

JM&B Monthly Gold & Silver Report

November 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

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1. Commentary

Gold and silver essentially moved sideways in price in November.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 12th November 2014, (Bloomberg) – Switzerland’s regulator found “serious misconduct” by UBS AG employees in precious metals trading, particularly with silver, as part of its review of the bank’s foreign-exchange business.

Electronic chats played a “key” role in the improper conduct in foreign exchange and precious metals trading, the Swiss Financial Market Supervisory Authority, or Finma, said in a statement today. It found front running, when traders profit from advance knowledge about a transaction expected to influence prices, over client orders for silver.

The Swiss regulator and those in the U.S. and U.K. ordered UBS and five other banks to pay about \$4.3 billion to settle a probe into the rigging of foreign-exchange rates. Precious metals fixings, price-setting rituals dating back a century for gold and silver, were overhauled this year as scrutiny increased on how market benchmarks are set. Barclays Plc was fined in May after a trader sought to influence the gold fix in 2012.

"The behavior patterns in precious metals were somewhat similar to the behavior patterns in foreign exchange," Mark Branson, Finma's chief executive officer, said today on a conference call. "We have also seen clear attempts to manipulate fixes in the precious metals markets."

UBS's precious metals spot-trading desk has been part of the foreign-exchange desk since 2008 and was subject to the same control and monitoring procedures, according to Finma. Traders engaged in activities including sharing of information on orders, flows and customers as well as front-running and triggering of stop-loss orders, it said.

Bonus Caps

Finma told Zurich-based UBS to give up profits of 134 million Swiss francs (\$139 million) for the misconduct and said bonuses for foreign exchange and precious metals employees globally will be capped at 200 percent of their basic salary for two years. Trading desk supervisors at UBS eventually prohibited front running in the light of the "obviousness and frequency" of misconduct, Finma said.

The investigation was from 2008 to last year, the Swiss regulator said. UBS said in a statement today that it will cooperate with related ongoing investigations. Spokeswoman Hana Dunn declined to comment further.

The bank was today ordered to pay \$800 million to settle a foreign-exchange rate rigging probe. Citigroup Inc. and JPMorgan Chase & Co. will pay about \$1 billion each. Bank of America Corp. was fined \$250 million, Royal Bank of Scotland Group Plc \$634 million and HSBC Holdings Plc \$618 million, according to statements from the U.S. Commodity Futures Trading Commission, the Office of Comptroller of the Currency, Britain's Financial Conduct Authority and Finma.

Precious Metals

About \$5 trillion of silver and \$18 trillion of gold circulated globally last year, CPM Group, a New York-based research company, estimates. Silver for immediate delivery fell 19 percent this year to \$15.6849 an ounce in London, according to Bloomberg generic pricing. Gold was at \$1,165.10 an ounce, down 3 percent this year.

UBS said in its annual report in March that an internal review of foreign-exchange trading included its precious-metals business. It's accredited to take part in the new silver mechanism that began in August, though wasn't one of the three banks last involved in the fixing for that metal. It isn't one of the four gold fixing members, nor is it a platinum or palladium fixing member.

Mining companies to central banks to consumers use the daily price-setting procedures to trade and value metal.

This year, the U.K.'s FCA visited member banks involved in the gold fixing and fined Barclays 26 million pounds (\$41 million) in May after a trader sought to influence the gold fix.

Fixing Rituals

Silver became the first precious metal to ditch the daily fixing procedure in August after Deutsche Bank AG said it would stop taking part as it scales back its commodities business. Intercontinental Exchange Inc.'s ICE Benchmark Administration will run an electronic replacement for the 95-year-old London gold fix from early next year. Four banks currently agree gold prices, based on client orders, twice a day on a telephone call.

CME Group Inc. and Thomson Reuters Corp. began running the new electronic, auction-based silver system on Aug. 15, replacing a 117-year-old ritual. It takes place daily at noon London time. The London Metal Exchange will administer the platinum and palladium replacement on Dec. 1.

London, 13th November 2014, (World Gold Council) – Gold Demand Trends Q3 2014

Jewellery: The third quarter saw 534.2t of gold jewellery consumed around the globe. The 4% year-on-year decline may suggest a weak market, but such comparisons are still heavily influenced by the events of last year. Longer term analysis shows a market in good health. Year-to-date volumes continue to extend the broad uptrend from the low seen in 2009.

Investment: Quarterly volatility in the US\$ gold price was among the lowest levels seen over the past two decades, both a cause and effect of the benign demand environment. The lack of a clear price signal, as well as continuing to digest last year's demand surge, caused investors to hold back from buying gold.

Technology: Demand for gold in all segments saw an identical 5% drop in the third quarter, with overall technology demand totalling 98t. Substitution to cheaper materials by fabricators and consumers continued to outweigh the positive influence of improved economic sentiment.

Central Banks: Ongoing economic and geopolitical instability encouraged central banks to continue to seek the protection and diversification of gold. Net purchases of 92.8 tonnes in Q3 brought year-to-date net purchases to 335 tonnes, slightly higher than the same period of 2013 (324t).

Supply: The broad themes surrounding gold supply during the first half of the year continued to play out in Q3. Recycling was well below last year's levels, while mine production edged higher to exceed 800t for only the third time ever. Producers continue to show little appetite for hedging.

Gold demand totalled 929t in the third quarter, which proved to be a generally subdued quarter for the gold market. Jewellery demand softened by 4% year-on-year, but the comparison continues to be heavily influenced by the events in 2013. Longer term analysis shows a jewellery market in good health. Investment demand posted a 6% increase, reaching 204t, although a stable price caused investors to hold back. Central Banks added a further 92.8t to their coffers. Supply was down 7% in Q3; the volume of recycled gold continuing to shrink.

London, 13th November 2014, (Telegraph) – Russia has taken advantage of lower gold prices to pack the vaults of its central bank with bullion as it prepares for the possibility of a long, drawn-out economic war with the West.

The latest research from the World Gold Council reveals that the Kremlin snapped up 55 tonnes of the precious metal - far more than any other nation - in the three months to the end of September as prices began to weaken.

Vladimir Putin's government is understood to be hoarding vast quantities of gold, having tripled stocks to around 1,150 tonnes in the last decade. These reserves could provide the Kremlin with vital firepower to try and offset the sharp declines in the rouble.

Russia's currency has come under intense pressure since US and European sanctions and falling oil prices started to hurt the economy. Revenues from the sale of oil and gas account for about 45pc of the Russian government's budget receipts.

The biggest buyers of gold after Russia are other countries from the Commonwealth of Independent States, led by Kazakhstan and Azerbaijan.

In total, central banks around the world bought 93 tonnes of the precious metal in the third quarter, marking it the 15th consecutive quarter of net purchases. In its report, the World Gold Council said this was down to a combination of geopolitical tensions and attempts by countries to diversify their reserves away from the US dollar.

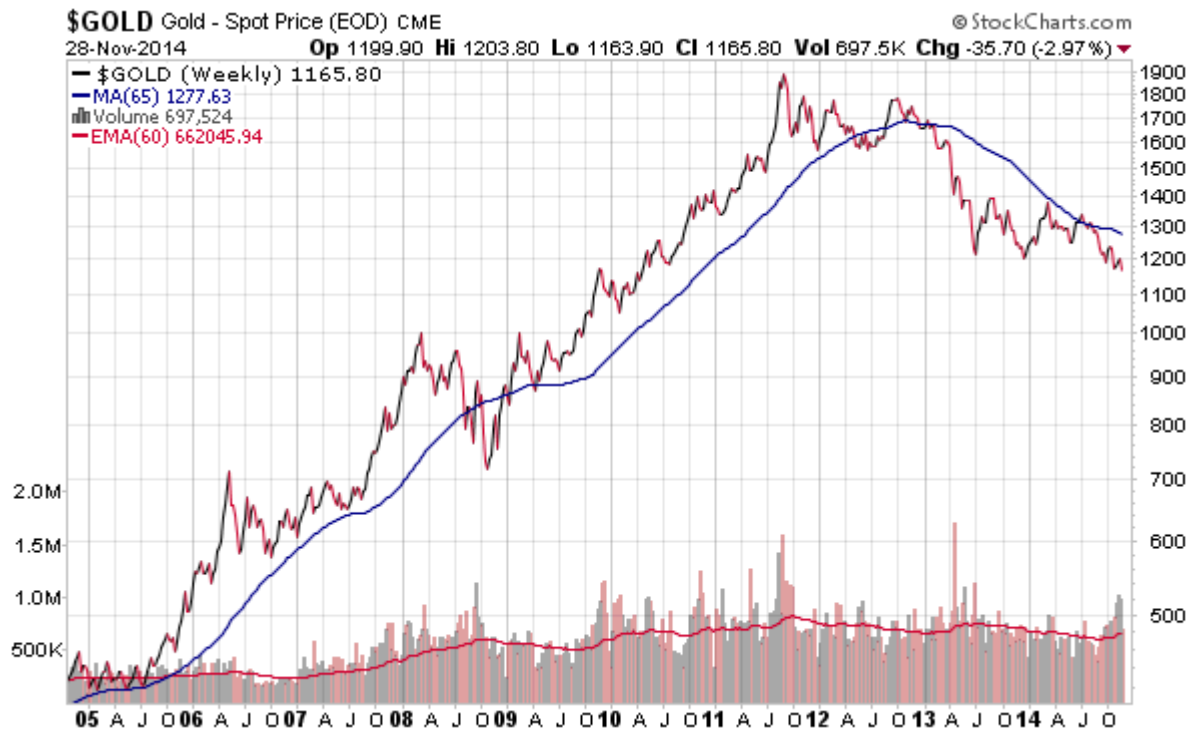
By the end of the year, central banks will have acquired up to 500 tonnes of gold during the latest buying spell, according to Alistair Hewitt, head of market intelligence at the World Gold Council.

"Central banks have been consistently adding to their gold holdings since 2009," Mr Hewitt told the Telegraph. In the case of Russia, Mr Hewitt said that the recent increases in its gold holdings could be a sign of greater geopolitical risk that has arisen since it seized Crimea sparking a dispute with Ukraine and the West.

2.2 Technical Comments

Long Term Technical Comments

A sideways move overall for gold in November:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
3 rd November	21 st November	5 th November	28 th November
1168	1204	1142	1183

London afternoon fix in €/toz:

Open	High	Low	Close
3 rd November	21 st November	5 th November	28 th November
935.4	968.6	915.0	948.4



Another sell-off at the end of the month!

3. Silver

3.1 News and Fundamental Considerations

New York, 10th November 2014, (Reuters) – The U.S. Mint said on Monday it expects to restart sales of American Eagle silver bullion coins on an allocation basis from Nov. 17.

The Mint suspended sales on Nov. 5 after running out of coins after a market rout pushed prices to 4-1/2-year lows, unleashing a flurry of retail buying.

In a statement to its biggest U.S. coin wholesalers, the Mint said it expects to have over 1 million 2014-dated silver coins available when they go back on sale.

It also said it expects to launch 2015 coins in early January as usual.

3.2 Technical Comments

Long Term Technical Comments

Silver also moved sideways in November:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
3 rd November	25 th November	6 th November	28 th November
16.15	16.66	15.28	15.97

London fix in €/toz:

Open	High	Low	Close
3 rd November	25 th November	5 th November	28 th November
12.88	13.39	12.28	12.80



A one-day Friday sell-off wiped out the months gains for silver.

John Fineron, 1st December 2014

Appendix: More about this report

Purpose of the Report

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http://www.platinum.matthey.com/publications/price_reports.html

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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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