JM&B Monthly Gold & Silver Report
June 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

Contents

1. Commentary

Gold and silver both made upward price reversals in June.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 11th June 2014, (SMM) – Indian and Chinese central banks on track to absorb the equivalent of 90% of all mined gold production this year, said ETF Securities in its Precious Metal Weekly.

China, India and central banks absorbed just over 80% of global mine supply in 2013 according to recent data. Recent data indicates that these three entities alone are likely to absorb the equivalent of nearly 90% of mine production in 2014m said ETF Securities.

Demand from India is likely to increase with the curtailing of the 2013 import restrictions. Central banks purchased 122 tons of gold in Q1 which is essentially unchanged year-on-year and

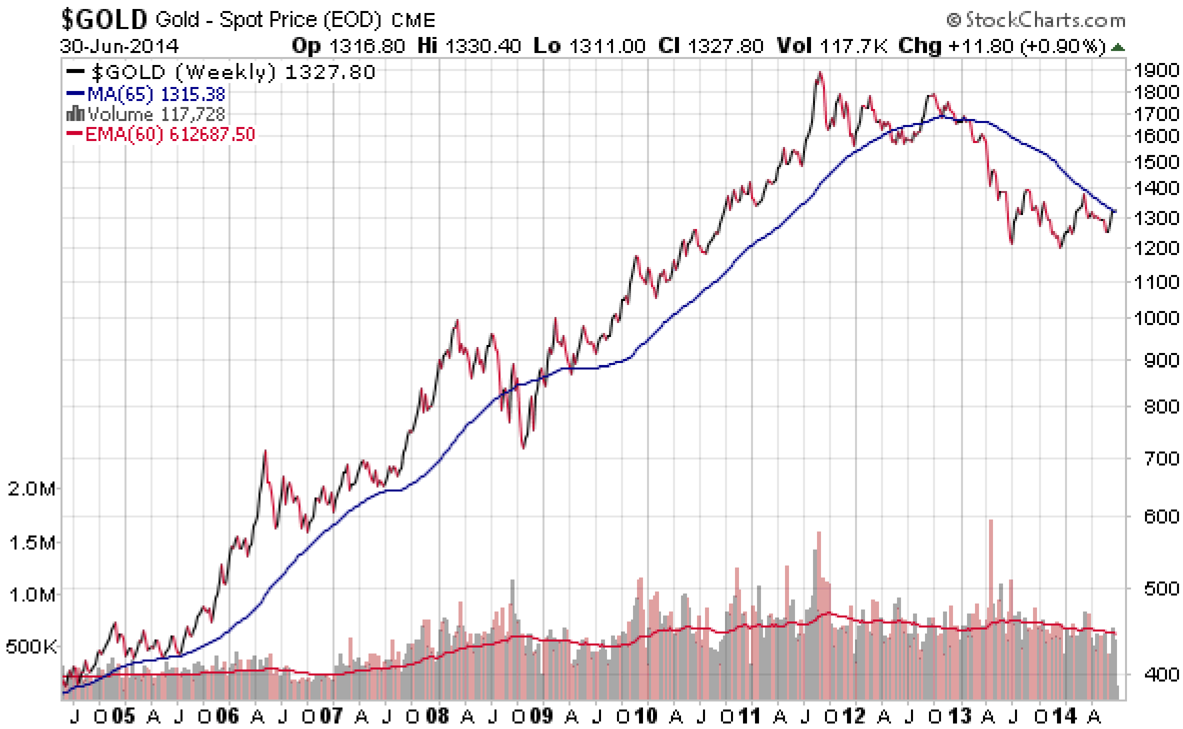
China's imports of gold from Hong Kong are up 18% year-on-year as of April. On a similar note, sales of US mint silver coins are on pace in 2014 to surpass the record 35 million ounces sold in 2013.

The US mint must purchase its silver from US sources and the amount of silver mined in the US in 2013 was only 35 million ounces. Most of the demand for silver is for industrial purposes and inventories are the lowest in decades - the majority in ETFs

2.2 Technical Comments

Long Term Technical Comments

Above its 65 WMA, gold must now be considered bullish:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
2nd June	24th June	3rd June	30th June
1247	1318	1243	1315

London afternoon fix in €/toz:

Open	High	Low	Close
2nd June	24th June	3rd June	30th June
916.3	968.7	911.5	962.7

Gold moved up significantly in price in June, moving from oversold to overbought.

3. Silver

3.1 News and Fundamental Considerations

First some silver news we inadvertently omitted in May:

New York, 14th May 2014, (Silver Institute) – Total physical silver demand rose by 13 percent in 2013 to an all-time high, according to "World Silver Survey 2014", released today by the Silver Institute. This was primarily driven by the 76 percent increase in retail investment in bars and coins coupled with a sturdy recovery in jewellery and silverware fabrication. On the supply side, silver scrap fell by 24 percent, experiencing the largest drop on record to reach its lowest level since 2001. The silver price averaged $23.79 in 2013, the third highest nominal average price on record, in a particularly volatile year for the entire precious metals complex.

Silver Fabrication Demand

Total physical demand for silver stood at a record 1,081 million ounces (Moz) last year. The largest component of physical silver demand, industrial applications, dipped by less than 1 percent to 586.6 Moz, to account for 54 percent of total physical silver demand. Asia, however, experienced a 3 percent increase in silver industrial demand, led by China, where a continued recovery in the electrical and electronics sector, along with gains in the Chinese ethylene oxide industry, took total Asian industrial offtake to a new high. Japan also experienced gains in silver industrial demand.

Last year's recovery in jewellery fabrication was a reflection of the improved economic outlook in the industrialized world, which lifted consumer confidence and retail sales for a 10 percent increase in jewellery demand. Global silverware fabrication rose 12 percent to a three-year high, due to strong gains in India and China, while photography demand slipped by 7 percent in 2013, posting the slowest percentage decline in nine years.

Silver Mine Supply and Costs

Silver mine production grew by 3.4 percent to reach 819 Moz. A large portion of the growth is attributable to the primary silver mining sector, which experienced strong growth from the start, along with the ramp-up of operations that entered production in recent years. Primary silver mine production grew 6 percent, and accounted for 29 percent of global silver mine supply. Mexico was the world's leading silver producer, followed by Peru, China, Australia and Russia. Primary silver mine cash costs stood at US$9.27 an ounce, increasing 1 percent in dollar terms. The producer silver hedge book was aggressively reduced last year to stand at 15 Moz on a delta-adjusted basis.

World Silver Supply and Demand (million ounces)

(totals may not add due to rounding)

Supply

	2012	2013
Mine Production	792.3	819.6
Net Government Sales	7.4	7.9
Scrap	252.6	191.8
Net Hedging Supply	-47.0	-41.3
Total Supply	**1,005.3**	**978.1**

Demand

	2012	2013
Jewellery	181.4	198.8
Coins & Bars	139.3	245.6
Silverware	44.6	50.0
Industrial Fabrication	589.1	586.6
…of which Electrical & Electronics	237.0	233.9
…of which Brazing Alloys & Solders	60.3	62.4
…of which Photography	54.4	50.4
…of which Other Industrial	237.4	240.0
Physical Demand	**954.4**	**1,081.1**
Physical Surplus/Deficit	**51.0**	**-103.0**
ETF Inventory Build	55.1	1.6
Exchange Inventory Build	62.2	8.8
Net Balance	**-66.3**	**-113.3**

Above-Ground Stocks

Supply from above-ground stocks dropped by 23.2 percent to 199.7 Moz. Scrap supply to the market in 2013 experienced the largest year-on-year reduction since the 1980s and was due to a combination of softer silver prices and an exhaustion of "distressed" coin and jewellery recycling. As a proportion of total silver supply, scrap dropped to under 20 percent, after averaging 25 percent in total supply the previous two years, and this served as a substantial contributor to the physical market deficit posted in 2013. Government sales increased only slightly to 7.9 Moz, an extremely low level considering government disposals averaged 43 Moz per year from 2002-2011.

Silver Investment

Total identifiable investment demand, which includes physical bar investment, coins and exchange traded funds (ETF) inventories, rose by 27 percent to a three-year high at 247.2 Moz last year. The growth was driven principally by a strong rise in retail purchases of silver bars and coins. Demand for physical bullion bars more than doubled last year to reach a high of 127.2 Moz, while purchases of silver coins and medals rose 38 percent to a record 118.5 Moz. ETF holdings showed only modest growth in 2013.

About the “World Silver Survey”, the Silver Institute and “Survey” Ordering Information

Copies of “World Silver Survey 2014” are available to the media upon request and can be purchased for US$225 from the Silver Institute, 1400 I Street NW, Suite 550, Washington, DC, 20005; by phone at 202/835-0185; or from the Institute’s web site www.silverinstitute.org.

London, 5th June 2014, (Bloomberg) – ETF Securities Ltd., an exchange-traded-products provider with about $19 billion of assets, proposed an alternative to the century-old London silver fixing benchmark process that’s set to end in August.

The proposal made to the London Bullion Market Association would use a five-minute auction process that occurs on the London Stock Exchange and based on ETF Securities’ silver-backed fund that trades on the bourse, said Graham Tuckwell, chairman and founder of the Jersey-based company. The company is talking to the LSE about moving the auction capability from 4:30 p.m. to noon, when the present silver fixing process is held, he said.

The London Silver Market Fixing Ltd. will stop running the fixing on Aug. 14 after Deutsche Bank AG (DBK) said it will withdraw from the process, leaving just two banks to conduct the ritual. The LBMA began a consultation in May seeking views for an alternative to the benchmark that’s used by miners to central banks. The London Metal Exchange got requests to provide a daily rate, CME Group Inc. has said it’s also helping to find a way to set prices and Platts said today it’s in talks with the LBMA.

“The system is already in place, it’s ready to go,” Tuckwell said today by phone from Amsterdam. “Our securities are settled in metal already. It’s a very transparent process.”

Regulatory focus on financial benchmarks is intensifying after rigging was uncovered in everything from interbank lending rates to currencies. Economists and academics have said fixings are susceptible to manipulation and lack sufficient regulation, while traders say the processes are efficient and crucial reference points for the market.

Fixing Members

Deutsche Bank, HSBC Holdings Plc and Bank of Nova Scotia (BNS) conduct the silver fixing each day at noon. The German bank said it’s withdrawing from fixings as it scales back its commodities business. It stopped taking part in gold fixings in May after failing to agree on a sale of its seat and postponed its April 29 resignation from the silver rate to Aug. 14.

During the silver fix, the three member banks declare how much metal they want to buy or sell for clients as well as their own accounts. Traders relay shifts in supply and demand to clients and take fresh orders as the price changes, before the fix is made. The first silver fixing took place in 1897.

Used as a benchmark to price holdings at, the fixing also allows participants to physically buy and sell metal. The proposal made by ETF Securities could allow the transfer of physical metal two days later, Tuckwell said.

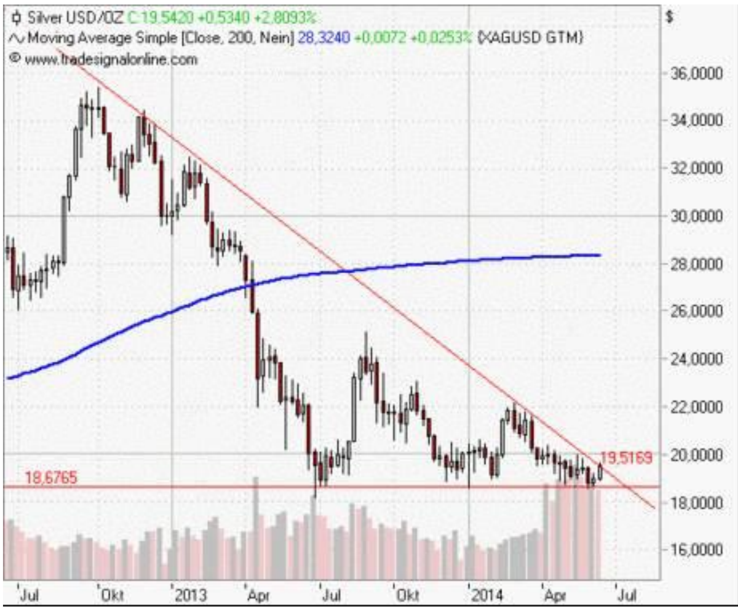
Auction Timing

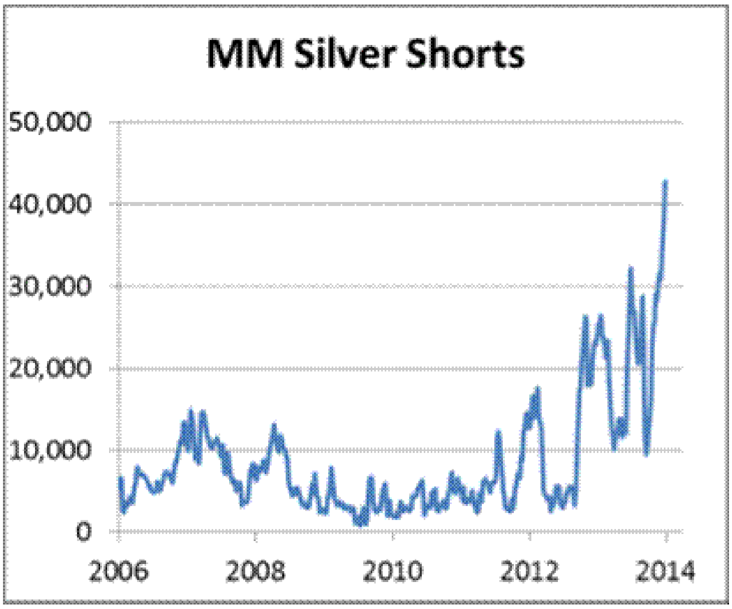
“The only thing we need really to talk to the LSE about is asking to arrange the auction at midday, rather than at 4:30 p.m.,” he said. “They are already putting in place the possibility of having intraday auctions in all securities of about mid-September.”

The LME said May 29 it had requests from industrial and financial companies, has defined a “robust” process for a daily price and is working with the LBMA in consulting with the market. CME Group said that day it’s “working closely with the precious metals industry and LBMA to reduce market disruption by helping to find a robust transaction-based way to set the daily spot price.” An LBMA survey as part of the consolation closed May 30.

“Platts is in talks with LBMA officials, financial entities and others regarding continuity, transparency and best practices in the silver market,” Kathleen Tanzy, a spokeswoman in New York at the energy and commodities news and price publisher, said in an e-mailed statement today. “ Continuity in the provision of benchmarks, prices and assessments is critical to preserve the integrity of markets.”

Frankfurt, 15th June 2014, (Rohstoff News.de) – ,Now let us look at silver, using the same market data. The shock comes with our first chart, which is of Managed Money short positions. These trend-chasers have got themselves into a potential trap, with short positions totalling 214,020,000 ounces, equivalent to 25% of annual global mine output. Whether or not they can extricate themselves from this position will depend on the banks and commercial hedgers providing the liquidity for them to do so.”

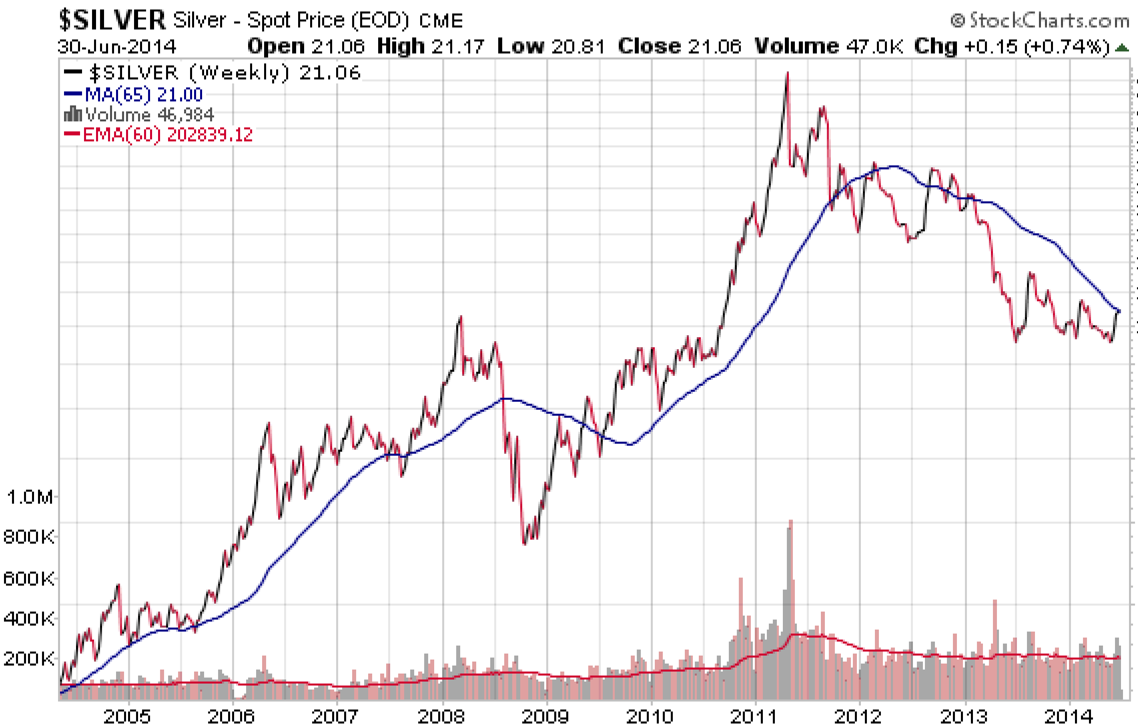




3.2 Technical Comments

Long Term Technical Comments

As with gold silver ended the month (just) above its 65 WMA and must be considered bullish in price:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1st May	14th May	30th May	30th May
19.06	19.87	19.00	19.00

London fix in €/toz:

Open	High	Low	Close
1st May	14th May	1st May	30th May
13.74	14.49	13.74	13.96

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

Silver roared up in price in June, becoming overbought at the end of the month.

John Fineron, 1st July 2014

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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