

JM&B Monthly Gold & Silver Report

August 2014

<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 essentially went nowhere in price in August.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 5th August 2014, (Mine Web) – Given the crisis in Ukraine and deteriorating ties with the West, Russia has been aggressively accumulating gold reserves.

The IMF, in its recently released International Financial Statistics report, showed that the Russian central bank has hiked its gold holdings by 16.8 tonnes to 1,094.8 tonnes in June.

Indeed, most central banks are increasing their gold reserves, IMF data showed. Russia, Mexico, Kazakhstan, Kyrgyzstan, Tajikistan, Serbia, Greece and Equador have all reported higher gold reserves for June.

Between Q1 2009 to Q1 2014, Russia's gold reserves almost doubled to 1,040.71 tonnes, while India's central bank increased its gold reserves 56% to 557 tonnes. China's central bank, on the other hand, increased its gold reserves 75% to 1,054 tonnes when it last stated official reserves in 2009, data showed. It is widely believed that China has accumulated larger - possibly much larger - reserves since.

The global meltdown of 2008 sparked off the current race to buy gold.

While 2012 was the strongest year of central banks buying gold in half a century, in mid 2013, the part withdrawal of fiscal stimulus and a reduction in the risk on environment saw prices collapsing in the gold market to as low as \$1,200 an ounce from a peak of about \$1,800 an ounce of a year ago.

Contrary to expectations almost none of the central banks liquidated part of their gold stock. If anything, they continued to buy up more gold along with investing in stocks as part of their asset diversification.

By the end of 2013, global central banks were estimated to hold 30,500 tonnes of gold, which is about one fifth of all the gold ever mined.

Apart from Russia, Turkey and Mexico central banks, those of Philippines, Kazakhstan, South Korea, and Indonesia were some of the biggest buyers of physical gold in 2013, data showed.

In the first half of 2014, these purchases accounted for 113 tonnes of the overall gold bought in the world, with central banks from Russia, Iraq and Kazakhstan in the lead.

Incidentally, even as the US is talking of an economic turnaround, central banks around the world are viewing the news with a jaundiced eye. That is because while the Federal Reserve talks of an interest rate hike to curb inflation, the European Central Bank is working at keeping its interest rate low, on the other hand.

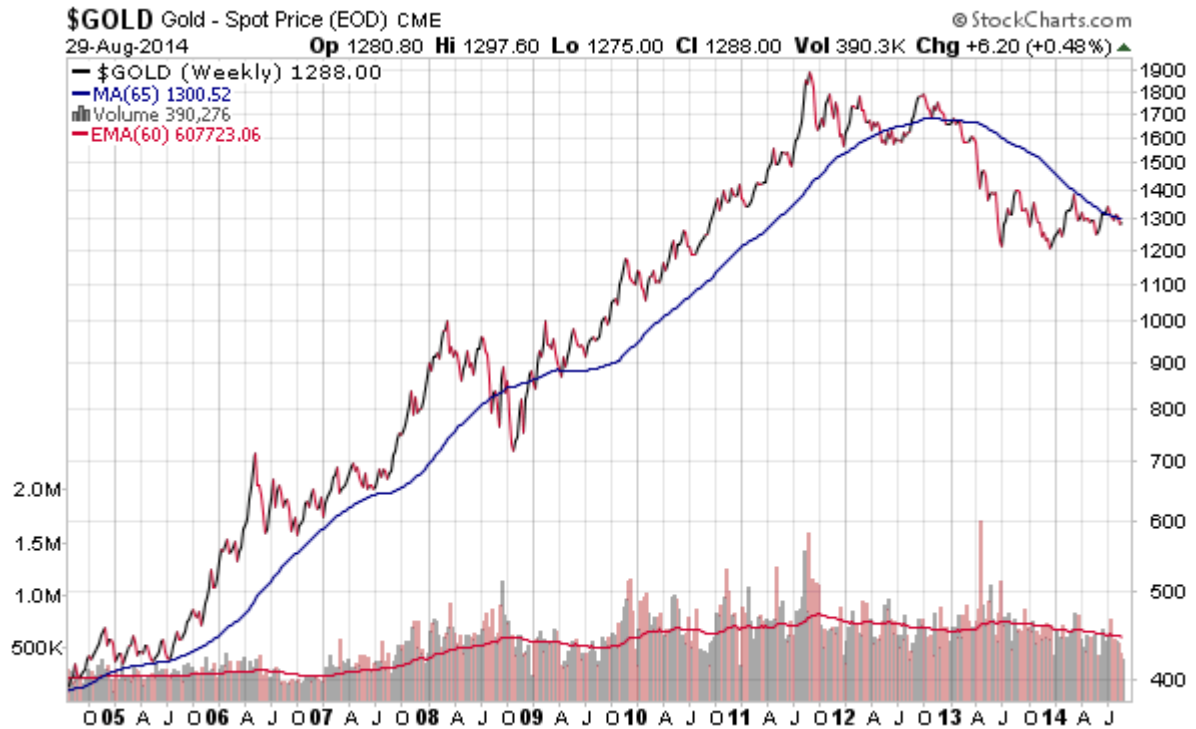
Analysts point out that in addition to such contradictory signals, there are other upheavals around the world, which are set to continue to add to the uncertainties in the bullion market.

The Russia-Ukraine rebellion, the Israel-Gaza war, the crisis in Iraq - central banks do not think this is the time to stop buying gold. What is also supporting the sentiment is that haven buying has boosted gold demand.

2.2 Technical Comments

Long Term Technical Comments

Gold moved essentially sideways in August:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1 st August	12 th August	21 st August	29 th August
1291	1316	1275	1286

London afternoon fix in €/toz:

Open	High	Low	Close
1 st August	12 th August	5 th August	29 th August
962.6	985.1	960.7	975.5



Technically, gold didn't do anything much in August.

3. Silver

3.1 News and Fundamental Considerations

Washington, 31st July 2014, (Silver Institute) – The Silver Institute today released a report titled “The Outlook for New Electrical and Electronic Uses of Silver.” The report identifies three key potential growth areas for silver demand: flexible electronics; light emitting diodes (LEDs); and interposers. These three growth areas combined have the potential to add another 20 million ounces of silver to total demand by 2018.

The report was produced by Metals Focus, the London-based independent precious metals research consultancy, on behalf of the Silver Institute.

Highlights of the report include:

According to Metals Focus, silver industrial demand, which accounts for over 50 percent of global demand, is expected to grow 5 percent per year from 2014-2016, outpacing forecasted global GDP growth.

Within the flexible electronics sector, the report forecasts notable gains in silver use for flexible displays. Flexible displays, which incorporate silver, can be found in tablets, cell phones and e-readers.

The report indicates a healthy rise in LED demand, driven by falling costs and increasingly stringent lighting energy legislation that will accelerate LED adoption, thus leading to strong growth for silver demand.

Interposers that include silver could hold considerable promise for future silver demand. Interposers enable far greater functionality in the next generation of semiconductor chips. Given the greater technical demands made of interposers, glass, with the addition of silver, is being considered as an alternative material. Metals Focus maintains that should glass (and therefore silver) prevail as the interposer technology of choice, silver demand is on course to benefit.

The report also examines the outlook for established end-uses, such as silver’s use in ethylene oxide (EO) production, which is a key building block chemical in the production of detergents, solvents and plastics. Silver demand in the EO sector has enjoyed near uninterrupted growth over the past 30-40 years, primarily due to the growing demand for a range of consumer and industrial products. The EO category could witness even greater silver demand, especially in the United States, with the advent of shale gas, potentially yielding new EO plants.

Metals Focus also reports that silver’s use in photovoltaics for solar power installations may well surpass its previous demand peak, registered in 2011, as early as 2016-17.

“With the introduction of these advanced uses of silver in the electrical and electronics category, which last year provided over 40 percent of total silver industrial demand, along with growth in established uses, we should see silver industrial demand develop even further, especially as economies grow globally,” stated Michael DiRienzo, Executive Director of the Silver Institute

3.2 Technical Comments

Long Term Technical Comments

Silver slipped in price in August:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1 st August	4 th August	27 th August	29 th August
20.34	20.35	19.32	19.47

London fix in €/toz:

Open	High	Low	Close
1 st August	1 st August	20 th August	29 th August
15.18	15.18	14.62	14.77



Although silver drifted down in price in July, MACD indicated a possible change in price-trend at the end of the month.

John Fineron, 1st September 2014

Appendix: More about this report

Purpose of the Report

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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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