

JM&B Monthly Gold & Silver Report

December 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

Both gold and silver fell significantly in price in December.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Seoul, 5th December 2012 (Reuters) - South Korea's central bank said on Wednesday it bought 14 tonnes of gold in November using its foreign reserves in order to spread its portfolio risks, while releasing data showing total reserves rose after talk of market intervention. The Bank of Korea bought the gold for \$780 million, the fourth purchase in about one-and-a-half years and lifting the proportion of gold in its total foreign reserves to 1.2 percent from the previous 0.9 percent, it said in a statement. "Gold is a physical, safe asset and allows (the country) to deal with changes in the international financial environment more effectively," it said in a statement, without providing more details on the purchase.

The Bank of Korea now holds 84.4 tonnes of gold, valued at \$3.76 billion in terms of purchase prices, up nearly six-fold from 14.4 tonnes before June last year. The Bank of Korea made its first gold purchase in more than a decade between June and July last year, joining some central banks in diversifying their increasing foreign reserves away from the U.S. dollar and low-yielding government bonds.

Official sector buying has become a key factor supporting gold demand and prices in recent years. "It (South Korea's gold buying) points to stronger support for gold prices from central banks," said Philip Klapwijk, global head of metals analytics at Thomson Reuters GFMS, a metals consultancy. "If private sector investment falters and prices dip, central banks' buying supports prices at higher levels than if this demand were not present. It is a substantial additional source of demand for gold bullion."

Central banks around the world bought a total of 351.8 tonnes of gold in the first nine months of 2013, up 2 percent from a year earlier, data from the World Gold Council showed. In comparison, private sector gold investment demand during the period dropped nearly 8 percent on the year to 1,139.3 tonnes, the data also showed. Spot gold traded just below \$1,700 an ounce on Wednesday, up more than 8 percent so far this year. The Bank of Korea said it now expected its ranking among central banks around the world in terms of gold holdings to rise to 36th from 40th.

Meanwhile, the central bank said foreign reserves rose by \$2.6 billion last month to a record \$326.09 billion, extending its record-breaking streak to a fourth consecutive month. It attributed the increase to investment gains but the data came after reports by traders of dollar-buying intervention by South Korean authorities during the month to curb the won's rapid appreciation.

On Nov. 22 alone, currency traders estimated authorities bought up to \$1 billion in the local currency market to temper a stronger won, which hurts the competitiveness of South Korean exporters. Central bank officials declined to comment on the talk of intervention. South Korea, which had the world's seventh-largest foreign exchange reserves as of the end of October, held 91.7 percent of its reserves in the form of securities

Berlin, 12th December 2012 (The Local) - Like Scrooge McDuck or the dragon Smaug in J. R. R. Tolkien's *The Hobbit*, Germans are gathering vast quantities of gold - a study showed that the average German owns close to €6,000 worth of the shiny metal.

Even though Europe's largest economy has weathered the world economic crisis relatively well, Germans have still been extra jittery about their savings, a study by the Steinbeis Research Center for Financial Services in Berlin revealed.

Around 32 percent of the gold owned in Germany in the form of bars and coins was accumulated since the financial and economic crises began, the study concluded.

Commissioned by precious metal trading group Heraeus, the study also found that people with surplus cash are becoming gold-greedy. The number of Germans with a net monthly income over €4,000 who say they intend to invest in gold has doubled in the current year.

On average, every German owns around 117 grammes of gold, comprising 55 grammes of jewellery and 62 grammes of bars and coins, the study, which surveyed 2,000 people, found. Taken together with gold securities, the average German owns some €5,750 of gold.

Including the German federal bank's gold holdings, that means the Germans have gathered seven percent of the world's gold.

Gold is considered a safe investment in times of economic stress because the precious metal is thought to keep its value over a long period, can be collected and kept safe personally, and can be traded easily.

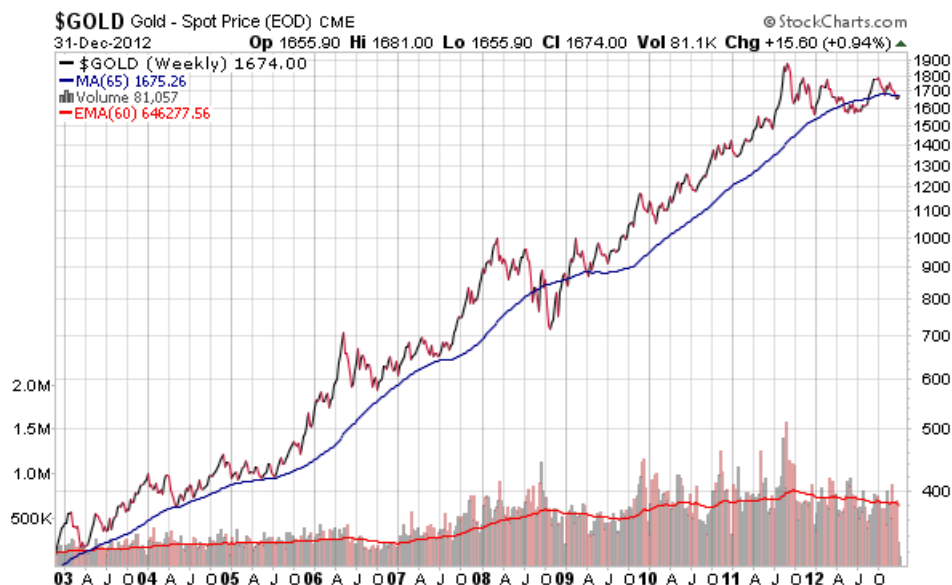
Some 69 percent of Germans have invested in gold, and roughly half of these keep at least some the metal in their homes. Around 47 percent keep their gold in a private locker in a bank. Around nine percent, meanwhile, keep some of their precious metals with a specialized gold trader.

Rich people are more likely to invest in gold bars, while those on lower incomes are more likely to buy gold coins.

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
3 rd December	3 rd December	20 th December	31 st December
1720	1720	1651	1664

London afternoon fix in €/toz:

Open	High	Low	Close
3 rd December	10 th December	20 th December	31 st December
1319	1324	1243	1262



Gold corrected significantly in December 2012, as it indeed did in December 2011.

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
3 rd December	3 rd December	21 st December	31 st December
33.42	33.42	29.89	29.95

London fix in €/toz:

Open	High	Low	Close
3 rd December	10 th December	21 st December	31 st December
25.64	25.83	22.63	22.71



Silver fell significantly in price in December.

John Fineron, 3rd January 2013

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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