JM&B Monthly Gold & Silver Report
May 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 closed at their monthly lows in May.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 20th May 2014, (WGC) – The World Gold Council's Gold Demand Trends (GDT) is the leading industry resource for data and opinion on world-wide gold demand. Our quarterly publication examines demand trends by sector and geography.

Executive summary:
This section of the report considers the main themes to have emerged in global gold demand during the first quarter of 2014.

Jewellery -First quarter demand was 571t, 3% higher than the corresponding period last year. A lower price environment compared to Q1 2013 was supportive in many markets, while New

Year celebrations in key Asian markets ensured that jewellery demand followed seasonal patterns.

Investment - Investors adopted a ‘wait-and-see’ approach in the first three months of 2014, with marked divergences between ETFs and bar and coin demand. Net ETF outflows were zero as geopolitical tensions offset positive economic expectations. Bar and coin demand fell to 283t as investors waited for a clear direction in price.

Technology - All segments of technology slipped by 4% year-on-year, with cost pressures fuelling the substitution away from gold to cheaper alternatives. Demand totalled 99t, down from 104t in Q1 2013.

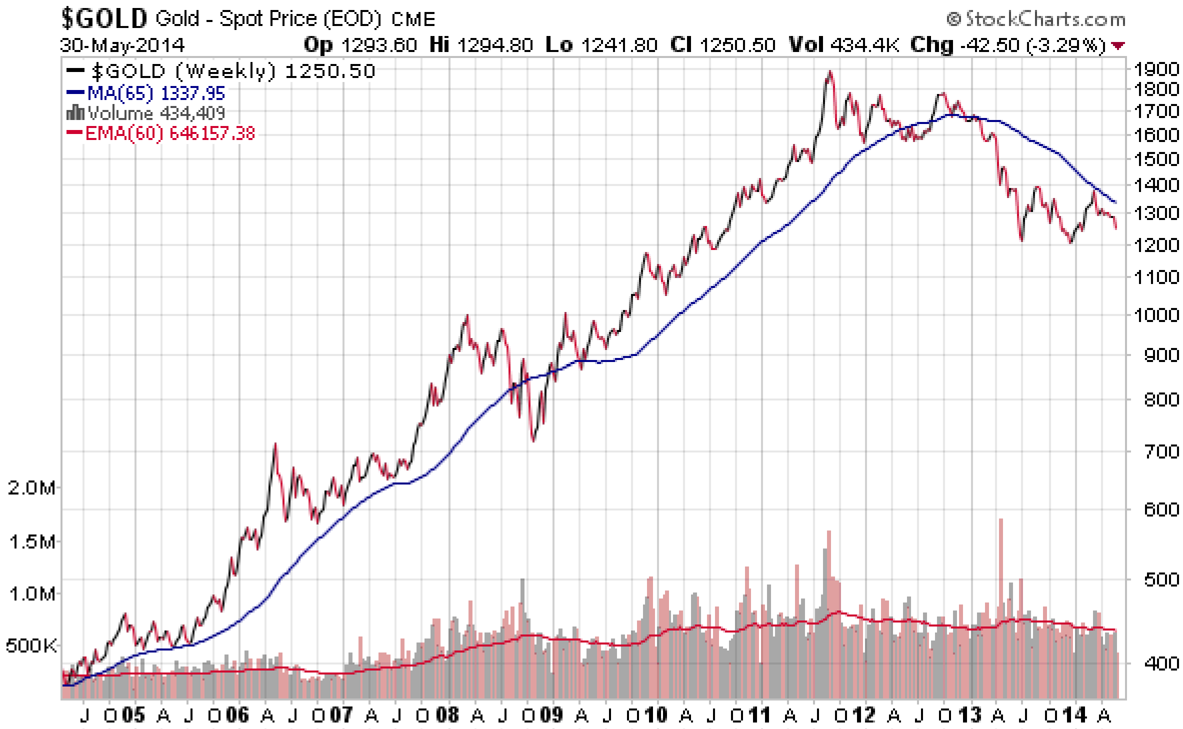
Central Banks - Official reserves of gold increased by 122t in Q1 2014, as net purchases once again topped the 100t level. This marked 13 consecutive quarters of net purchases, demonstrating the continued desire among central banks to diversify their assets.

Supply - Mine production increased by 6% to 721t in Q1, while recycled gold fell 13% to 322t due partly to improving economic conditions. Overall, this led to a marginal increase in total supply, to 1,048t.

2.2 Technical Comments

Long Term Technical Comments

Gold fell out of its sideways channel in May:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1st May	6th May	30th May	30th May
1279	1306	1251	1251

London afternoon fix in €/toz:

Open	High	Low	Close
1st May	14th May	30th May	30th May
921.8	952.0	918.3	918.3

Although stable for the first half of the month, gold fell in the second half and ended the month oversold.

3. Silver

3.1 News and Fundamental Considerations

London, 13th May 2014, (Market Wired) – The London Silver Market Fixing Limited (the 'Company') announces that it will cease to administer the London Silver Fixing with effect from close of business on 14 August 2014. Until then, Deutsche Bank AG, HSBC Bank USA N.A. and The Bank of Nova Scotia will remain members of the Company and the Company will administer the London Silver Fixing and continue to liaise with the FCA and other stakeholders.

The period to 14 August 2014 will provide an opportunity for market-led adjustment with consultation between clients and market participants.

The London Bullion Market Association has expressed its willingness to assist with discussions among market participants with a view to exploring whether the market wishes to develop an alternative to the London Silver Fixing.

Q&A

1. What will happen after 14 August 2014? Will the Silver Fixing cease to exist?
With effect from the close of business on 14 August 2014, the Company will cease to administer a Silver Fixing, and a daily Silver Fixing Price will no longer be published by the Company.

2. What will happen in the period up to that date?
The Company intends to continue to administer the daily Silver Fixing and publish Silver Fixing Prices throughout that period.

3. Why a three month notice period?
Although members of the Company may resign on seven clear days' notice, the members have confirmed that they stand ready to continue the Company's operations until (and including) 14 August 2014.

4. What happens after 14 August 2014 for market participants with contracts referencing the Silver Fix?
The Company is not in a position to comment on such matters, but market participants can speak to their contractual counterparties.

5. What does this mean for the gold, and platinum and palladium fixing companies?
This decision relates only to the London Silver Fixing administered by the Company. The Company is not in a position to comment on other fixings.

London, 16th May 2014, (Reuters) – London's precious-metal price benchmarks, including silver, the century-old gold "fix" and platinum group metals are on the verge of major transformation, industry sources say, as regulatory scrutiny and lawsuits hasten action.
Customers of the daily London silver fix, used as a global benchmark, were shocked this week when its operator said it would stop administering the 117-year-old process on Aug. 14.

The move came after Deutsche Bank, a member of the gold and silver fix for two decades, failed to attract a replacement after putting its seat up for sale.

While the development looked abrupt to customers, watchers of the backdrop around benchmarks after the LIBOR rate-rigging scandal see change as inevitable.

"The future of benchmarks and how they are being put together is now in the balance," said Clive Furness, managing director of Contango Markets Ltd. "I think it's essential that we have a set of proper, definitive guidelines for index creation and maintenance that are accepted around the marketplace. Hearsay reporting on markets is not good enough anymore."

In years gone by, seats at the gold and silver fixing tables were a mark of distinction for a bullion bank, a sign that its business was deep and respected enough to take a hand in setting the leading global benchmarks.

Those days are gone.

"The banks don't want any aggravation from current regulatory scrutiny and they will drift away from it," a senior gold trader said.

Before Deutsche's exit, other precious metals institutions had pulled out of the benchmarking process, but had always found a buyer.

Increasingly, industry experts now believe regulatory scrutiny of the remaining four gold fixing banks – HSBC, Société Générale, Barclays and Bank of Nova Scotia – will also see them capitulate.

Barclays, Société Générale, Bank of Nova Scotia and HSBC declined to comment on the future of the gold fix.

Seeking a Silver Bullet

A raft of regulators, including Bafin in Germany, Britain's Financial Conduct Authority and the U.S. Commodity Futures Trading Commission have indicated that they're looking at the gold fix.

The way the fix and other commodity benchmarks are set was brought into the spotlight by the collapse of LIBOR (London Interbank Offered Rate), a central cog in the global financial system and the subject of a lengthy investigation.

With a wind-down of silver's price benchmark under way, the London Bullion Market Association (LBMA) is approaching miners, users of the benchmarks, regulators and potential administrators to find a possible alternative before August.

In an online survey, the bullion association asks market participants whom they would consider as ideal contributors to a revised pricing mechanism.

"We will also be liaising closely with any companies who would be interested in contributing to the London Silver price as well as those interested in its administration," it said in a statement.

The LBMA is also considering outsourcing the administration of its gold forward offered rates to a third party as it prepares for the implementation of new benchmarking regulations from the International Organization of Securities Commissions.

Banks arrive at the gold fix through matching buy and sell orders during a twice-daily telephone call, which miners, jewelers and central and commercial banks use to trade gold.

The same process is applied twice daily to platinum and palladium, with a daily call on silver.

As the market searches for a replacement for the silver fix, technology providers and exchanges have also been investigating ways to offer a more transparent way of disseminating information on the price-setting process, or a possible substitute for it.

"We are working on an alternative proposal (to the silver fix) already," one technology provider said. "It would still be an auction but rather than having a fixing company, we could just operate it as a market-maker solution run through a daily auction on an electronic platform."

Large exchanges including the CME and London Metal Exchange have also been mentioned as possible providers of an alternative to the fixes.

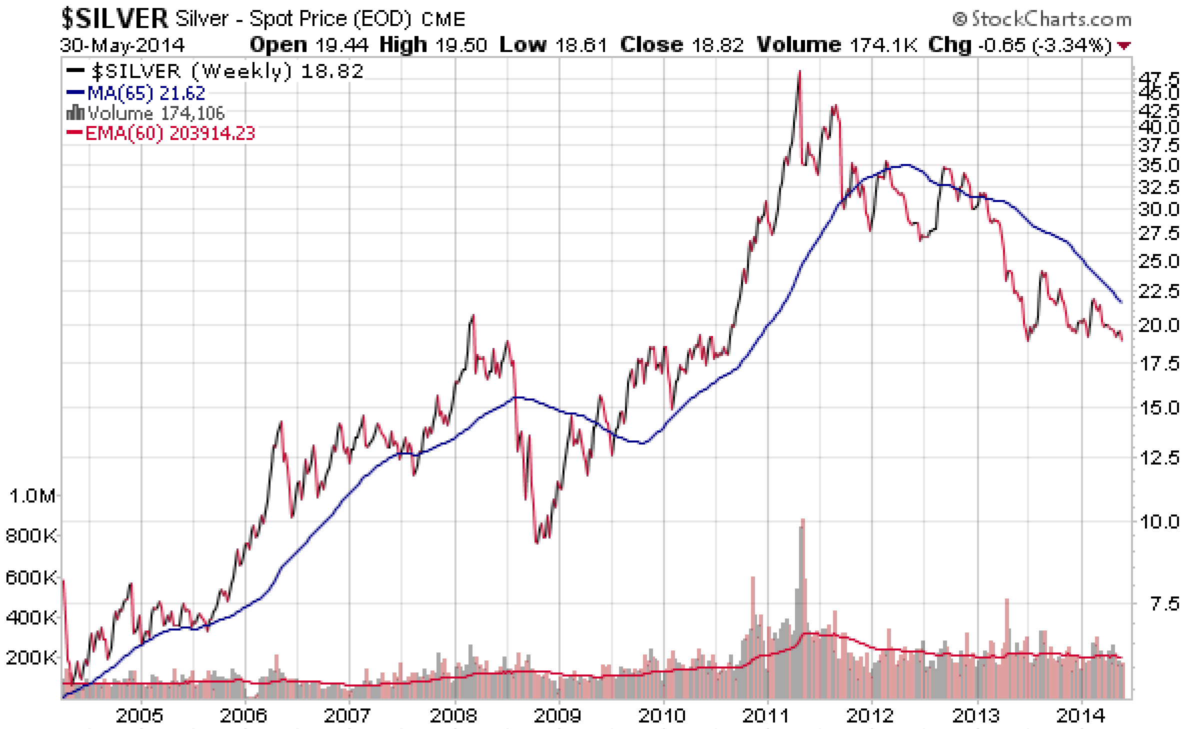
Market watchers say a number of U.S. antitrust lawsuits against the banks involved in setting the gold fix are also pressing the case for change.

"I think the big issue now is the reputational risk that has been done to the fixes as an equilibrium price," Sharps Pixley CEO Ross Norman said.

3.2 Technical Comments

Long Term Technical Comments

Silver proceeded lower in price in May:



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

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Silver again closed close to its monthly low.

John Fineron, 3rd June 2014

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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.

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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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