

JM&B Monthly Gold & Silver Report

October 2013

<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 October.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Singapore, 8th October 2013, (Reuters) – China's net gold purchases from Hong Kong fell 5 percent in August from the previous month, but were still above 100 tonnes for a fourth straight month, as strong demand for jewellery and bars persisted in the world's second-biggest bullion consumer.

Net gold flows into China - excluding imports by Hong Kong from China - hit 110.505 tonnes in August, compared with 116.385 tonnes in July, data from the Hong Kong Census and Statistics Department showed.

Total imports from Hong Kong rose to 131.374 tonnes from 129.232 tonnes a month ago.

"These are very strong numbers again. Gold demand from China remains brisk, offsetting weak demand in the West and confirming the shift in gold demand from West to East," said Carsten Fritsch, an analyst at Commerzbank.

Fritsch said China's consumption could stay above the 100 tonne mark in the coming months. Chinese demand has been very strong this year, offsetting to an extent record outflows from gold-backed exchange-traded products. Many in the market expect China to overtake India as the biggest gold consumer.

China's net gold imports from Hong Kong have totalled 744.818 tonnes for the first eight months of the year, while India's purchases as of August stand at a little less than 600 tonnes.

China's net gold imports from Hong Kong hit a record high of 136.185 tonnes in March before slipping in April due to a supply crunch.

China does not publish gold trade data. The numbers from Hong Kong - a main conduit for gold into China - give the best picture of the country's trade of the precious metal.

Gold has lost nearly a fifth of its value this year on fears of an end to the U.S. Federal Reserve's stimulus measures.

Prices, however, had gained nearly 6 percent in August as geopolitical tensions in Syria mounted, burnishing the metal's safe-haven appeal. The rise in prices could have prompted the small dip in Chinese imports month-on-month.

Chinese banks that import gold also face a quota restriction imposed by the central bank.

In a draft policy document issued last month, China's central bank said it was planning to increase the number of firms allowed to import and export gold - a move that could further increase gold imports.

London 10th October 2013 (Bloomberg) - European central banks sold 5.1 metric tons of gold in the fourth year of an accord that originated in 1999, the lowest on record, according to data from the World Gold Council.

Germany sold 5 tons and an unidentified bank disposed 0.1 ton in the year through Sept. 26, the council, a London-based producer-funded group, said in a report on its website. That's the lowest annual total since European central banks agreed to limit sales in September 1999. Germany's Bundesbank sells a small amount each year to mint coins.

Central banks, which own 18 percent of all the gold ever mined, will add as much as 350 tons valued at about \$15 billion this year, the council estimates. They purchased 535 tons in 2012, the most since 1964. Gold fell to a 20-year low in August 1999 as Switzerland, Netherlands, Austria and U.K. prepared to sell gold. Gold rose from 2001 through 2012.

"Back in the early 2000's, this agreement was seen as a real key support for the market," said Matthew Turner, an analyst at Macquarie Group Ltd. in London. "Now it seems a bit superfluous."

Gold, which entered a bear market in April, slid 22 percent this year to \$1,302.80 an ounce by 12:28 p.m. in London. The metal set a record \$1,921.15 an ounce in September 2011.

Bullion sales under the current agreement total 200.50 tons since the third five-year agreement started in September 2009, according to the council. Central banks have sold 4,084.50 tons since the first agreement, and failed to reach the allowed limit each year since 2003, its data show.

“Central banks have lost their appetite for selling gold,” said James Murray, a spokesman for the council. “Gold remains a hugely important part of their portfolios and this has been the case for the past few years.”

2.2 Technical Comments

Long Term Technical Comments

Gold moved sideways in October:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1. October	30. October	11. October	31. October
1291	1355	1266	1324

London fix in €/toz:

Open	High	Low	Close
1. October	28. October	11. October	31. October
953	987	934	972



Gold moved sideways in price in October, finding support around 1265 and resistance around 1350 USD/toz.

3. Silver

3.1 News and Fundamental Considerations

New York, 21st October 2013, (Market Watch) – Silver prices may rise to record highs within the next 10 years, according to CPM Group's Silver Long-Term Outlook report released Thursday.

This year through September, silver prices have averaged 20% less than in the same period in 2012, CPM Group said, forecasting the declining trend to persist in the medium term.

Longer term, however, prices could begin to rise again within the next 10 years, it said, "continuing a secular bull trend that began at the turn of the century." Silver rose at a compounded annual average rate of 23.2% between 2002 and 2011.

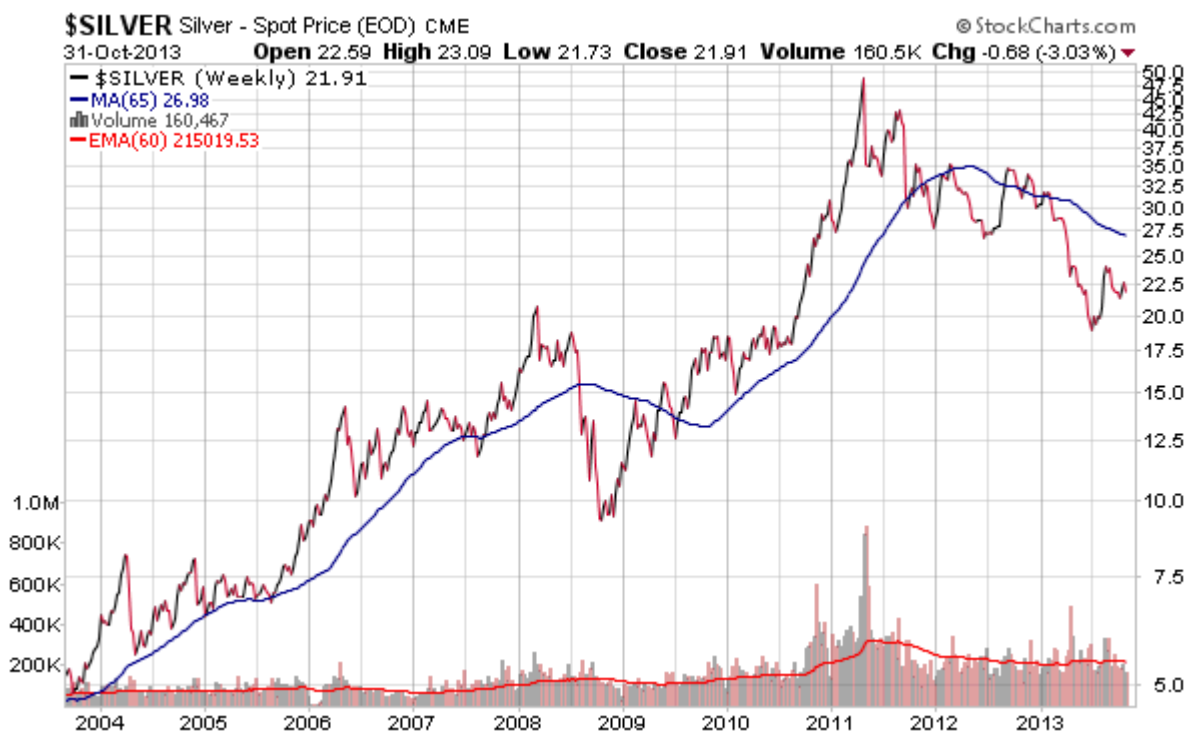
In the latter half of the next 10 years, investors are expected to approach the silver market "more positively as economic conditions improve relative to the first half of the projected period," CPM Group said. "Investors are expected to step up their purchases, backed by expectations for strong capital appreciation amid rising industrial demand for the metal."

And "in this scenario, silver prices could rise rapidly, possibly touching fresh record highs within the next ten years," it said.

3.2 Technical Comments

Long Term Technical Comments

Silver moved sideways in October:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1. October	31. October	15. October	31. October
21.70	22.74	20.49	22.20

London fix in €/toz:

Open	High	Low	Close
1. October	30. October	15. October	31. October
16.03	16.53	15.19	16.28



As with gold, silver essentially moved sideways in October, if anything with a slight upward bias.

John Fineron, 1st November 2013

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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