JM&B Monthly Gold & Silver Report
March 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 especially silver fell in price in March.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Mumbai, 13th March 2014, (Mineweb) – Indian jewellers and retailers observed a nationwide strike on Monday protesting against the many restrictions imposed by the Indian government on inbound shipments of gold that have hammered gold and silver imports with a 71.4% slump recorded in February to $1.63 billion,.

In a call given by the Bombay Bullion Association and the India Bullion and Jewellers Association, around 90% traders in Maharashtra, Gujarat and certain pockets of South India, joined the one day strike on March 10.

"Our call for a strike was to protest against the government policies. It was hugely successful, as bullion traders in Mumbai, Gujarat and even Kolkata observed a shut down,'' said Association president Mohit Kamboj.

Prithviraj Kothari, director of the Association said they had compiled a list of demands that included reduction of customs duty on gold, from 10% to 2%; revision of the 20:80 import scheme for exporters; and the relaxation of `Know Your Customer' norms, which had severely brought down sales at retailers.

He added that the 10% customs duty on gold and the 20:80 import rule by the Reserve Bank of India had led to a severe shortage of gold in the domestic markets and sharply pushed up premiums over international prices, making it unviable for many bullion traders to carry on normal trade.

"Bullion imports have come down drastically. The government should now revisit its import curbs, since it is crippling the industry,'' said Kothari.

In February 2013, imports of gold and silver stood at $5.24 billion. This has come down to $1.63 billion in February.

Toe China line

Harish Soni, Chairman of the All India Gems and Jewellery Traders' Federation, however, had a different point of view. Speaking to Mineweb, he said, ``By pulling down shutters, retailers and bullion traders are playing into the government's hands.''

He added: ``By striking work, traders will import less gold and consumption will be less. That is exactly what the government wants.''

However, he noted: ``We supported the move as they are fighting for the cause of the industry.'' Soni added that the strike had made a mark in Mumbai, Pune and Rajkot, in Gujarat.

Estimating the industry loss due to the strike at around $163 million (Rs 10 billion), he said the Federation had sent across a representation to the government to take ``gold imports on the official track like China. Give us schemes, like China has done for its bullion traders. The government needs to take pro active steps, rather than destroy the industry.''

Stating that the Federation had implored the Commerce Ministry to ease gold imports, since it was affecting India's gold jewellery exports, Soni said, ``traders were eager for China-like reforms in bullion sector.''

Speaking about the trade, he said, ``We have been trying to convince traders that it is in our best interest to help the government improve the current account deficit situation.''

Listing out the number of measures undertaken by the bullion community, he said, "First, we shut down the sales of gold coins and bars. Then we brought in new gold schemes to bring down imports. We also undertook educative programmes, whereby information was given as to how to help in the economic situation,'' he added.

Speaking about the ruling premiums in the market, he added: ``Though premiums are down from $160 to $80, they are still rather high. At one time, we used to fight for even $1 premium with the banks. It is clearly on the higher side now.''

Maintaining that the bullion trade was going through harrowing times, he said, ``There is monopolised business going on and very few people are getting bullion as per their requirements. Nominated agencies who import gold are quoting absurd premiums, which jewellers are forced to pay, if they want the gold.''

Vinod Jain, President of the Mumbai Wholesale Gold Jewellers' Association added that the government policies had resulted in a high level of gold smuggling. He said that the situation had degenerated into a massive human resource problem as ``several million artisans and job workers are unemployed due to paucity of gold in the market. Most of them have returned to their villages mainly in West Bengal and Gujarat.''

Mumbai, 19th March 2014, (Reuters) – India has allowed five domestic private sector banks to import gold, in what industry officials say could be a significant step towards easing of tough curbs on the metal imposed last year to cut the country's trade deficit.

The move could boost gold supplies and bring down premiums for the metal in the world's second-biggest consumer after China.

The Reserve Bank of India (RBI) has allowed gold imports by HDFC Bank, Axis Bank, Kotak Mahindra Bank, IndusInd Bank and Yes Bank, officials at the respective banks told Reuters.

Two industry sources confirmed the names of the banks. They and the bank officials did not want to be named as they are not authorised to speak to media.

India enforced the so-called 80/20 rule in July, making it mandatory to export a fifth of all gold imports. Under that rule, only six banks and three state-run trading agencies that had facilitated export of gold or jewellery in the past three years were allowed to import. The six banks were mostly state-run lenders.

The RBI has now permitted gold imports within prescribed limits by the private banks even though they had not facilitated any exports of metal or jewellery in the past three years.

"They have decided upon limits on quantities depending upon the number of (current) customers you have for exports," said Shekhar Bhandari, executive vice-president of Kotak Mahindra Bank.

The RBI did not immediately respond to a request for comment.

The move to allow more banks to import gold may raise shipments to about 40 tonnes per month from more than 20 in February, industry officials said. India used to ship in as much 70 tonnes per month, the biggest import after oil that had pushed the current account deficit (CAD) to a record high in the year ended March 2013.

"Supplies will be smooth from now and I think premiums will come down," said Haresh Soni, chairman of the All India Gems and Jewellery Trade Federation. "This looks like just a beginning to the further easing of 80/20 rule."

NEW GOVERNMENT, NEW RULES

India used to be the No. 1 buyer of gold before the levy of a record 10 percent import tax in stages and other restrictions led to a sharp cut. Premiums hit a record of $160 an ounce in December, triggering smuggling and forcing industry officials to call for a repeal of the curbs.

Further major relaxations of the curbs are likely only after a new government is formed around June, officials involved with policymaking said.

Finance Minister P. Chidambaram said earlier this month the gold import duty could be revisited only after the final CAD numbers are out.

The CAD, final figures for which are expected to come in the first week of June, is likely to fall to less than $40 billion for the fiscal year ending March 31 from its record $88 billion in the previous year.

By that time it will also be clear who will form the government, after India's general elections that start in April. The main opposition Bharatiya Janata Party - the favourite to win the polls - has already spoken against the gold import restrictions.

Its prime ministerial candidate Narendra Modi has said that any action on gold should look at the interests of the public and traders, not just economics and policy.

A senior policy official aware of the deliberations said the government and the central bank wanted to gradually remove the curbs as falling gold prices are expected to cut the CAD by $10-$12 billion.

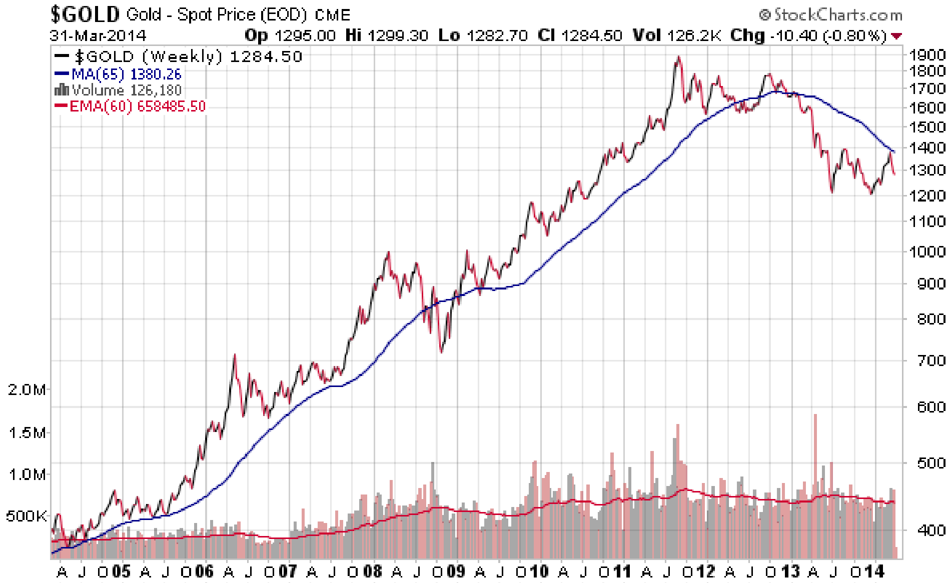
"We don't believe in artificial kind of compression of current account deficit," the official said. "Since it was an extraordinary kind of situation and it was a policy option available, we tried that."

The official estimates India's gold imports this fiscal year to be around 800-850 tonnes, lower than last year's 950 tonnes.

2.2 Technical Comments

Long Term Technical Comments

Gold touched its long-term trend line in March and proceeded to correct:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
3rd March	14th March	31st March	31st March
1350	1385	1292	1292

London afternoon fix in €/toz:

Open	High	Low	Close
3rd March	14th March	31st March	31st March
980.1	973.6	936.6	936.6

After rallying to 1380 USD/oz, gold fell 100 USD/oz in price!

3. Silver

3.1 News and Fundamental Considerations

Washington, D.C. 18th March 2014, (Silver Institute) – Silver jewellery sales in the United States were robust in 2013, with 73% of jewellery retailers reporting increased sales last year, according to "Silver Jewellery Buying Trends," a survey conducted by the prominent jewellery trade publication "National Jeweller" on behalf of the Silver Institute's Silver Promotion Service. The survey also finds that silver jewellery has become an increasingly important category for many jewellers for the past several seasons, both in driving sales and providing margin.

Highlights from the survey include the following:

- Retailers said their silver jewellery sales, as a percentage of their overall jewellery sales, were on average 33% of their unit volume and 29% of their dollar volume.
- The average increase in 2013 for silver jewellery sales was 17%.
- 66% of the jewellery retailers said their 2013 holiday season sales of silver jewellery increased over the 2012 holiday season.
- The best maintained margins during the holiday season were as follows:

  (Percent rating category as "best")

  Silver Jewellery 36%
  Diamond Jewellery 28%
  Bridal Jewellery 17%
  Gold Jewellery 13%
  Platinum Jewellery 6%

- 92% of retailers say they are optimistic that the current silver boom will continue for the next several years. The survey was fielded in February for the Silver Institute's Silver Promotion Service (SPS).

The objective of the SPS is to develop and implement programs designed to enhance silver's image and stimulate demand for silver jewellery in major international markets. This was the fifth consecutive year that the SPS has conducted such a survey.

SPS Director Michael Barlerin commented, "While we already had anecdotal information from our program participants that 2013 had been an exceptional year for them, it was gratifying to see the quantifiable results from the survey. Additionally, the five consecutive year-over-year results are perhaps the most compelling I have ever seen."

3.2 Technical Comments

Long Term Technical Comments

Perhaps the double-bottom in silver will be tested soon:

Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
3rd March	3rd March	27th March	31st March
21.46	21.46	19.68	19.97

London fix in €/toz:

Open	High	Low	Close
3rd March	3rd March	27th March	31st March
15.59	15.59	14.30	14.47

Silver lost around 80% of its price gains from the previous rally in March.

John Fineron, 1st April 2014

Appendix: More about this report

Purpose of the Report
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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.

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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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