JM&B Monthly Gold & Silver Report
March 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

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1. Commentary

Gold and silver both moved sideways in February.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Melbourne, 18th March 2015, (Business Daily) – The liberalisation of Asia's financial system and the growing wealth of its populations are expected to boost demand for gold and push the price of the key commodity over $US2400 an ounce by 2030, ANZ predicts.

In a report titled East to El Dorado: Asia and the future of gold, released on Wednesday, ANZ said Asian gold demand would develop steadily as the emerging region's consumption patterns began to more closely resemble those of developed nations.

The bank estimated annual retail and investor demand for the precious metal in the 10 largest economies in Asia, which it dubbed "the A10" – China, India, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand and Vietnam – could double to 5000 tonnes within 15 years.

ANZ chief economist Warren Hogan told Fairfax Media several fundamental economic arguments detailed in the report strongly refuted claims the gold price was on a downward trajectory.

Mr Hogan said increasingly higher incomes in the A10 would mean more gold jewellery would be purchased, noting that China would form the backbone of gold demand going forward. Despite total demand having risen significantly in recent years, on a per capita basis, China remained well behind most developed markets.

In 2012, China and India consumed about 0.8 grams of gold per person. As regional GDP per capita expanded, per capita gold demand could rise to as much as 1.2 grams, a figure more in line with Germany, Canada and the United States, the report said.

The gold holdings of a growing number of institutional investors would also increase as financial systems were liberalised and serviced by a larger body of professional money managers, Mr Hogan said, and regional central banks would continue to increase their gold reserves to provide confidence in newly floated currencies.

"This will all support a significant increase in the price ... but the argument about gold as an investment is such an important element of all of this," Mr Hogan said.

"Something I have put forward very strongly personally in this report is that gold has a role as an investment. That has been a very contentious issue in the last 20 years. Your purists argue it doesn't yield anything and there is no evidence that it protects you against inflation. But there is evidence it protects you against financial calamity, whether that be hyperinflation or a financial crisis."

Mr Hogan said as key defensive assets, such as cash and bonds, became less attractive due to low or negative yields, "gold should be more seriously viewed as a defensive asset".

And that was something he thought the emerging A10 economies would capitalise on.

"It will be in their DNA. The investment view that has emerged in the last 30 years that gold is hopeless as an investment, is not an Asian view," he said.

"So that's why we argue that the growth of institutional funds under management by professional money managers are going to explode in the next decade, particularly in China. They will naturally be more receptive to investments in gold and they will be looking for vehicles to do that."

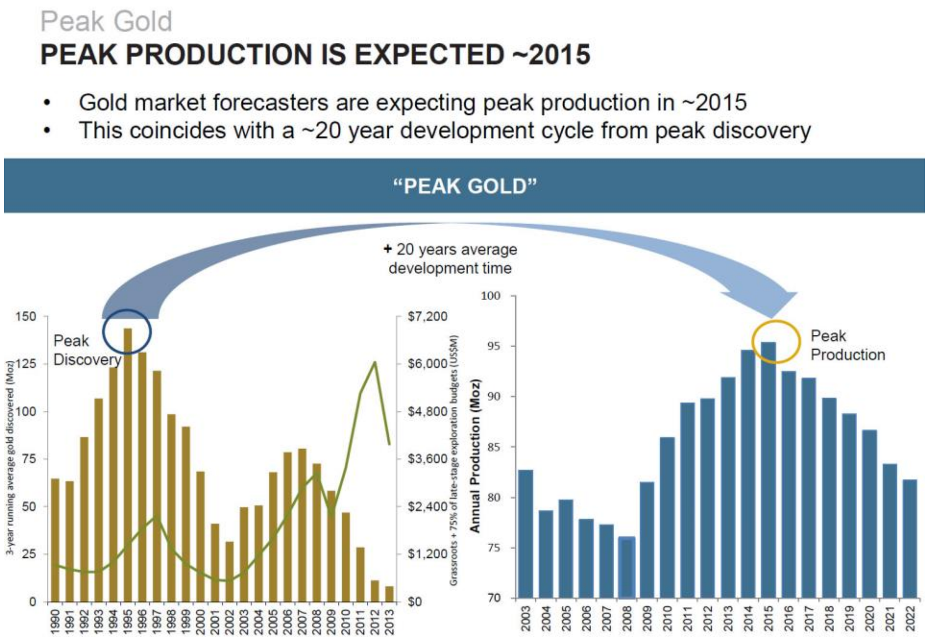
ANZ's central case is that the gold price would remain within a broad range of $US1100 an ounce to $US1600 an ounce over the near-term, gradually rising to over $US2000 by 2025 and $US2400 by 2030.

With demand for the yellow metal expected to skyrocket, ANZ anticipated supply from global mines would struggle to keep up and scrap gold would become an increasingly important part of future gold supply. Encouraging expansion of mine supply and more scrap onto the market would require higher prices, the report said.

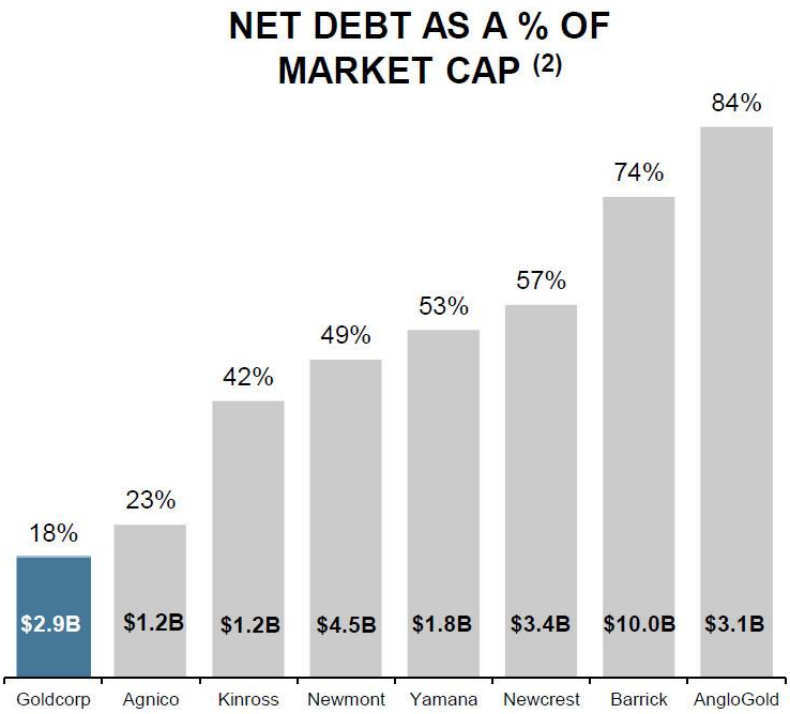
China was expected to play a bigger role in gold pricing, due to its increasing size and importance in the global gold market. ANZ forecast the Shanghai Gold Exchange and Shanghai Futures Exchange would continue to build market share in gold trading and as the Renminbi further developed as an important currency in global trade.

The report came off the back of the bank's Caged Tiger report released 12 months ago, which suggested Asia's financial system would be larger than the United States and Europe combined by 2030, and the A10 will account for half of global gross domestic product by 2050, in a "tectonic shift in the global economic landscape".

New York, 27th March 2015, (Zero Hedge) – Late last year, when looking at a Goldcorp slideshow, we noticed something surprising: the gold miner had forecast that 2015 would be the year when gold production would peak among the mining industry.



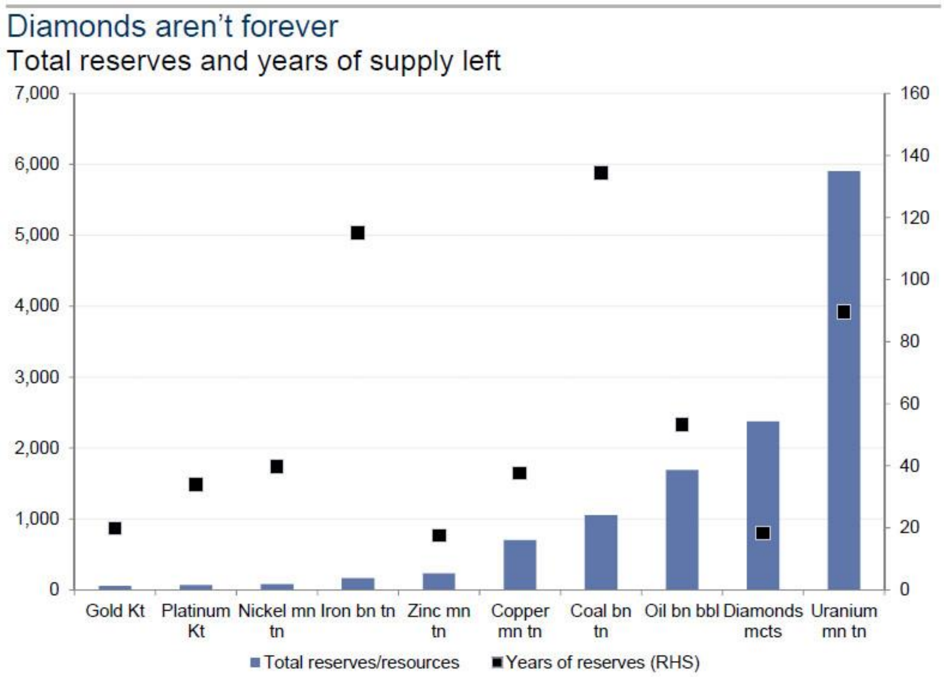
To be sure, Goldcorp was really just pitching its own balance sheet, and was more focused on its far more levered gold-mining competitors going out of business...



... and hence facilitating "peak production" this year as one after another producer is forced to file for bankruptcy, than actually making a statement on how much gold remains to be mined in the ground. Because the last thing even the most healthy gold miner, with the lowest production cost wants, is to face a world in which their primary commodity is running out.

Which may just be this world.

According to a report issued by Goldman's Eugene King looking at commodity scarcity, the chart below "shows that there are only 20 years of known mineable reserves of gold and diamonds."



Source: Statista, World Coal, BP, World Nuclear Association, Goldman Sachs Global Investment Research.

Some further observations on gold and scarcity in general from Goldman:

The combination of very low concentrations of metals in the Earth's crust, and very few high-quality deposits, means some things are truly scarce. Perhaps unsurprisingly, these are the so-called precious metals (and diamonds), and that their value is derived from the fact they are rare.

Their relatively scarcity, and the market's belief that new discoveries will be limited, is what drives the price of these super rare commodities. Take diamonds as perhaps the most extreme example. A diamond has very little intrinsic value. Its value is determined by a belief that it is rare and, for a natural diamond, unique.
Gold has been used as a measure of wealth for more than 4,000 years, as the ancient Egyptians soon worked out that gold was not only shiny and heavy, but rare.

Of course, this analysis is meaningless in a vacuum: if the "known reserves" of gold plunge in the coming decade, no matter how many gold futures and GLD short sales are conducted by the BIS, the price will have to go up. It will go up high enough to where a new surge of gold miners will come online and find thousands of new tons of gold reserves around the globe.

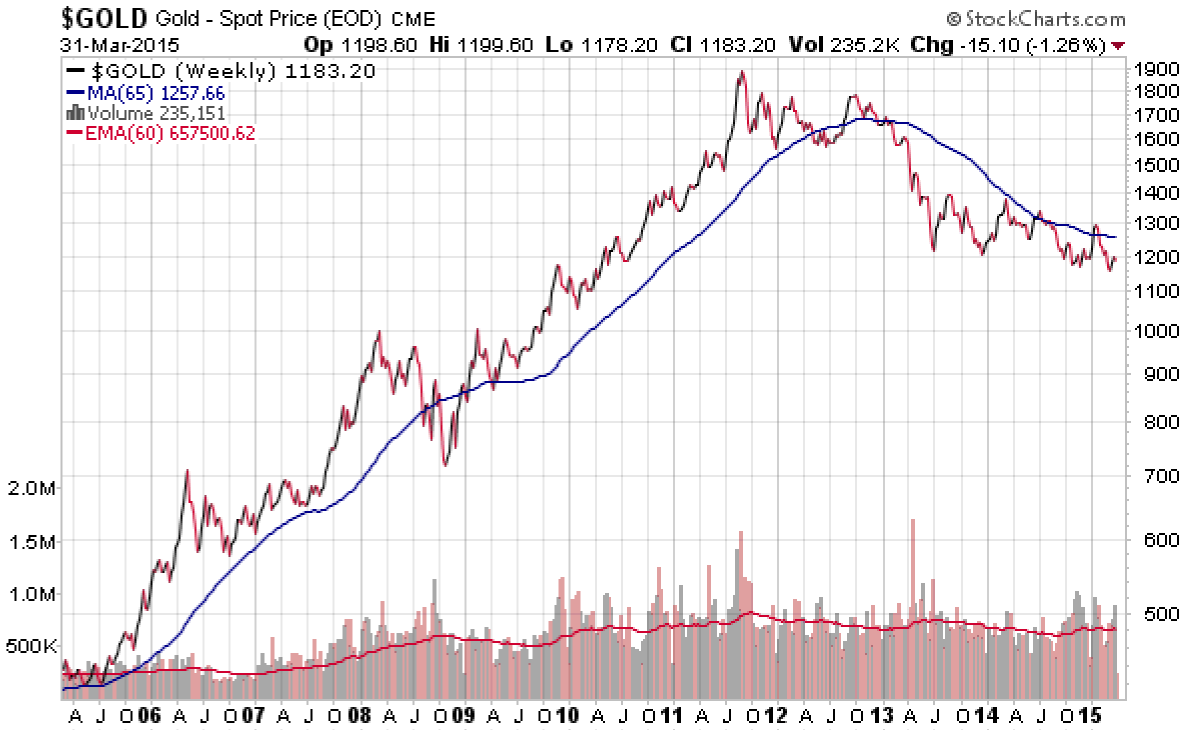
Unless they don't, and Goldman is correct that "peak gold" may have arrived. This will be even more true if over the coming years the long overdue fiat economic panic finally washes over the globe, and a revulsion toward central bank policies forces a scramble into gold whose value (if not price since fiat currencies will be redundant) soars.

The answer is unclear, but what is certain is that like the price of oil over the past decade and until last fall when price discovery finally became somewhat credible, what happens in the physical realm has absolutely zero marginal impact on the price of commodity which has about 100 ounces in deliverable paper contracts for every ounce in underlying. It will be only after the gold price distortions via the derivative market are eliminated such that such trivial price-formation forces as supply and demand are once again relevant.

2.2 Technical Comments

Long Term Technical Comments

Gold looks to be basing around the 1200 USD/oz level:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
2nd March	3rd March	18th March	31st March
1213	1213	1147	1187

London afternoon fix in €/toz:

Open	High	Low	Close
2nd March	31st March	9th March	31st March
1081	1106	1077	1106

Gold essentially went nowhere in March.

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3. Silver

3.1 News and Fundamental Considerations

Washington D.C., 24th March 2015, (Silver Institute) –Silver jewellery sales in the United States rose in 2014 according to an online survey fielded by "National Jeweller" magazine on behalf of the Silver Institute's Silver Promotion Service (SPS). The survey affirmed that silver jewellery has become an increasingly important category for many jewellers for the past several years, both in driving sales and providing margin.

Highlights from the survey include the following:

- 67 % of jewellery retailers said that their silver jewellery sales increased in 2014, with an average increase of 17%.
- Retailers said that their silver jewellery sales, as a percentage of their overall jewellery sales, were on average 34% of their unit volume and 30% of their dollar volume.
- The best maintained margins during the holiday season were as follows:

(Percent rating category as "best")

Silver Jewellery 43%
Diamond Jewellery 31%
Bridal Jewellery 19%
Gold Jewellery 7%
Platinum Jewellery <1%

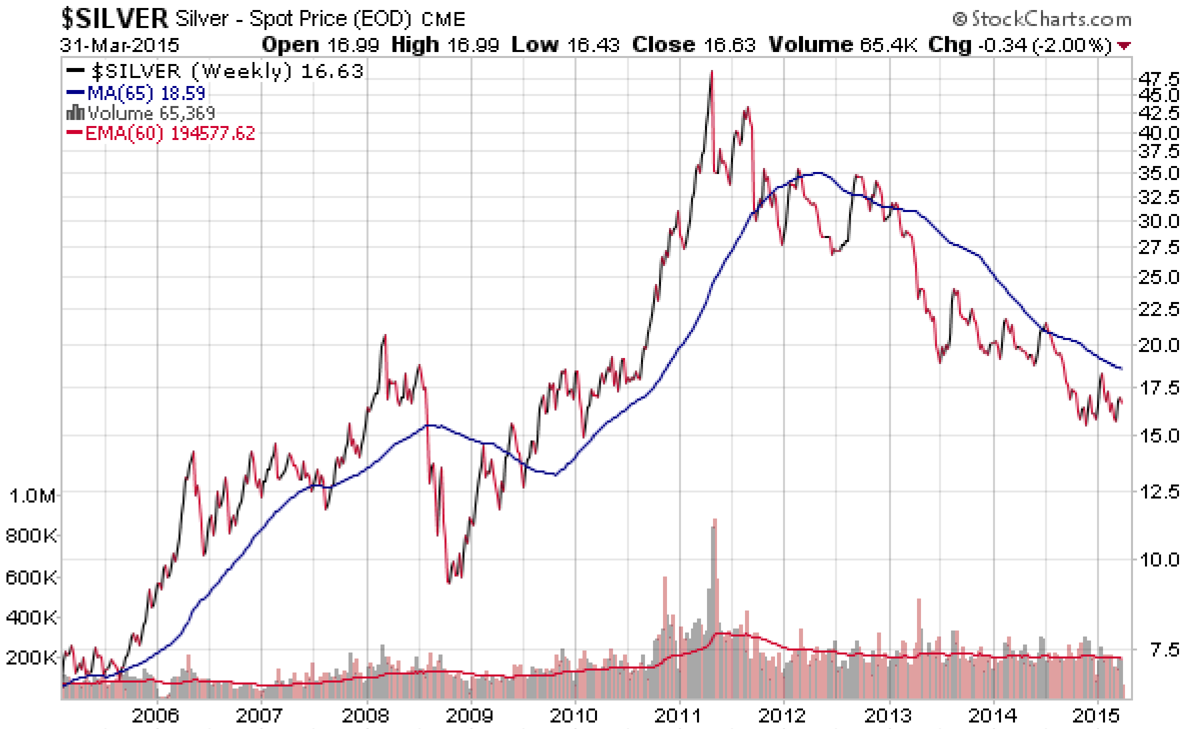
- 89% of retailers say they are optimistic that the current silver boom will continue for the next several years.
- retailers reported that female self-purchases provided the best-selling opportunity and the 20-40 age group bought the most silver jewellery in 2014.

Commenting on the survey, which was fielded February 13 – March 2, 2014, Michael Barlerin, Silver Promotion Service Director said, "The SPS and all of the participants in the Savor Silver program were very pleased by the 2014 results. They are further confirmation of the significance of the role that silver jewellery is now playing at retail."

3.2 Technical Comments

Long Term Technical Comments

Silver did not do much in March:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
02.03	27.03	18.03	31.03
16.63	17.14	15.47	16.60

London fix in €/toz:

Open	High	Low	Close
02.03	27.03	18.03	31.03
14.82	15.78	14.58	15.45

Silver bounced off the 15.50 level in March.

John Fineron, 1st April 2015.

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.

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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