

JM&B Monthly Gold & Silver Report

April 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

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1. Commentary

Gold appeared to be basing in April and silver drifted lower in price.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 2nd April 2012, (Mine Web) – With the Indian government stating that it would delay the implementation of hiking the excise duty on non-branded gold jewellery, the bullion strike in India has been officially called off. Jewellers in Mumbai and several parts of the country were back to their stores Monday afternoon, expecting a revival in demand.

The strike by jewellers and retailers began on March 17, immediately after the Union Budget, to protest the government's decision to impose excise duty on non-branded jewellery and doubling of the import duty on gold to 4%. Market estimates have placed the loss at a staggering \$2.1 billion.

Bachhraj Bamalwa, chairman of the All India Gems and Jewellery Trade Federation which had given the call to strike, said the government had assured that no jeweller would be forced to register to pay excise duty, and that no coercive action would be taken.

Though some retailers and traders staged a protest in New Delhi on Monday morning, traders in Mumbai and other parts of the country opened their stores late afternoon as the news spread.

NO ROLLBACK

Slowly but surely, the Indian government has begun to bow to the demands of the bullion traders. Though the Finance Minister has been adamant about not having a rollback on the import duty, he has amended several other measures. For instance, if jewellers provide a self-declaration that their turnover is less than \$982,484 (Rs 50 million), there is to be no scrutiny from the excise department, the Finance Minister assured a bullion dealers' delegation that met him in the capital.

The minister has also promised to reconsider the decision to make the PAN declaration mandatory for the purchase of gold jewellery of over \$3929 (Rs 2,00,000), in a move that would make consumers purchase their gold ornaments with a receipt.

"The tax on unbranded jewellery was affecting smaller businesses. It would ensure that several craftsmen would lose their daily earnings and result in large scale unemployment for several people in the country ," said Rameshbhai Sanghavi, bullion trader. He added that deferring the tax would help employment in the country to a large extent, though gold imports have slipped further in March.

India's gold imports rose by 14% during 2010-11 fiscal at 969.73 tonnes, India's Parliament was informed. Gold imports stood at nearly 851 tonnes in 2009-10 fiscal, said Minister of State for Finance, Namo Narain Meena. In value terms, gold imports rose by 36% to \$36.29 billion (Rs 1.8 trillion) in 2010-11, from \$26.69 billion (Rs 1.4 trillion) in the previous financial year.

DIRECT IMPORTS

Though imports of the yellow metal may not be resumed immediately in India since banks have enough stockpiles, the government has further decided to ease gold import procedures.

The Indian government has acceded to Tata group firm Titan Industries directly importing gold into the country, which will help the firm bypass routing imports through banks or designated agencies. This is the first time ever that a private firm has been given the go-ahead, setting the pace for other private sector units.

At present, only authorised agencies and public sector units like the MMTC are allowed to import gold. The move is expected to open the door to other actual users from the private sector to import gold directly.

Titan approached the Directorate General of Foreign Trade, under the Commerce Ministry, to seek a license for the direct import of gold. In its application, the company said this would help save 1% of their operating cost and it could also get good quality gold into the country.

On Monday, Titan Industries rose to a record high on the bourses. Shares were up 5.9%, after gaining a record high intraday. Shares in Titan have surged 34% in the year to date.

London, 11th April 2012, (Market Watch) – Gold's wild ride in 2011 may have seen waning speculative investment, but physical demand remained resilient, thanks in part to strong buying from China and some other emerging economies, according to data released Wednesday.

World investment in gold last year slipped 10.4% on-year to 1,605 metric tons, driven by heavy liquidation in the over-the-counter and gold futures markets amid heavy losses in other financial markets in the second half of the year, said the GFMS gold survey.

But even as speculators bowed out, demand for physical gold defied record-setting gold prices in 2011 and remained strong, especially among Chinese jewellery, coin and bar sectors, said consultancy GFMS.

This trend is expected to continue in 2012, according to GFMS, as physical demand for gold from emerging markets continues to grow, outshining appetite from other regions. Fresh evidence includes strong retail sales before and after the 2012 Chinese New Year amid inflation concerns and rising incomes.

"Continued economic growth and a desire to own gold as an alternative asset are likely to propel Chinese jewellery fabrication to another record this year," GFMS, a unit of Thomson Reuters Corp.

In 2011, Chinese jewellery fabrication soared 14.6% to hit a new record high of 496 metric tons, building on a near-20% gain to 423 tons in 2010, according to the report.

The Chinese jump countered a global downward trend in jewellery fabrication, which fell 2.2% in 2011 to 1,973 tons, said GFMS.

Global demand for gold bars meanwhile surged 37% last year to a new record of 1,209 tons, according to GFMS. This was spurred by strong demand for physical gold as a store of value in China and India as well as "safe haven" interest from western investors, the report said.

Gold bar demand from China alone rose 40% in 2011 to 250 tons, from 179 tons in 2010, according to GFMS.

Global gold coin fabrication rose 15.2% to 245.5 tons, spurred mainly by strong demand in Turkey and China, the report said.

The resilience of gold physical demand - despite heightened market volatility and a record-high gold price at \$1,920.94/oz in September - is a reflection of the type of consumers that make up this sector of the gold market, said Mark O'Byrne, director at bullion dealer GoldCore.

Not only does investment in physical gold in the form of bars and coins tend to be "stickier," or less speculative, than other areas of the gold market, but Asian buyers--who account for a large proportion of the physical gold market--tend to seek items such as gold jewellery and bars as a store of wealth and a hedge against domestic inflation, said O'Byrne.

In the Chinese gold bar sector, an expanding supply channel of investment bars in the country's banking network should fuel further demand, GFMS said.

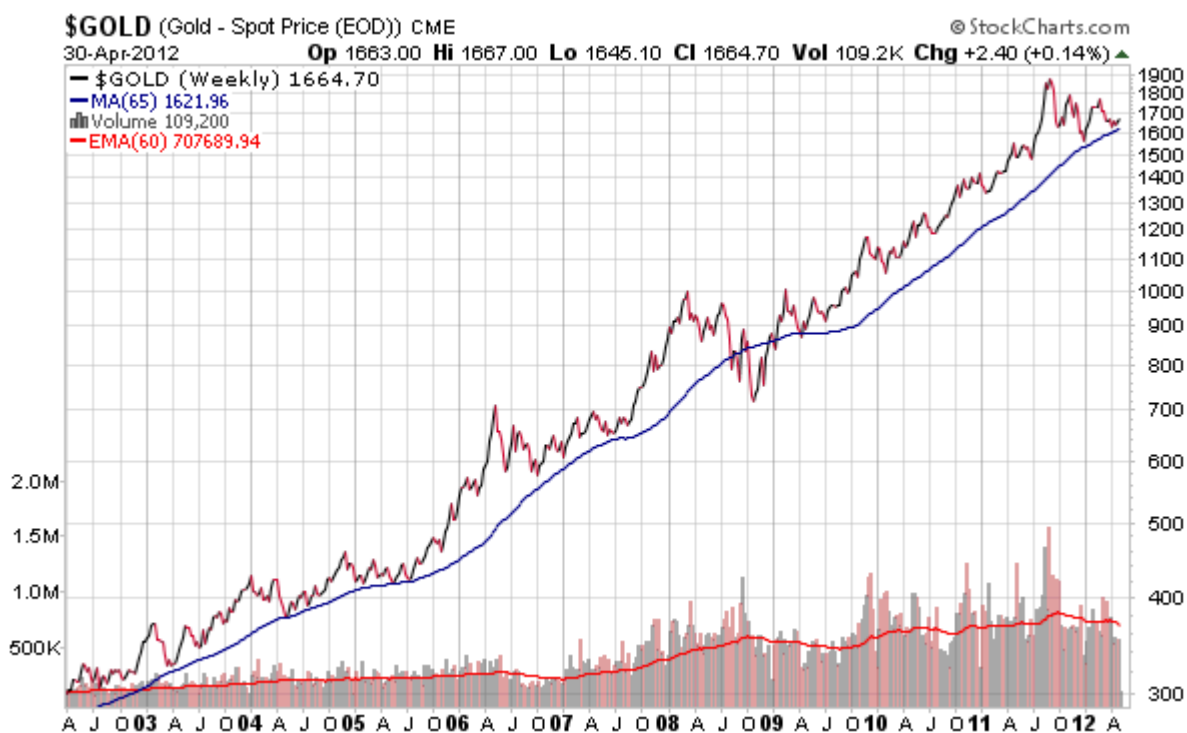
At 1637 GMT Wednesday, spot gold traded at \$1,658.20 a troy ounce on the European spot market, unchanged on the day.

While GFMS expects gold prices to hit new records above \$2,000/oz later this year or in early 2013, a move toward \$1,550/oz is possible in the next month or two amid lower expectations of further gold-positive quantitative easing the U.S. and reduced concerns over the euro-zone debt crisis, said Philip Klapwijk, head of metals analytics at Thomson Reuters GFMS

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
2 nd April	2 nd April	4 th April	30 th April
1678	1678	1621	1651

London afternoon fix in €/oz:

Open	High	Low	Close
2 nd April	13 th April	4 th April	30 th April
1261	1272	1234	1248



Gold spent all of April consolidating in price.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver drifted away somewhat from its long-term trend in April:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
2 nd April	3 rd April	26 th April	30 th April
32.42	32.97	30.70	31.20

London fix in €/oz:

Open	High	Low	Close
2 nd April	3 rd April	26 th April	30 th April
24.30	24.72	23.24	23.59



Silver prices drifted lower during the month.

John Fineron, 1st May 2012.

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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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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