

# JM&B Monthly Gold & Silver Report

## May 2013

<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](http://www.platinum.matthey.com/publications/price_reports.html)

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## 1. Commentary

Gold and silver lost further ground in May, but closed off their price lows.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**London, 16th May 2013, (World Gold Council)** – The World Gold Council's Gold Demand Trends (GDT) is the leading industry resource for data and opinion on world-wide gold demand. Our quarterly publication examines demand trends by sector and geography.

Global Gold Market: First quarter 2013 review

- Jewellery: Fourth quarter recovery in the jewellery sector continued into the first quarter of this year.
- Investment: The decline in investment demand relative to Q1 2012 was solely attributable to the net outflows from ETFs, which obscured the strong rise in investment for gold bars and coins at the retail level.

- Technology: Technology demand has been broadly stable, holding around 100 tonnes, over the last six quarters.
- Central Banks: Central banks added 109.2t of gold to their reserves in Q1 2013, the ninth consecutive quarter of net purchases.
- Supply: At 1,051.6t, total gold supply was little changed from first quarter of 2012

## New York, 20<sup>th</sup> May 2013, (Bloomberg) –

Record Gold Shorts Signal Further Price Swings: Chart of the Day



Hedge funds are making the biggest bet ever against gold prices, signaling continued volatility for the metal after prices entered a bear market last month.

The CHART OF THE DAY shows that gains in so-called short contracts are usually followed by increases in a gauge of price swings for the SPDR Gold Trust, the biggest bullion-backed exchange-traded fund. Yesterday, the value of the SPDR Gold ETF climbed as much as \$1.5 billion before ending the day down \$418 million.

Bullion has tumbled 18 percent this year as some investors lost faith in the metal as a store of value and amid concern that the Federal Reserve may scale back economic stimulus. Prices in New York yesterday rose as much as 2.6 percent before settling down 0.7 percent as Fed Chairman Ben S. Bernanke testified before Congress.

“Higher volatility is positively correlated to a declining market,” Edward Lashinski, the Chicago-based director of global strategy for futures trading at RBC Capital Markets LLC, said in a telephone interview. “The momentum is strongly negative. The market understands that gold is no longer a safe haven.”

Hedge funds and other large speculators held 74,432 so-called short contracts on May 14, U.S. Commodity Futures Trading Commission data show. That's the highest since the data begins in June 2006. The Chicago Board Options Exchange Gold ETF Volatility Index, which tracks the cost of options on the SPDR fund, has surged 92 percent this year. Gold futures for June delivery settled at \$1,367.40 an ounce yesterday on the Comex in New York.

Bullion's slump "has been faster than we expected," Goldman Sachs Group Inc. analysts led by Jeffrey Currie wrote in a May 14 report. The metal will get "crushed" and trade at \$1,100 in a year and below \$1,000 in five years as inflation fails to accelerate, Ric Deverell, the head of commodities research at Credit Suisse Group AG, said in London on May 16.

**Singapore, 26th May 2013, (Bloomberg)** – Russia and Kazakhstan expanded their gold reserves for a seventh straight month in April, buying the metal to diversify assets even as prices slumped the most in three decades.

Russian holdings, the seventh-largest by country, climbed 8.4 metric tons to 990 tons, taking gains this year to 3.4 percent after expanding by 8.5 percent in 2012, International Monetary Fund data show. Kazakhstan's hoard grew 2.6 tons to 125.5 tons, taking the increase to 8.9 percent this year after a 41 percent expansion in 2012, data on the website showed.

Gold plunged into a bear market April 12 and by the end of the following session had lost 14 percent, the biggest two-day drop since 1983. The drop was driven by some investors losing faith in the metal as a store of value, spurring record reductions from holdings in exchange-traded products amid speculation that the global economy is recovering.

"Some central banks would have taken advantage of the lower prices to build their gold assets," said Alexandra Knight, an economist at National Australia Bank Ltd. in Melbourne. "With the general mood in the market quite bearish, perhaps some others are factoring in the potential for lower prices and holding off purchases for now. But the longer-term trend for central banks to increase gold reserves remains intact."

Gold for immediate delivery, which dropped to a two-year low of \$1,321.95 an ounce on April 16, traded 0.4 percent higher at \$1,391.43 at 10:53 a.m. in Singapore. Bullion has declined 17 percent in 2013 after advancing for the past 12 years.

#### Portfolio Diversification

Central banks bought 534.6 tons of gold last year, the most since 1964, and may add as much as 550 tons in 2013, the World Gold Council estimates. While central-bank purchases fell 5.2 percent in the three months through March, they totaled more than 100 tons for the seventh straight quarter, according to council data.

The banks are less attracted to bullion as an overall strategy of portfolio diversification and the price drop should not lure them away from a long-term policy of gold accumulation, according to HSBC Securities (USA) Inc.'s James Steel. Still, reserve managers tend to be conservative and expecting central banks to step in and support a falling market is unrealistic, Credit Suisse analysts including Ric Deverell wrote in a May 22 report.

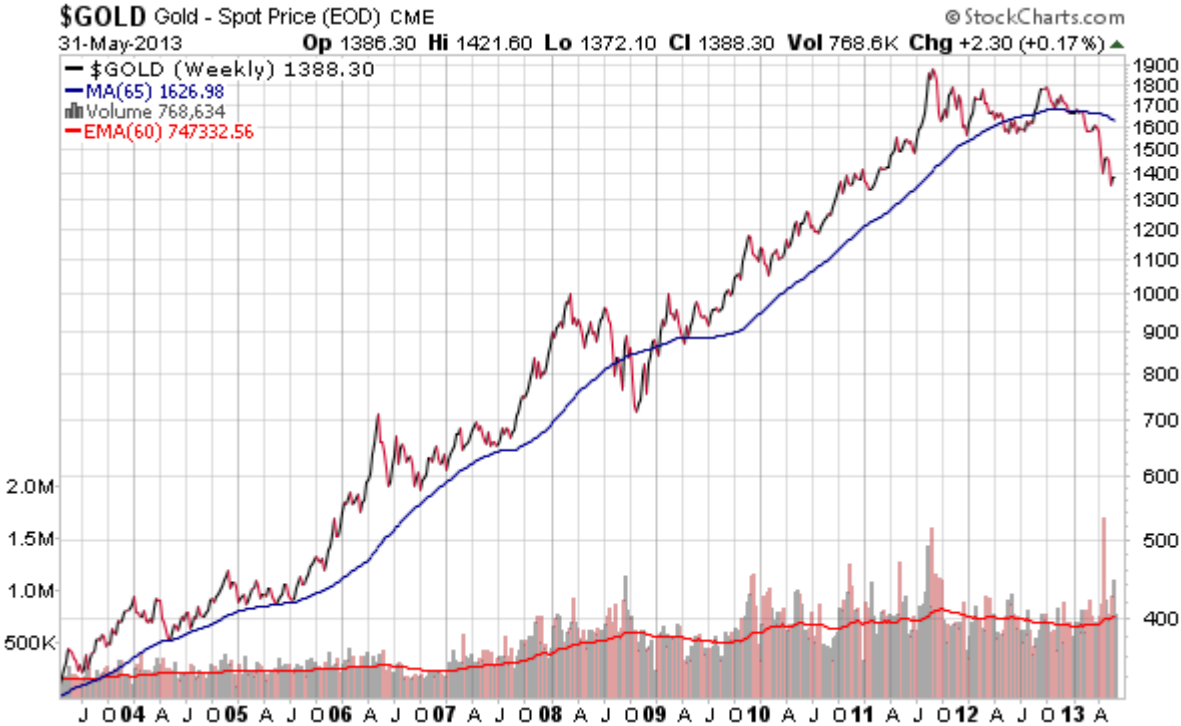
Turkey's holdings rose 18.2 tons to 427.1 tons in April, increasing for a 10th month as it accepted gold in its reserve requirements from commercial banks. Belarus's holdings expanded for a seventh month, while Azerbaijan's and Greece's holdings climbed for a fourth month, according to the IMF data.

Mexico cut its gold reserves for a 12th month and Canada reduced holdings for a fourth month, the data showed.

## 2.2 Technical Comments

### Long Term Technical Comments

We should know within a few months if the bull-market has ended:



### Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1 <sup>st</sup> May	2 <sup>nd</sup> May	20 <sup>th</sup> May	31 <sup>st</sup> May
1455	1469	1355	1395

London afternoon fix in €/toz:

Open	High	Low	Close
1 <sup>st</sup> May	2 <sup>nd</sup> May	20 <sup>th</sup> May	31 <sup>st</sup> May
1101	1123	1055	1076



Although gold prices fell for the month of May, the daily chart does have the look and feel of a double bottom.

### 3. Silver

#### 3.1 News and Fundamental Considerations

#### 3.2 Technical Comments

##### Long Term Technical Comments

After the price fall in 2008, it took silver more than a year to recover and this time?



##### Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1 <sup>st</sup> May	3 <sup>rd</sup> May	20 <sup>th</sup> May	31 <sup>st</sup> May
23.97	24.25	21.66	22.57

London fix in €/toz:

Open	High	Low	Close
1 <sup>st</sup> May	3 <sup>rd</sup> May	20 <sup>th</sup> May	31 <sup>st</sup> May
18.16	18.48	16.84	17.37



Silver essentially traded sideways in May.

John Fineron, 3<sup>rd</sup> June 2013

## Appendix: More about this report

### Purpose of the Report

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[http://www.platinum.matthey.com/publications/price\\_reports.html](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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