JM&B Monthly Gold & Silver Report
July 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

Contents

1. Commentary

Although gold and silver gained in price in July, with gold being the stronger performer, gold still lacked the momentum to break above its 50 DMA.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Singapore, 4th July 2013, (Reuters) – Sales of gold coins and bars at the Perth Mint nearly halved in June from May, reflecting a slowing appetite for bullion despite prices being near three-year lows.

The Australian mint sold 49,460 ounces of gold bars and coins in June, down from 92,781 ounces in May, according to an emailed statement. Sales hit an all-time high of 116,755 ounces in April, the month gold had its largest daily fall in 30 years.

Gold has fallen still further since then, as much as $140 an ounce, due to worries over the potential winding down of the U.S. Federal Reserve's $85 billion monthly bond purchases.

Since 2008, such stimulus measures have increased the safe-haven appeal of gold as a hedge against inflation, driving prices to a record above $1,900 an ounce in September 2011.

Bullion fell to $1,180.71 in June, its lowest since August 2010, after indications from the Fed that it could curtail its stimulus programme in the next few months. However, the lower prices have failed to woo buyers in Asia and elsewhere as consumers expect a further drop.

Bron Suchecki, manager of analysis and strategy at the Perth Mint, told Reuters earlier on Thursday that though the mint's coin dealers in Australia have seen a good response to the recent drop in prices, it was not the same as in April.

"I get the sense, at least from our clients, that they are standing back waiting for a bottom to form," he said.

The mint's depository business has seen a drop off in inflows but no significant liquidations, he said.

Silver sales at the mint fell to 636,047 ounces in June, from 674,480 in May. They are sharply lower than April sales of 1.2 million ounces.

The Perth Mint runs the only gold refinery in Australia, the second biggest gold producer after China.

The U.S. Mint said last week that sales of its American Eagle gold bullion coins plunged to 57,000 ounces in June, the lowest since August last year.

London, 4th July 2013, (Bloomberg) – Sales of gold through exchange-traded products probably peaked in April and contributed to a record drop in commodity ETP assets in the second quarter, according to ETF Securities Ltd.

Sales of gold products accounted for 97 percent of a record $19 billion of net outflows from commodity ETPs in the second quarter, ETF Securities said in a report today. Commodity ETP assets fell to $127 billion from $186 billion at the end of March, with price declines accounting for two-thirds of the drop, it said.

Monthly net outflows from gold ETPs fell to $3.9 billion in June from $6 billion in May, Nicholas Brooks, ETF Securities' head of research and investment strategy, said in an interview yesterday. They were $8.7 billion in April, when bullion plunged into bear market, he said. Gold dropped 23 percent in the second quarter, the most in data compiled by Bloomberg going back to 1920, as some investors lost faith in the traditional store of value and the U.S. Federal Reserve indicated it may start tapering its stimulus program.

"It may be that the peak of gold ETP selling is largely behind us," Brooks said. "A lot of the bad news in gold has been priced in. The sentiment is extremely negative. When everyone is extremely negative, it's usually a sign that you are closer to the bottom."

Gold Holdings

Gold holdings in global ETPs dropped 589.4 metric tons this year to 2042.5 tons, the lowest since May 2010 and on pace for the first annual drop since before the products were introduced in 2003, data compiled by Bloomberg show. Hedge funds are holding the second-highest wager ever that gold prices will drop and banks from Goldman Sachs Group Inc. to Credit Suisse Group AG cut their forecasts last month.

Gold ETP sales by investors in North America accounted for 52 percent of outflows in June, down from almost 90 percent in April and 56 percent in May, Brooks said. Retail investors account for about half of gold ETP investments in the U.S. and about 20 percent in Europe, he said.

Fed Chairman Ben S. Bernanke said June 19 the central bank may slow its bond-buying program if the U.S. economy continues to improve. Gold for immediate delivery fell to $1,180.50 an ounce on June 28, the lowest level since August 2010.

Fund Assets

Money managers pulled $2 billion from gold funds in the week ended June 26, according to Cambridge, Massachusetts-based EPFR Global, which tracks money flows. Total outflows from commodity funds were $2.68 billion, according to EPFR.

The Standard & Poor's GSCI gauge of 24 commodities retreated 6.7 percent last quarter, led by silver and gold. The MSCI All-Country World Index of equities fell 1.2 percent as the dollar rose 0.2 percent against a basket of six currencies.

U.S. President Richard Nixon severed the dollar's peg to gold in 1971 and the government lifted curbs on citizens owning gold at the end of 1974.

Platinum investments were "the one bright spot" in the second quarter with net inflows of $712 million on concern about supply from the top producer South Africa, ETF Securities said. Agriculture ETPs had $108 million in outflows on prospects for bigger crops, it said.

Investors have been using short ETPs, which bet on lower commodity prices, "more aggressively" in the past few months, particularly in copper and gold, Brooks said. Sometimes investors use short ETPs to hedge their long positions in mining equities, he said.

Beijing, 15th July 2013, (Bloomberg) – Physical gold delivered to buyers by China's largest bullion bourse in the first half of this year almost matched the entire amount taken from its vaults in 2012, and was more than double the country's annual production.

The Shanghai Gold Exchange supplied 1,098 metric tons in the six months through June, compared with 1,139 tons for the whole of last year, according to data from the bourse today. Output in China, the world's largest gold producer, reached a record 403 tons last year, according to the China Gold Association.

The surge in deliveries underscores buying interest in China, which may pass India as the largest bullion consumer as early as this year after the government in New Delhi raised import taxes while regulators in Beijing made investing in the metal easier. Miners, smelters and refineries are required to sell gold via the Shanghai bourse, the only state-sanctioned marketplace for spot bullion in China.

“The number shows demand for bullion as an underlying asset in China that investors here remained big buyers of the physical commodity this year,” said Fu Peng, a commodity strategist in Beijing at Galaxy Futures Co, a brokerage controlled by the country’s sovereign wealth fund.

Bullion lost 23 percent last quarter amid speculation that the Federal Reserve would curb its asset-buying program as the U.S. economy recovers. Bullion may drop to $1,050 an ounce over 12 months as demand for the metal as a safe haven wanes, UBS AG said on July 4. Citigroup lowered its 2013 gold estimate to $1,358 an ounce.

Import Rules

The gold exchange was set up in 2002 and under the jurisdiction of the central bank. Commercial banks that are qualified to import gold are also required to sell their shipments into the bourse.

Bullion of 99.99 percent purity on the Shanghai Gold Exchange fell 27 percent in the first six months and was at 259.70 yuan a gram ($1,315.93 an ounce) today. In London, gold for immediate delivery traded at $1,282.89 an ounce at 5:55 p.m. Shanghai time, 23 percent lower this year.

Still, monthly gold deliveries are now below the record 236 tons in April, having eased to 224 tons in May and 180 tons in June.

“Investors aren’t inclined to rush to buy gold the way they did to the abrupt price drop in mid-April,” said Long Ling, an analyst at Industrial Futures Co. in Shanghai.

Volume Peak

Trading of spot bullion of 99.99 percent purity on the Shanghai exchange exceeded 20 tons every day between April 16 and May 6. That’s more than four times the daily average in 2012. Volume reached a record 43.27 metric tons on April 22 and climbed above 20 tons for two days through June 21, according to the exchange.

China’s net gold imports from Hong Kong increased 40 percent in May from a month earlier as the metal’s deepening slump continued to attract bargain hunters to bullion shops.

Mainland buyers purchased 106 tons during the month, after deducting flows from China into Hong Kong, compared with 76 tons a month earlier, according to calculations by Bloomberg based on data from the Hong Kong government. Inbound shipments including scrap were 127 tons, from 75.6 tons a year earlier and 126.1 tons in April.

London, 25th July 2013, (Reuters) – China's gold demand could hit a record 1,000 tonnes this year, the World Gold Council said on Thursday, which means it would overtake India as the world's biggest bullion consumer.

Chinese gold demand is likely to be in the region of 950 to 1,000 tonnes in 2013, the WGC's managing director for investment, Marcus Grubb, said, but risks are skewed to the upside and could push demand past the upper end of that range.

"China will probably be the world's biggest gold consumer this year for the first time on an annual basis," Grubb said. "That will be driven by both jewellery and investment demand. Jewellery will be the biggest overall demand segment, but investment will grow fastest."

Physical deliveries from the Shanghai Gold Exchange in the first half of 2013 exceeded total deliveries for all of last year, exchange data showed, while premiums over spot prices rose above $20 an ounce.

China's demand for gold in fabrication, which covers jewellery and other decorative and industrial uses, amounted to 590.5 tonnes last year, according to metals consultancy Thomson Reuters GFMS.

India's gold demand is likely to be at the lower end of earlier guidance, Grubb said, at around 850 tonnes. The Indian government has moved to curb gold imports this year in a bid to cut a record trade deficit.

The Reserve Bank of India said on Monday that 20 percent of all gold imports must be used for exports, up from less than 10 percent currently.

Grubb forecast global central bank gold acquisitions this year at around 400 tonnes, down from a 48-year high of 532 tonnes in 2012. He described mine supply as "a wild card" and said scrap supply was expected to decline by 300-400 tonnes from 1,616 tonnes last year.

He expected jewellery to account for a larger slice of world gold demand this year as investment in the metal drops.

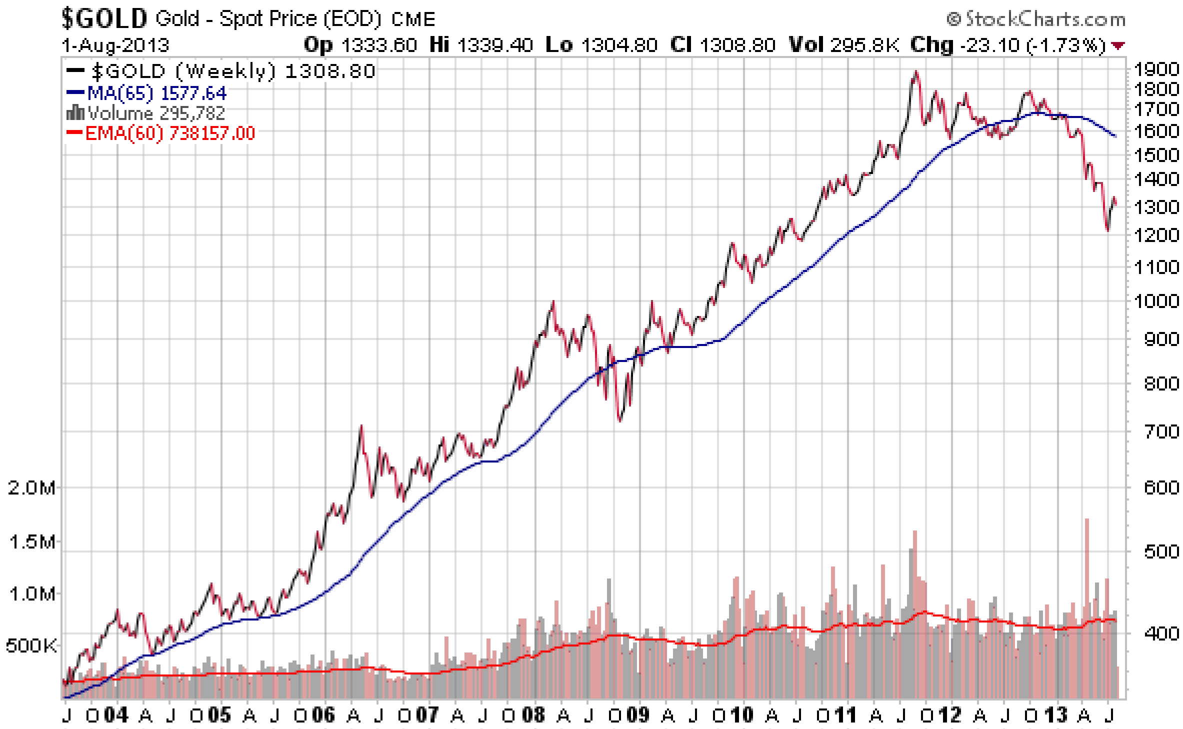
Investor selling on expectations that the Federal Reserve is set to rein in its gold-friendly quantitative easing policy in the near future has been blamed for a more than 20 percent drop in gold prices this year.

"Jewellery demand is likely to increase globally this year as a proportion of overall gold demand for the first time in 12 years," Grubb said

2.2 Technical Comments

Long Term Technical Comments

Is the bull-market over?



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1st July	24th July	5th July	31st July
1243	1335	1213	1315

London fix in €/toz:

Open	High	Low	Close
1st July	23rd July	5th July	31st July
954	1011	945	992

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

Gold had a better month in July, but could not convincingly break out above the downward-sloping 50 DMA.

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

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
1st July	24th July	9th July	31st July
19.44	20.40	19.10	19.94

London fix in €/toz:

Open	High	Low	Close
1st July	24th July	9th July	31st July
14.90	15.41	14.85	15.04

Silver stabilised in price in July.

John Fineron, 2nd August 2013

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

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

This document is supplied in PDF format. To view, you may need to download the free Adobe Acrobat Reader:

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.

Special Legal Notice/Disclaimer concerning this report
This report represents the views of Johnson Matthey & Brandenberger AG, which may be materially different from those of Johnson Matthey plc and other group companies.

General Legal Notice/Disclaimer
Information and images contained within the web pages published by Johnson Matthey & Brandenberger AG ("JM&B") are copyright and the property of JM&B.

JM&B authorises you to copy documents or pages published by JM&B on this Web site for your non-commercial use only. Copies may be made for others for their personal information only. Any such copy shall retain all copyrights and other proprietary notices, and any disclaimer contained thereon.

None of the content of these pages may be incorporated into, reproduced on, or stored in any other Web site, electronic retrieval system, or in any other publication, whether in hard copy or electronic form. You may not, without our permission, 'mirror' this information on your own server, or modify or re-use text or graphics on this system or another system.

Certain links on this Web site lead to resources located on servers maintained by third parties over whom JM&B has no control. JM&B accepts no responsibility for the information contained on such servers.

The information, text, graphics and links contained in these pages are provided for information purposes only. JM&B does not warrant the accuracy, or completeness of the information, text, links, and other items contained on this server or any other server.

JM&B accepts no responsibility for loss, which may arise from reliance on information contained in this site.

No warranty of any kind, either expressed or implied, is made as to the information contained in these pages, including, but not limited to any implied warranty of merchantability, fitness for a particular purpose or non-infringement of third party intellectual property of or by JM&B products. Some jurisdictions do not allow the exclusion of implied warranties, so the above exclusion may not apply to you.

JM&B may make changes to the information contained in these pages, or to the products described in them, at any time without notice, however JM&B makes no commitment to update the information given in these pages.