

JM&B Monthly Gold & Silver Report

July 2015

<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
- 2. Gold
 - 2.1 News and Fundamental Considerations
 - 2.2 Technical Comments
- 3. Silver
 - 3.1 News and Fundamental Considerations
 - 3.2 Technical Comments
- Appendix More about this report

1. Commentary

Gold and silver fell significantly in price in July.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 12th July 2015, (Market Watch) – India is meeting stiff resistance in its drive to make the buying of gold jewellery more transparent and to channel demand into paper gold to stop the metal being used to hide billions of dollars of undeclared 'black money'.

The jewellery trade says the Narendra Modi government's plans to trace gold deals is unworkable and won't deter holders of black money, or hundreds of millions of Indians outside the tax net, from buying gold to keep their wealth away from the prying eyes of the authorities.

If the proposals fail, gold inflows will continue unabated in a country that accounts for nearly a fifth of global demand and stymie Modi's effort to create a new asset class that could lure savers and back investments.

To track larger gold deals, this year's budget declared that, from June 1, customers would have to disclose their tax code, or Permanent Account Number (PAN), for purchases above 100,000 Indian rupees (\$1,580). But jewellers - many of whom voted for Modi - have protested, delaying the new rule.

"No jeweller will refuse to sell just because the customer doesn't have a PAN card. He will find a way to ensure the customer leaves the store with jewellery," said Bachhraj Bamalwa of the All India Gems and Jewellery Trade Federation.

A Reuters poll of a dozen jewellers and dealers found that black money generates nearly a quarter of annual gold demand that totalled some 900 tonnes that is worth nearly \$34 billion at current prices.

Two-thirds of gold demand comes from rural areas where jewellery is a traditional store of wealth. Under Modi, India has opened 160 million new bank accounts but half are idle, suggesting old habits die hard.

And, in a country of 1.25 billion people, only 140 million have PAN cards.

The finance ministry's tax department has forwarded the so-called 'notification' that would put the PAN card rule into effect to higher authorities, but "no decision has been taken so far", a senior official said.

"The final decision probably needs political approval as it could have wider ramifications," added the official, who was not authorised to speak on the record.

BLACK MONEY FLOW

To try and divert some of the estimated 300 tonnes of annual demand for gold bars and coins to paper gold, the government also plans to issue bonds linked to the bullion price.

That's not an attractive option for people who park illicit wealth in physical gold, however.

"It is easier to hide unaccounted money in gold compared to other asset classes like property or shares. Such people are unlikely to switch to gold bonds," says Daman Prakash Rathod, director at Chennai-based wholesaler MNC Bullion.

The government has also proposed a gold deposit scheme to mobilise some of the 21,000 tonnes of gold held by households and temples.

EASY TO OVERRULE

Though the formal notification to enforce the PAN card rule has yet to be issued, jewellers have already found ways to beat it, by issuing many small invoices or writing informal receipts.

It's a reminder that ill-conceived regulation can have unintended consequences, as happened after India raised import taxes on gold to 10 percent in a series of hikes to August 2013.

The duty failed to curb demand, but revived smuggling networks which, the World Gold Council estimates, imported 175 tonnes of gold in 2014.

The best way to curb gold demand is by reducing black money in circulation; not by restricting gold trading, says a Dubai-based bullion supplier who, like other market players, requested anonymity.

"People are not accumulating black money to buy gold," he said. "It's the opposite. They want to have black money and gold is providing them cover."

Beijing, 17th July 2015, (Reuters) – China's gold reserves stood at 1,658 tonnes at the end of June, the central bank said on Friday, up 57 percent from the last time it adjusted its reserve figures more than six years ago.

Those figures would make China the world's sixth largest official sector gold holder after the United States, Germany, the International Monetary Fund (IMF), Italy and France.

Despite the reported tonnage increase, gold now accounts for 1.65 percent of China's total forex reserves compared with 1.8 percent in June 2009.

Speculation in the gold market has been rife in recent years over the size of official sector reserves in China, which is the world's biggest producer of the precious metal and vies with India for the title of number one consumer.

It last adjusted its reserve figures in April 2009, when the level was lifted to 1,054.1 tonnes from 600 tonnes.

In a statement, the People's Bank of China said investment in gold would be beneficial for risk management.

"On the basis of our assessment of the value of gold assets and our analysis of price changes, and on the premise of not creating disturbances in the market, we steadily accumulated gold reserves through a number of international and domestic channels," it said.

The increase, which amounts to 604 tonnes, would help guarantee the security, liquidity and value of China's international reserves, it said.

It said it would remain flexible when deciding whether or not to adjust gold reserves in the future.

"There has been ongoing market chatter that China had been amassing gold, and that had gained more importance ahead of October, when the Chinese want to be included in the SDR. It was felt by many that they would be more open, and that would mean revealing any increase in their reserves," Societe Generale analyst Robin Bhar said.

Chinese state news agency Xinhua reported in March that Chinese Premier Li Keqiang has asked the head of the IMF to include the yuan in its special drawing rights (SDR) basket, currently made up of dollars, yen, pounds and euros.

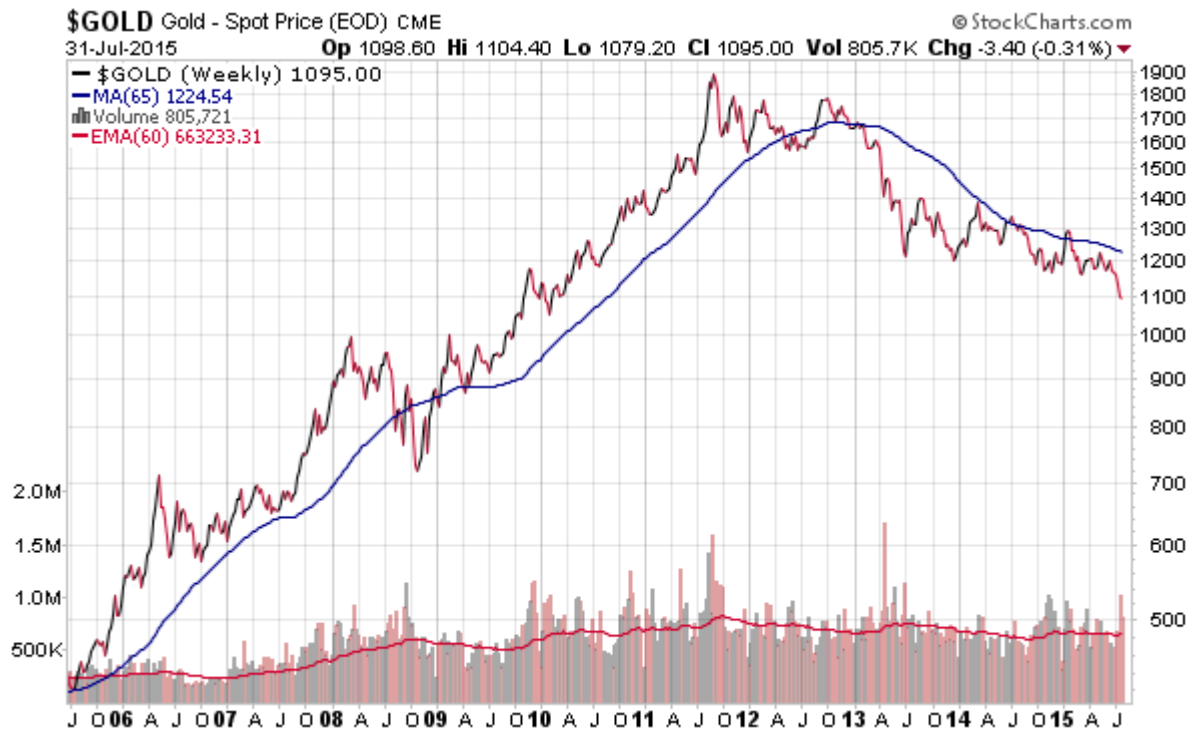
There was little immediate impact on spot gold prices on Friday. Spot gold was down 0.1 percent at \$1,143.73 an ounce at 1137 GMT, little changed from before the announcement.

"This (figure) was not unexpected. If anything, it was slightly surprising that it wasn't more," Bhar added. "The market was looking at a figure north of 2,000 tonnes."

2.2 Technical Comments

Long Term Technical Comments

Gold broke through the 1200 USD/oz level:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.07	01.07	24.07	31.07
1168	1168	1081	1098

London afternoon fix in €/toz:

Open	High	Low	Close
01.07	07.07	24.07	31.07
1055	1056	986	



Gold got some support around 1100 USD/oz.

3. Silver

3.1 News and Fundamental Considerations

Washington D.C., 7th July 2015, (Reuters) – The U.S. Mint said on Tuesday it temporarily sold out of its popular 2015 American Eagle silver bullion coins due to a "significant" increase in demand, the latest sign plunging prices have spurred a resurgence of retail buying.

In a statement sent to its biggest U.S. wholesalers, the Mint said its facility in West Point, New York, continues to produce coins and expects to resume sales in about two weeks.

This is the second time the mint has sold out of silver coins in the past nine months - it ran out of 2014-dated American Eagles in November last year.

In 2013, the historic drop in precious metals prices unleashed a surge in global demand for coins, forcing the mint to ration silver coin sales for 18 months.

Dealers attributed the recent rush to purchase silver coins and bars to its low price relative to gold.

The gold-silver ratio was "way out of whack", said Jon Edelman, owner of Edelman's Coins in Jenkintown, PA.

"That was a sign that silver was too low and people started buying. People view it as an opportunity in the long run."

On Tuesday, one ounce of gold would buy as much as 78 ounces of silver, which is historically a very wide spread.

It's not clear if Tuesday's rout had spurred a fresh round of spot buying, but demand has been healthy in recent months.

Sharp breaks in gold and silver prices typically boost buying among collectors and other retail investors, whose buying habits are sensitive to price moves.

Due to its greater affordability, silver sales tend to outstrip gold in volume terms and attract a lot more retail buyers.

Last month, coin sales surged to 4.84 million ounces, the highest since January and more than double the 2 million ounces sold a month earlier.

On Tuesday, spot silver prices sank almost 7 percent to \$14.65 per ounce, the lowest for the year as the dollar climbed and amid a broader exodus of cash from commodities.

3.2 Technical Comments

Long Term Technical Comments

Silver fell through sideways support in July:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.07	01.07	24.07	31.07
15.63	15.63	14.49	14.56

London fix in €/toz:

Open	High	Low	Close
01.07	07.07	28.07	31.07
14.06	14.21	13.18	13.26



Silver was also weak in July.

John Fineron, 3rd August 2015.

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.