JM&B Monthly Gold & Silver Report
October 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 and silver stalled at overhead resistance and corrected in price for the rest of the month in October.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 19th October 2012, (Bloomberg) – Gold imports by India, the world's largest buyer, are set to climb for the first time in six quarters as a decline in domestic bullion prices stokes jewellery and investment demand ahead of major festivals.

Overseas purchases may jump to as much as 200 metric tons this quarter, said Bachhraj Bamalwa, chairman of the All India Gems & Jewellery Trade Federation. That compares with the 157 tons in the fourth quarter of 2011, according to World Gold Council data. Purchases in the quarter ended September probably fell to as low as 170 tons from 205 tons a year earlier, Bamalwa said. The council is yet to release data for the third quarter.

A rebound in Indian imports may help sustain an 11 percent rally in global prices, headed for a 12th consecutive year of gains. Bullion in India has fallen about 3 percent since climbing to a record last month after the rupee posted the biggest monthly gain against the dollar since January.

“The appreciation in the rupee has caused the gold price to correct from the record levels and this correction is seen as an opportunity by many to get into gold,” said Chirag Mehta, a fund manager at Quantum Asset Management Co. “With the festival season and marriage season starting now, demand will gain further momentum.”

Spot gold fell 0.2 percent to $1,737.65 an ounce at 8:14 a.m. in Mumbai. The contract for delivery in December rose 0.8 percent to 31,375 rupees ($585) per 10 grams on the Multi Commodity Exchange of India Ltd. yesterday. The rupee rallied 5.1 percent in September, data compiled by Bloomberg show.

‘Latent Demand’

Demand has picked up in the last 10 to 15 days and buying may be better this festival season than a year earlier, Bamalwa said. “In the last three to four months, there was practically no demand for gold because of the high prices. There is a lot of latent demand, and we expect this festive season to be better.”

Imports plunged 42 percent to 340 tons in the first half of this year as an increase in import tax and a strike by jewellers hurt demand, according to the World Gold Council. Purchases may decline for the first time in three years to 600 tons this year from a record of 969 tons in 2011, Bamalwa said.

“India should be a better buyer over the next two weeks from a seasonal perspective, but this remains highly contingent on the behavior of the rupee gold price,” Edel Tully, an analyst at UBS AG in London, said in a report yesterday. “Indian imports are already 40 percent less than they were last year, and we understand inventories are generally light. Therefore, if the rupee behaves, fresh demand will also prompt restocking.”

Buying gold is considered auspicious during the religious festivals in India. The festival season starts this year with Dussehra on Oct. 24 and ends in November with Diwali, which is followed by the traditional wedding season.

London, 24th October 2012, (Telegraph) – The revelation came as Germany's budget watchdog demanded an on-site probe of the country's remaining gold reserves in London, Paris, and New York to verify whether the metal really exists.

The country has 3,396 tons of gold worth €143bn (£116bn), the world's second-largest holding after the US. Nearly all of it was shifted to vaults abroad during the Cold War in case of a Soviet attack.

Roughly 66pc is held at the New York Federal Reserve, 21pc at the Bank of England, and 8pc at the Bank of France. The German Court of Auditors told legislators in a redacted report that the gold had "never been verified physically" and ordered the Bundesbank to secure access to the storage sites.

It called for repatriation of 150 tons over the next three years to test the quality and weight of the gold bars. It said Frankfurt has no register of numbered gold bars.

The report also claimed that the Bundesbank had slashed its holdings in London from 1,440 tons to 500 tons in 2000 and 2001, allegedly because storage costs were too high. The metal was flown to Frankfurt by air freight.

The revelation has baffled gold veterans. The shift came as the euro was at its weakest, slumping to $0.84 against the dollar. But it also came as the Bank of England was selling off most of Britain's gold reserves – at market lows – on orders from Gordon Brown.

Peter Hambro, chair of the UK-listed gold miner Petropavlovsk, said the Bundesbank may have withdrawn its bullion in self-protection since it did not, apparently, have its own specifically allocated bars in London. "They may have decided that the Bank of England had lent out too much gold, and decided it was safer to bring theirs home. This is about the identification. Can you identify your own allocated gold, or are you just a general creditor with a metal account?"

The watchdog report follows claims by the German civic campaign group "Bring Back our Gold" and its US allies in the Gold Anti-Trust Committee that official data cannot be trusted. They allege central banks have loaned out or "sold short" much of their gold.

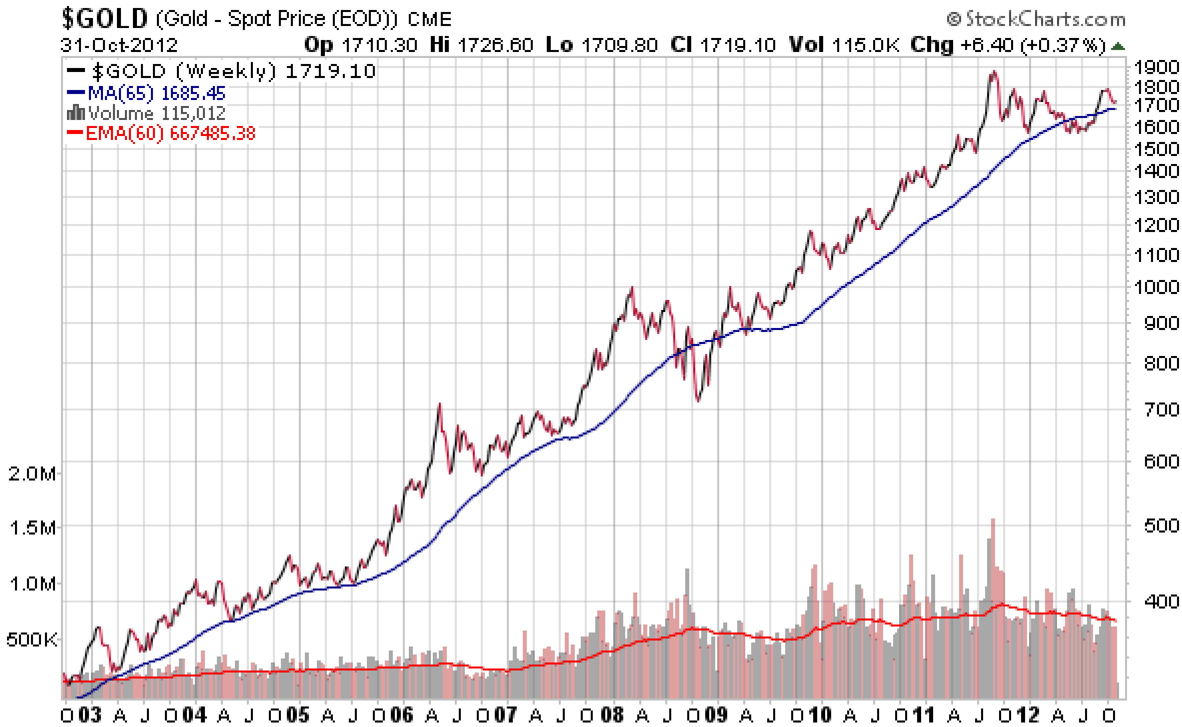
The refrain has been picked up by German legislators. "All the gold must come home: it is precisely in this crisis that we need certainty over our gold reserves," said Heinz-Peter Haustein from the Free Democrats (FDP).

The Bundesbank said it had full trust in the "integrity and independence" of its custodians, and is given detailed accounts each year. Yet it hinted at further steps to secure its reserves. "This could also involve relocating part of the holdings," it said.

2.2 Technical Comments

Long Term Technical Comments

The gold bull continued:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1st October	3rd October	24th October	31st October
1787	1792	1707	1719

London afternoon fix in €/toz:

Open	High	Low	Close
1st October	1st October	24th October	31st October
1383	1383	1317	1327

Clearly, a price correction took place in October, but 1700 USD/oz held!

3. Silver

3.1 News and Fundamental Considerations

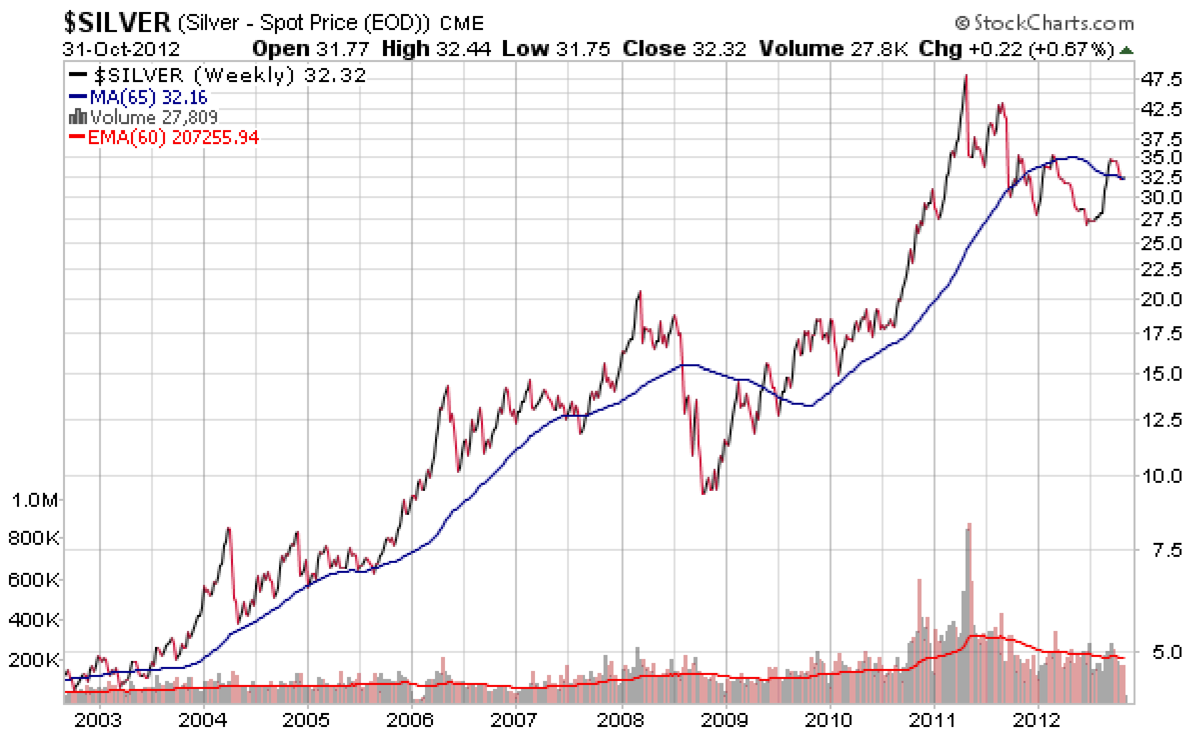
News from the Silver Institute

http://www.silverinstitute.org/site/wp-content/uploads/2012/09/SNAug2012.pdf

3.2 Technical Comments

Long Term Technical Comments

Silver remained in its bull-trend:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1st October	4th October	26th October	31st October
34.35	34.96	31.67	32.28

London fix in €/toz:

Open	High	Low	Close
1st October	4th October	23rd October	31st October
26.63	27.00	24.38	24.82

Silver exhibited a similar price performance to gold in October.

John Fineron1st November 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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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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