes, as of June 1, 2011, the Central Bank of Russia said in a regular report on Monday.

The country's gold reserves increased by 0.75 percent, or 0.2 million troy ounces (6.2 tonnes) as compared to May 1, 2010, the bank said.

In the first five months of the year, Russia's international reserve assets increased by 40.5 tonnes of gold, the bank said.

According to the Central Bank, the reserves of gold in the Russian international reserve assets increased by 23.9 percent (152.4 tonnes) in 2010, to reach 25.4 million net troy ounces (790 tonnes) as of January 1, 2011.

As of January 1, 2009, the amount of monetary gold in Russia's international reserves was at 16.4 million ounces (510.1 tonnes), the Central Bank said.

In 2009, the Central Bank's gold reserves increased by 4.1 million ounces (127.5 tonnes) to reach 20.5 million ounces (637.6 tonnes) as of January 1, 2010.

Beijing, 20th June 2011, (Xinhua) – The People's Bank of China (PBOC), the central bank, announced on Monday that it will issue more gold and silver commemorative coins featuring the giant pandas to meet soaring demands for precious metals in the country.

PBOC said the maximum circulation of the one-ounce gold coins with a face value of 500 yuan (77.3 U.S. dollars) will be raised to 500,000 from 300,000 previously set at the end of last year.

The maximum circulation of four other gold coins with different gold purity and face values ranging from 20 yuan to 200 yuan will increase to 600,000 each set from the previous 200,000.

Also, the maximum issuance of one-ounce silver coins with a face value of 10 yuan each will double to 6 million from the previous 3 million, according to PBOC. Chinese investors have rushed to buy precious metals this year to hedge against rising inflation, where the Consumer Price Index (CPI), a main gauge of inflation, shot up to 5.5 percent year-on-year in May. The CPI rose 5 percent in the first quarter and 5.3 percent in April.

The benchmark interest rate of one-year deposits stood at 3.25 percent after the central bank raised the interest rate twice this year to curb inflation.

In contrast, the price of gold has so far risen by about 9.4 percent from the end of last year, making precious metals more attractive to investors.

Athens, 21st June 2011, (FT) – Greek citizens are emptying savings accounts and buying gold as they brace themselves for the possibility of a sovereign default and a run on the banks.

Pledges by socialist prime minister George Papandreou that his government would "save the country" have been widely discounted by the public. However, parliament gave him a vote of confidence late on Tuesday night. The socialists have a six-seat majority in the 300-member house.

Sales of gold coins have soared as savers seek a safer and fungible source of value.

"When the global financial crisis started, our sales of coins to investors overtook bullion for the first time," said Harry Krinakis, at Sepheriades, a Greek precious metals trader. "Now the sales ratio has reached five to one."

Tomas, a computer technician, has exchanged his euro savings for gold coins: "I keep them at home just like my grandmother did in the second world war."

Monthly bank withdrawals were running at €1.5bn-€2bn (£1.3bn-£1.8bn) in the first quarter. Last year, depositors withdrew €30bn, equivalent to 12.3 per cent of total savings, according to the central bank. Greek deposits worth an estimated €8bn were transferred to banks in Cyprus in 2010. But the flow has dried up this year amid fears that Cypriot banks could suffer contagion.

Andreas, a supermarket manager, transferred the family savings to Munich earlier this year: "The Swiss banks aren't interested unless you've got several hundred thousand euros."

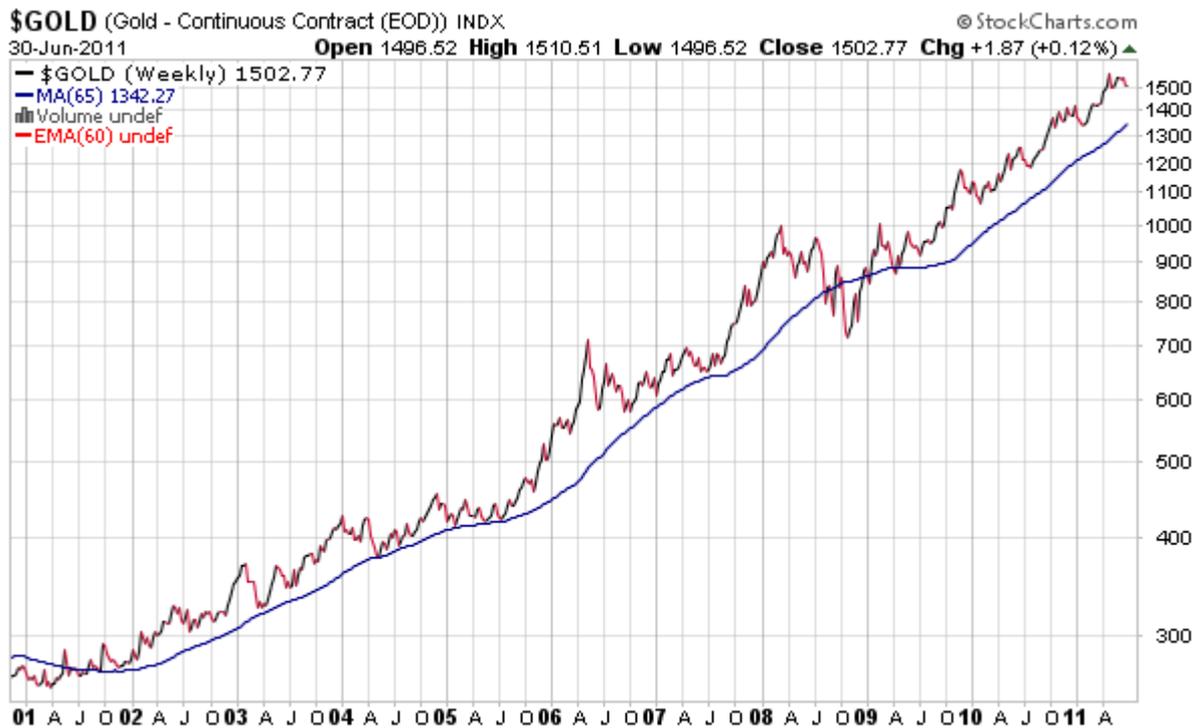
"We can't trust the politicians to get us out of this mess [and] have to protect our families," Sakis, a garage owner, said at an anti-austerity protest in Athens' Syntagma square. "A bank collapse has got to be on the cards." He added he had withdrawn his savings and placed them in a bank safe deposit box "for security. Who cares about interest right now?"

Others put their savings into land when prices fell after Greece's first European Union-led rescue last year. Angelos, a software specialist, bought a neighbour's olive grove. "I grabbed the opportunity," he said. "A year ago I wouldn't have considered making such an old-fashioned investment."

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 June	22 nd June	27 th June	30 th June
1534	1553	1498	1506

London afternoon fix in €/oz:

Open	High	Low	Close
1 st June	16 th June	30 th June	30 th June
1063	1077	1040	1040



Gold spent June consolidating in price with a downward bias.

3. Silver

3.1 News and Fundamental Considerations

Washington, D.C, 8th June 2011, (Business Day) – As the sun increasingly is used as a source of energy, silver, because of its intrinsic properties, will have growing importance in the design and construction of solar energy installations. In fact, by 2015, silver's use in photovoltaics could double to over 100 million ounces (Moz) of silver in consumption over the 2010 figure of 50 Moz, according to the Silver Institute.

Solar energy installations are continuing to evolve using thin-film designs, which are more conserving of both space and materials. These installations consist of arrays of photovoltaic cells usually made from silicon. These are often coated with a thin film of silver to maximize light absorption and capture on active components.

Silver, because it has the highest efficiency as a conductor of both electrical and heat energy, is also the major component of circuitry elements that transfer the energy to storage reservoirs or to devices making direct use of the photovoltaic-produced energy. Silver is used in paste at the contact points of cells in the photovoltaic arrays. These arrays are then mounted on a substrate, and from these contact points, silver wires and inks provide the most efficient transfer network to the ultimate destination.

Other industries have energy efficiency benefits from incorporating silver. For example, silver is being utilized by the automobile industry, which consumed 36 Moz of silver in 2010. Electrical uses of silver that have recently been added to automotive construction include seat adjustment circuitry, global positioning systems, and finer control of windshield wiper settings.

Silver is also being increasingly used for more efficient and safer operation of electronic devices such as cell phones, where 13 Moz of silver were consumed in 2010. Personal computers and laptops, where silver plays a key role in the circuitry, used 22 Moz of silver last year. Solid state lighting and radio frequency identification tags also make use of the electrical conductivity properties of silver and combined could utilize nearly 10 Moz of silver by 2015.

Overall demand for silver in electrical and electronics applications was estimated at 243 Moz in 2010, as published in World Silver Survey 2011.

"Silver surrounds us. And every day, from our commute to work, to our cell and smart phones, to the lighting in our workplace and homes, to our computers, silver is an important element which makes our lives more convenient and energy efficient," stated Michael DiRienzo, Executive Director of the Silver Institute.

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 st June	1 st June	28 th June	30 th June
37.95	37.95	33.96	35.02

London fix in €/oz:

Open	High	Low	Close
1 st June	1 st June	29 th June	30 th June
26.36	26.36	23.82	24.20



Same story for silver as gold in June.

John Fineron, 1st July 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

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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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