

JM&B Monthly Gold & Silver Report

March 2012

<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
- 2. Gold
 - 2.1 News and Fundamental Considerations
 - 2.2 Technical Comments
- 3. Silver
 - 3.1 News and Fundamental Considerations
 - 3.2 Technical Comments
- Appendix More about this report

1. Commentary

Both gold and silver drifted down in price in March.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Washington, 20th March 2012, (Reuters) – Federal Reserve Chairman Ben Bernanke on Tuesday took aim at proponents of the gold standard, saying that such a system handicaps the government's ability to address economic conditions.

Bernanke spoke in the first of a series of four public lectures at George Washington University that is the central bank's latest effort to counter a raft of negative public sentiment that has arisen from its handling of the financial crisis. The former Princeton economics professor delivers a second lecture on Thursday and two more next week.

"Since the gold standard determines the money supply, there is not much scope for the central bank to use monetary policy to stabilize the economy," Bernanke said. "Under a gold standard, typically the money supply goes up and interest rates go down in a period of strong economic activity - so that's the reverse of what a central bank would normally do today."

Embodied by Texas congressman and Republican presidential hopeful Ron Paul, a loud minority advocates the closure of the central bank and a return to a gold standard where every dollar issued must be backed with equivalent reserves of precious metal.

Most economists credit the Fed for acting forcefully by lowering interest rates aggressively once it realized the magnitude of the 2007-2009 crisis. But policymakers, including Bernanke, have been chided for downplaying the housing downturn in its early stages and for turning a blind eye to flaws in the regulatory system that laid the groundwork for the boom and bust.

Some Fed critics argue that the central bank's ultra-easy monetary stance - it has held overnight interest rates near zero since late-2008 and has bought \$2.3 trillion in bonds - is paving the way for future inflation.

Bernanke defended the need for a central bank.

"The one thing people don't appreciate, I think, is that central banking is not a new development. It's been around for a very long time," he said, citing the creation of the Swedish central bank in the 17th century.

Since entering office in 2006, Bernanke has taken several steps to make the central bank more transparent, including holding quarterly news conferences and publishing policymakers' own projections for the path of interest rates.

Bernanke did not touch directly on the outlook for the economy or monetary policy in his remarks, but he struck a cautious note about a rush to unwind the Fed's aggressive easing.

"You need to be attentive to where the economy is and not move too quickly to reverse the policies that are helping the recovery," he said.

Perth, 27th March 2012, (Market Watch) – AngloGold Ashanti Ltd. (NYSE:AU) Chief Executive Mark Cutifani said Tuesday the price of gold could exceed US\$2,000 a troy ounce this year as demand remains robust in fast-growing economies like India and China.

Cutifani expected the gold price, which settled Monday at US\$1685.60 an ounce, to average between US\$1,700 and US\$1,800/oz in 2012.

"We could see it peak at well over US\$2,000 in my view, but it is going to move around a fair bit, I think, as news flow from Europe, the U.S. and other countries continues," he said.

Prices remain supported by strong buying in China.

"With the increasing middle class in China, many Chinese are choosing gold as a way to store wealth, so I don't think that will change," he said.

Demand for gold jewellery in India remains "relatively strong", though it has weakened slightly recently due to talk of higher taxes on gold imports, he said.

The South Africa-based miner plans to spend around US\$800 million in Australia over the next 2-3 years on new projects and exploration, he said.

The Tropicana mine development in Western Australia state is on track to meet its forecast start-up date of the fourth quarter of 2013, he added.

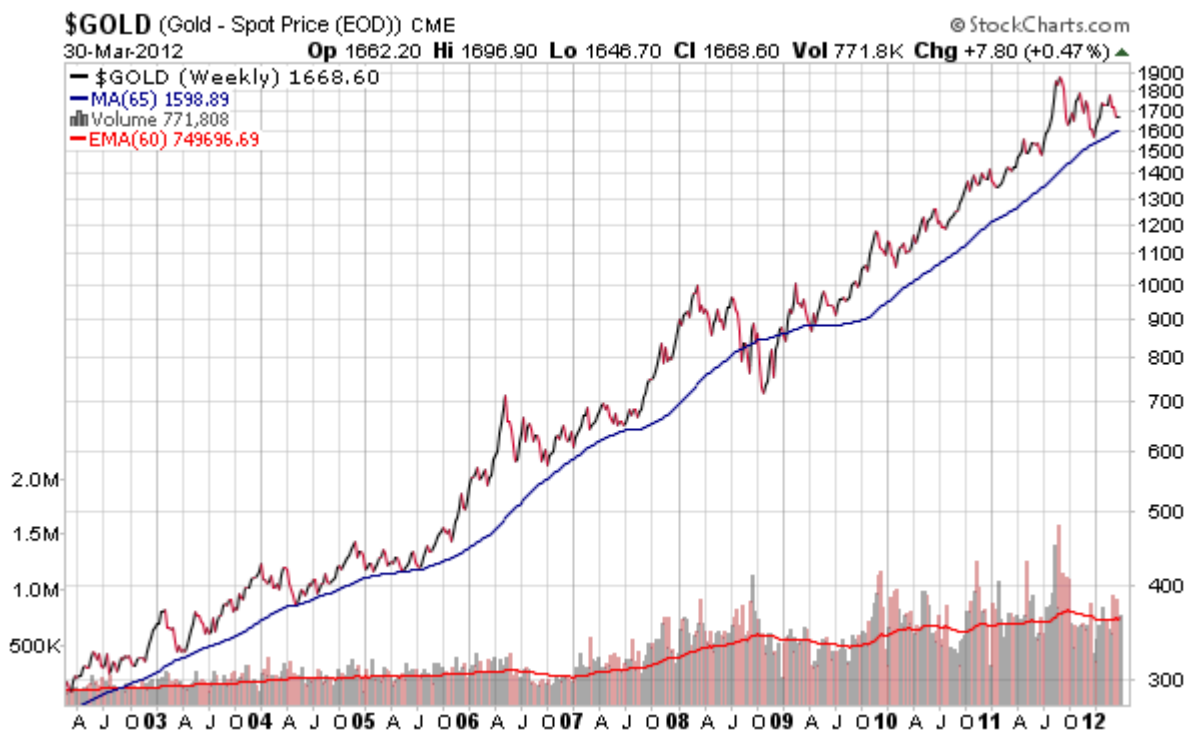
Cutifani said last week's military coup in the West African country of Mali, which accounts for around 4% of the company's gold production, hasn't affected operations there, which are still running as normal.

"We've had no disruptions," he said. "We are receiving fuel and other materials so operations should continue - we don't expect that to change and, as I understand it, other mining companies are in the same position."

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 March	1714	1636	1663
1714	1714	1636	1663

London afternoon fix in €/oz:

Open	High	Low	Close
1 st March	2 nd March	22 nd March	30 th March
1287	1293	1242	1247



Gold drifted down in price in March.

3. Silver

3.1 News and Fundamental Considerations

Washington D.C., 8th March 2012, (Silver Institute) – Sturdy investment demand has pushed the silver price up 20 % in the first ten weeks of 2012, outperforming platinum, palladium and gold during the period.

Investors are increasingly acquiring silver in many forms. Globally, silver-based exchange-traded-funds (ETFs) account for 586 million ounces (Moz) of silver, up from 576 Moz at the end of 2011. Demand for physical silver bars is also strong. According to several precious metals dealers silver bar sales continue to be brisk.

Moreover, investor demand on the Commodity Mercantile Exchange (a division of the CME Group) has been strong this year. As of February 28, net long silver positions, which are the difference between total long positions and total short positions, had increased by more than two-fold from end-2011. If investors are net long they are bullish on prices and expect further price strength. Total net long positions on February 28 were at their highest level since September 13, 2011.

Also contributing to a strong silver price over the course of this year will be strengthening global silver industrial demand after a record 2011. According to “The Future of Silver Industrial Demand,” a report commissioned by the Silver Institute and released last March, silver industrial demand is forecast to grow by 36 percent to 666 Moz from 2010 through 2015. Silver industrial demand remains positive primarily because of the lack of substitution and the wide range of established and ever-growing new uses of silver that are vital to industry.

The Silver Institute is a nonprofit international industry association headquartered in Washington, D.C. Established in 1971, the Institute serves as the industry’s voice in increasing public understanding of the value and many uses of silver. For more information on silver please visit www.silverinstitute.org.

3.2 Technical Comments

Long Term Technical Comments

The long-term trend remained wobbly in March:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
1 st March	2 nd March	23 rd March	30 th March
34.56	35.21	31.54	32.43

London fix in €/oz:

Open	High	Low	Close
1 st March	2 nd March	23 rd March	30 th March
25.93	26.64	23.84	24.32



Like gold silver drifted down in price in March.

John Fineron, 2nd April 2012.

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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