JM&B Monthly Gold & Silver Report
November 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

Both gold and silver increased in price in November.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 12th November 2012, (Bloomberg) – The Chinese government may add more gold to its reserves as the precious metal accounts for a lower share of total holdings compared with the U.S., according to the London Bullion Market Association.

"When comparing China to the U.S., it would seem that in China, gold asset allocation can only go in one direction," Chairman David Gornall told the association's conference in Hong Kong today. "The country has only 2 percent of its reserves in the form of gold compared with the U.S. at 75 percent."

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Gold is set for a 12th annual gain, supported by central- bank buying and record holdings in exchange-traded products as investors seek to preserve their wealth from falling currencies. The People's Bank of China hasn't disclosed any changes to its gold holdings since 2009, when it said they'd risen 76 percent to 1,054 metric tons. While the U.S., Germany, Italy and France keep more than 70 percent of reserves in gold, China's share is less than 2 percent, according to World Gold Council data.

"Prices have recently been supported by official sector buying," Gornall said, without listing any central bank. "Will the gap between the amount of gold held in reserve by the developing markets and that of the developed world close?"

Gold for immediate delivery, which climbed to a record $1,921.15 an ounce on Sept. 6, 2011, traded at $1,735.25 at 1:42 p.m. in Hong Kong after rising 11 percent this year. The run of annual gains, the best performance since at least 1920 in London, has been supported by concern that stimulus programs around the world including that backed by the U.S. Federal Reserve will debase currencies and spur inflation.

Bank Buyers

Brazil, South Korea and Russia are among countries that added gold this year, data from the International Monetary Fund show. Nations bought 254.2 tons in the first half and may add close to 500 tons this year, the World Gold Council said in August, exceeding the 456 tons added in 2011. China has the world's largest foreign-exchange reserves, totaling $3.29 trillion in September, according to data tracked by Bloomberg.

"Emerging-market economies from the G-20 countries are looking to elevate their gold holdings," Ashish Bhatia, manager of government affairs at the producer-funded WGC, said in an interview in Hong Kong yesterday. There's "renewed interest from central banks on the demand side."

U.S. holdings, the world's largest, totaled 8,133.5 tons, or 76.6 percent of reserves, according to WGC data for this month. Germany, the second-biggest holder, had 3,395.5 tons, representing 73.9 percent of reserves, it said. China's gold represented 1.8 percent of its total reserves, the figures show.

'Number One'

"China has, of course, been the world's number one gold- mining country for the past five years," said Gornall, head of metals trading at Natixis SA. (KN) "What is remarkable is the way that this growth has continued while many of the other important mining countries have struggled to maintain production."

The Fed said on Oct. 24 it will maintain $40 billion in monthly purchases of mortgage debt and probably hold interest rates near zero until 2015 to spur growth and reduce joblessness. The Bank of Japan expanded an asset-purchase program on Oct. 30 for the second time in two months and the European Central Bank has said that it is ready to buy bonds of indebted nations.

London, 15th November 2012, (WGC) – Global gold demand in Q3 2012 was 1,084.6 tonnes (t), down 11% from the record Q3 2011 figure of 1,223.5t. This dip in demand is in comparison with exceptional demand in Q3 last year. Gold demand remains resilient. Q3 2012 was above the five year quarterly average of 984.7t.

In value terms, gold demand was 14% lower year on year at $57.6bn and the average gold price of $1,652/oz was down 3% on the record average Q3 2011 price.

The key findings from the report are as follows:

Global investment in ETFs over the quarter was up significantly by 56% on the previous year.
The Indian market is showing signs of recovery, up 9% to 223.1t from 204.8t in Q3 2011 following increases in both jewellery and investment demand. In comparison with Q3 2011 jewellery demand was up 7% to 136.1t and investment demand rose by 12% to 87.0t. Investors moved into the imitation coin market*, up 59%, whilst jewellery increased due to re-stocking ahead of the Indian wedding and festival season. Indians appear to have acclimatised to recent price trends and have been buying into a rising market.

In China demand fell 8% to 176.8t in Q3 2012 from 191.2t in Q3 2011 due to falls in jewellery of 6% and investment of 12% mainly as a result of negative sentiment surrounding China's slowing economy. Jewellery demand was 123.8t in Q3 2012, due to a decline in purchases of 18k pieces and a notable slowdown in the expansion of the retail network, as stock-building reduced. Investment demand was down to 53.0t Demand this quarter remains 19% above the longer term average.

Central banks bought 97.6t in the quarter. In six out of the last seven quarters, central bank demand has been around 100t, which is a sharp increase from as recently as 2010. The year to date figure for central bank buying is up 9%.

New York, 20th November 2012, (Bloomberg) – Gold's 12-year rally, the longest in at least nine decades, is poised to continue in 2013 as central bank stimulus spurs investors from John Paulson to George Soros to accumulate the highest combined bullion holdings ever.

The metal will rise every quarter next year and average $1,925 an ounce in the final three months, or 11 percent more than now, according to the median of 16 analyst estimates compiled by Bloomberg. Paulson & Co. has a $3.67 billion bet through the SPDR Gold Trust (GLD), the biggest gold-backed exchange- traded product, and Soros Fund Management LLC increased its holdings by 49 percent in the third quarter, U.S. Securities and Exchange Commission filings show.

Central banks from Europe to China are pledging more steps to boost growth, raising concern about inflation and currency devaluation. Investors bought 247.5 metric tons through ETPs this year, exceeding annual U.S. mine output. While both sides said talks Nov. 16 between President Barack Obama and Congress over the so-called fiscal cliff were "constructive," the Congressional Budget Office has warned the U.S. risks a recession if spending cuts and tax rises aren't resolved.

"We see gold as a hedge against the follies of politicians," said Michael Mullaney, who helps manage $9.5 billion of assets as chief investment officer at Fiduciary Trust in Boston. "It's a good time to garner some protection in portfolios by having some real asset like gold."

Longest Streak

Gold advanced 11 percent to $1,733.15 in London this year, headed for a 12th consecutive annual gain, the longest streak in data compiled by Bloomberg going back to 1920. Prices reached a record $1,921.15 in September 2011. The Standard & Poor's GSCI gauge of 24 commodities gained 0.6 percent and the MSCI All- Country World Index (MXWD) of equities climbed 8 percent. Treasuries returned 2.7 percent, a Bank of America Corp. index shows.

Bullion held through ETPs, the first of which listed in 2003, reached a record 2,604.2 tons yesterday, valued at $145.1 billion. That exceeds the official reserves of every nation except the U.S. and Germany, World Gold Council data show. The SPDR Gold Trust alone holds 1,342.2 tons.

Soros increased his investment in the trust to 1.32 million shares in the third quarter, the most since 2010, a Nov. 14 SEC filing showed. The stake, with each share representing about a 10th of an ounce, is valued at $221.7 million. Prices advanced 60 percent since January 2010, when Soros called gold the "ultimate asset bubble." Michael Vachon, a spokesman for the 82-year-old who made $1 billion breaking the Bank of England's defense of the pound in 1992, declined to comment.

Official Reserves

Paulson, who became a billionaire in 2007 by wagering against the subprime mortgage market, owns 21.8 million shares in the SPDR Gold Trust, making him the biggest shareholder, a Nov. 15 SEC filing showed. The 56-year-old raised his stake by 26 percent in the second quarter and his holding of about 66 tons exceeds the official reserves of nations from Brazil to Bulgaria to Bolivia.

The New York-based hedge fund company reduced its investments in Anglogold Ashanti Ltd. (ANG) and Gold Fields Ltd., the third- and fourth-biggest producers. Armel Leslie of Walek & Associates, a spokesman for Paulson's fund, declined to comment.

Paul Touradji's Touradji Capital Management LP sold all of its 82,000 shares in the SPDR Gold Trust in the third quarter, according to an SEC filing. Lone Pine Capital LLC, the hedge fund run by Stephen Mandel Jr., cut its stake by 31 percent to 2.6 million shares, and Dan Loeb's Third Point LLC lowered its bet by 10 percent to 130,000 shares, filings showed last week. Officials from all three companies declined to comment.

Eight Strategists

While some investors expect stimulus to devalue currencies, the median of eight strategist estimates compiled by Bloomberg show the U.S. Dollar Index, a measure against six major trading partners, will average 82.6 next year, from 80.9 now. Steven Englander, Citigroup Inc.'s head of G-10 strategy, said in an interview this month that the currency market is signaling it isn't yet convinced the Federal Reserve will fulfill its pledge to pump record amounts of cash into the economy through 2015.

Third-quarter demand for gold fell 11 percent, the most since 2009, as China's slowing growth curbed purchases, the London-based World Gold Council said Nov. 15. India, the biggest buyer in the quarter, consumed 24 percent less in the year's first nine months as bullion priced in rupees reached a record in September. The Washington-based International Monetary Fund cut its 2013 forecast for world growth twice since July, to 3.6 percent.

Inflation Adjusted

While prices rose 25 percent since November 2010, the size of the futures market, based on contracts outstanding, fell 30 percent, bourse data show. The metal, down 3.5 percent from this year's high, has yet to exceed previous records when adjusted for inflation, with its 1980 record of $850 equal to $2,398 today, data compiled by the Fed Bank of Minneapolis show.

Hedge funds and other large speculators pared bets on a rally in futures traded on the Comex bourse in New York by 29 percent since Oct. 9, U.S. Commodity Futures Trading Commission data show. They're still holding a net-long position of 140,162 futures and options, about 10 percent more than this year's average, and increased wagers by 7.7 percent last week.

The Fed said Oct. 24 it will maintain $40 billion in monthly purchases of mortgage debt and probably hold interest rates near zero until mid-2015. The European Central Bank said it's ready to buy bonds of indebted nations and the Bank of Japan raised its asset-purchase program for the second time in two months on Oct. 30.

Quantitative Easing

Gold rallied 70 percent as the Fed bought $2.3 trillion of debt in two rounds of quantitative easing from December 2008 through June 2011.

Investors buying bullion as a hedge against inflation and a weaker dollar generally earn returns only through price gains, increasing its allure as interest rates decline. It rose sixfold since the end of 2000, beating the 34 percent advance in the S&P 500, with dividends reinvested, and the 91 percent return on Treasuries. The Dollar Index fell 26 percent.

The first face-to-face meeting between Obama and leaders from Congress on the fiscal cliff yielded optimism and few details about how it would be resolved. The $607 billion of automatic spending cuts and tax increases is scheduled to take effect in January. U.S. equities and Treasuries rose Nov. 16 and gold futures were little changed.

Options Trading

Credit Suisse Group AG's Tom Kendall, the most accurate gold forecaster tracked by Bloomberg over the past two years, sees prices averaging $1,880 in the fourth quarter next year and UniCredit SpA's Jochen Hitzfeld, ranked second, expects $1,950. Deutsche Bank AG's Daniel Brebner, the next most accurate, predicts $2,300 in the third quarter.

Options traders are also bullish, with the seven most widely held contracts conferring the right to buy at prices from $1,800 to $2,200 between November and March, Comex data show.

Central banks added to reserves for 19 consecutive months through August, the longest streak since 1964, IMF data show. Nations from Russia to South Korea to Mexico bought more to bring combined holdings to 31,461 tons, equal to about 18 percent of all the metal ever mined.

Barrick Gold Corp. (ABX), the world's largest producer, will report a 41 percent gain in profit to a record $5.04 billion next year, the mean of 10 analyst estimates compiled by Bloomberg shows. The Toronto-based company's shares fell 26 percent this year and will gain 43 percent in the next 12 months, according to the average of 23 forecasts.

Monetary Stimulus

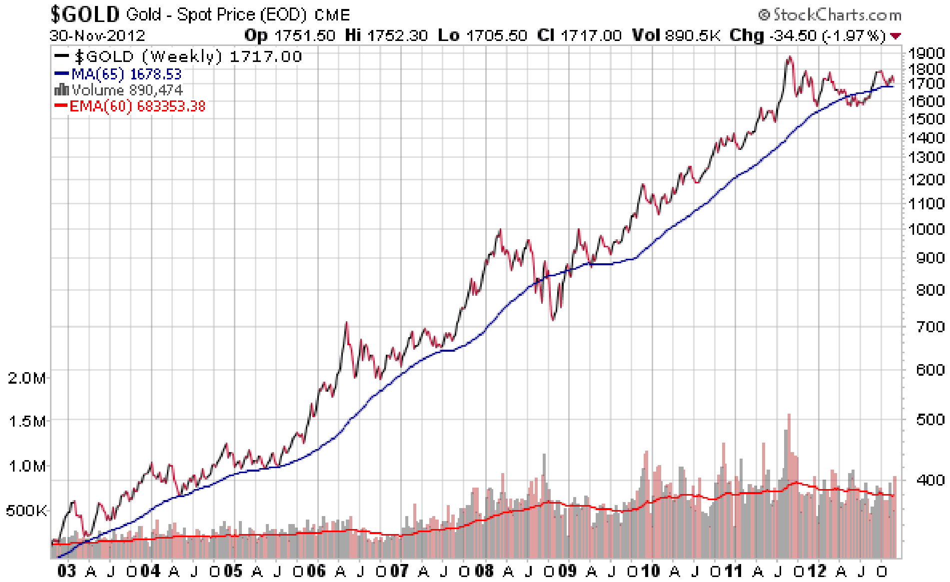
Analysts predict Newmont Mining Corp. (NEM) and AngloGold Ashanti, the next-biggest, will also report the most profit ever next year.

"It looks as though global monetary stimulus is likely to continue, particularly in the wake of growing fiscal austerity," said Alan Gayle, a senior strategist at RidgeWorth Capital Management in Richmond, Virginia, which oversees about $47 billion of assets. "That puts pressure on the monetary authorities to stimulate the economy and that will debase the currencies and put a bid under gold."

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 November	26th November	5th November	30th November
1715	1751	1584	1726

London afternoon fix in €/toz:

Open	High	Low	Close
1st November	12th November	2nd November	30th November
1325	1364	1312	1327

Gold had a slightly better month in November.

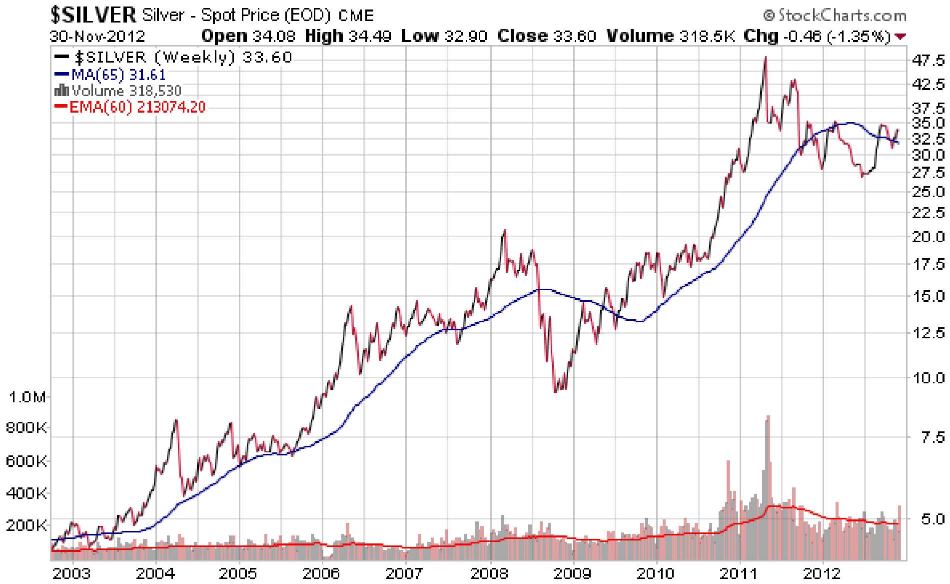
3. Silver

3.1 News and Fundamental Considerations

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 November	30th November	5th November	30th November
32.66	34.28	30.91	34.28

London fix in €/toz:

Open	High	Low	Close
1st November	30th November	5th November	30th November
25.2	26.36	24.17	26.35

Silver had a better month than gold in November.

John Fineron 3rd December 2012.

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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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