

JM&B Monthly Gold & Silver Report

October 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

Both gold and silver had a positive month in October.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Frankfurt, 9th October 2015, (Reuters) – Germany's Bundesbank has published an exhaustive list of all the gold bars in its near 3,400-tonne reserve of the metal to bolster the bank's standing as a guardian of stability among an increasingly wary public.

The central bank released the 2,300-page list, which also underscores its intention to repatriate some of the bars and store them in Frankfurt, following requests for more information amid speculation that some of the gold might no longer be there.

Just over one third of the reserve, which Germany started building in the post-war boom years, is now held underground at the Bundesbank in Frankfurt, while the rest is stored at the Federal Reserve in the United States, in France and in England.

"Half of Germany's gold reserves will be stored in Germany by 2020 at the latest," Carl-Ludwig Thiele, a member of the Bundesbank's board said.

Publication of the list, which will be updated annually to show which gold bars are where, follows criticism that the Bundesbank was not being transparent about the 107-billion-euro (\$120 billion) reserve.

That in turn partly reflects scepticism among ordinary Germans about the euro after an economic crisis almost fractured the currency that is used by 19 European countries.

"There were a lot of conspiracy theories about the gold not being there," said Guntram Wolff, a German who heads Brussels think tank Bruegel, pointing to 'disenchantment' among ordinary Germans who have seen the value of their savings dwindle.

"Trust in the Bundesbank has suffered," said Peter Boehringer, author of a book entitled 'Bring our gold home'. "The Bundesbank must prove that the gold is there."

The impact of the global financial crisis has been mild in Germany compared with other European countries. Nonetheless, some Germans are worried.

"The gold reserves show stability. The German people are happy to know that the Bundesbank is watching over this wealth, which belongs to them," said a former Bundesbank official.

"It could be helpful, for instance, in covering some of the costs were Germany to leave the single currency."

Shanghai, 19th October 2015, (Reuters) – China increased its gold holdings by nearly 1 percent in September even as total foreign exchange reserves dipped, central bank data showed on Friday.

Gold reserves rose by 480,000 fine troy ounces, or 14.9 tonnes, to 54.93 million ounces, or 1,708.5 tonnes at the end of September, the People's Bank of China (PBOC) said.

The central bank added 16.2 tonnes in August and nearly 19 tonnes in July.

"Their buying has been pretty consistent," said Victor Thianpiriya, commodity strategist at ANZ.

"It's clear that they consider gold to be an important part of their holdings. So it won't surprise me if they continue to add to reserves."

An increase in the gold price in October is unlikely to have deterred the PBOC from buying more, he said.

The rise in China's gold holdings comes at a time when its total foreign exchange reserves are falling as the central bank steps up intervention to stabilise the yuan currency.

Its foreign exchange reserves, the world's largest, dropped \$43.3 billion to \$3.514 trillion in September, data showed earlier this month.

China is the world's sixth largest official sector gold holder after the United States, Germany, the International Monetary Fund, Italy and France.

Gold reserves still make up only 1.7 percent of China's total reserves, according to Reuters calculations, a factor the market believes will drive the PBOC to continue buying.

The United States, the top holder of gold with over 8,000 tonnes of bullion, has 73 percent of its total foreign reserves in gold, according to the World Gold Council (WGC).

China should increase its gold holdings to around 5 percent of its total reserves to help diversify currency risks, a WGC official said earlier this year.

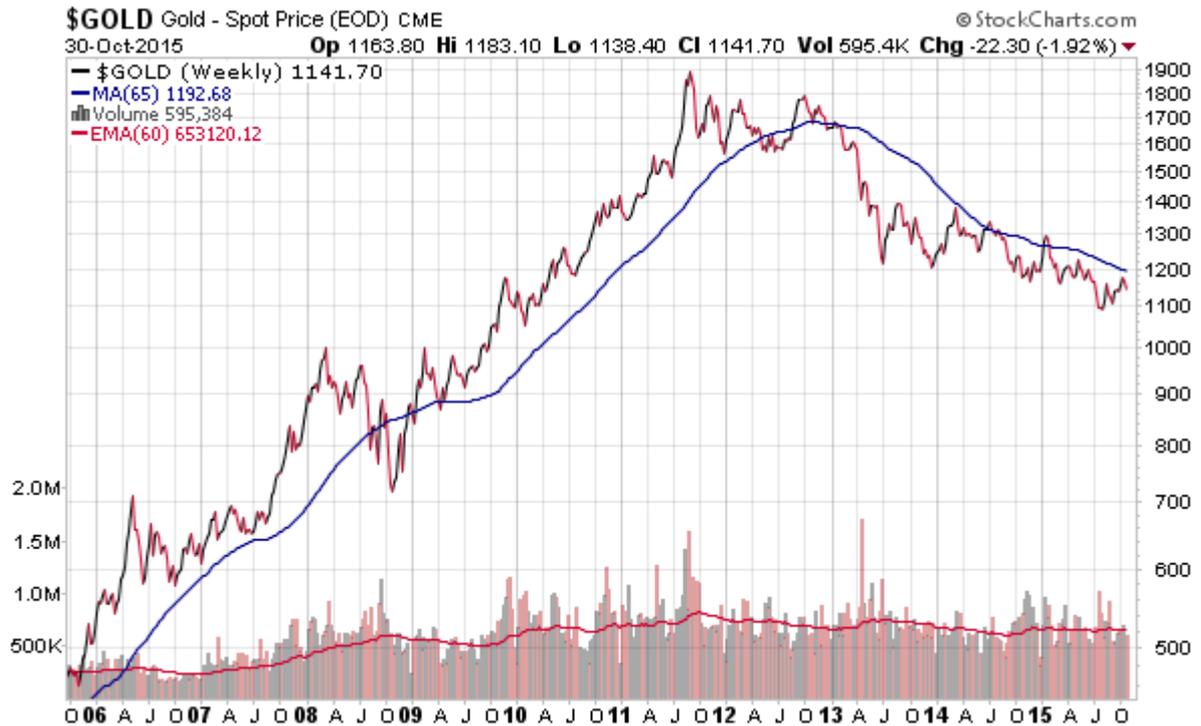
China previously considered its gold holdings a state secret and did not report its holdings on a monthly basis to the International Monetary Fund like most other countries.

It began updating its reserve figures on a monthly basis in June, in a bid to increase transparency as Beijing campaigns to include the yuan in the IMF's special drawing rights basket. Before the June update, China had last revealed its gold holdings in April 2009.

2.2 Technical Comments

Long Term Technical Comments

Gold had a more positive month in October:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.10	15.10	01.10	30.10
1119	1184	1119	1142

London afternoon fix in €/toz:

Open	High	Low	Close
01.10	28.10	01.10	30.10
999.2	1065	999.2	1033



Golds 50 DMA turned up in October.

3. Silver

3.1 News and Fundamental Considerations

NY / London / Singapore, 1st October 2015, (Reuters) – The global silver-coin market is in the grips of an unprecedented supply squeeze, forcing some mints to ration sales and step up overtime while sending U.S. buyers racing abroad to fulfill a sudden surge in demand.

The U.S. Mint began setting weekly sales quotas for its flagship American Eagle silver coins in July because it can't meet demand, and the Canadian mint followed suit after record monthly sales in July. In Australia, the Perth Mint sold a record of more than 2.5 million ounces of silver this month, nearly four times more than in August, and has begun rationing supply of a new line of coins this month, a mint official said.

"Silver [coin] demand is absolutely through the roof," said Neil Vance, wholesale manager at the Perth Mint. "There seems to be a bit of frenzy as people think there is a shortage of silver. But in fact it is a (crunch in) manufacturing capacity."

While demand has risen in response to the slump in spot prices to \$14.33 an ounce in late July and its subsequent drop to fresh six-year lows below \$14 an ounce in August, mint officials also said they were caught out by the sudden interest in coins. In July, the U.S. mint halted sales for almost three weeks after running out of "blanks", which are used to make coins.

Some investors like to own physical metal to protect from volatility in other assets, particularly currencies and stocks, and to hedge against geopolitical and economic upheaval. The CBOE Volatility index, or VIX, of U.S. stocks - popularly known as the "fear index" - briefly jumped to its highest since January 2009 earlier this year.

At the U.S. Mint in West Point, New York, where the American Eagle is made, the plant is operating three shifts and paying staff overtime, a spokesman said.

The Austrian Mint, which has begun allocating sales of its Philharmonic silver coins, has increased production of silver blanks after higher-than-expected demand in July and August, a spokeswoman said.

In his 35 years of dealing precious metals, Roy Friedman, vice president of sales and trading at Manfra, Tordella & Brookes, one of the biggest U.S. wholesale coin dealers, said he could not recall seeing a squeeze in supplies of North American silver coins spilling over to coins made in Austria and the U.K. to the degree seen this year.

MOM AND POP

Dealers and mints trace the supply squeeze to a burst of buying by mom-and-pop investors in the United States, who scrambled to scoop up coins they considered to be at bargain levels after spot silver prices in early July sank to six-year lows.

The spread between silver and gold, a closely watched gauge for the precious metals markets, has risen to its highest in the third quarter since a brief silver frenzy following the financial crisis. Silver coins typically outsell gold anyway because they cost less, but the wide spread meant the

silver price is 76 times cheaper than gold, making it even more appealing than usual to investors.

The U.S. Mint sold 14.26 million ounces of American Eagle silver coins in the third quarter, the highest on records going back to 1986. The Canadian mint has been limiting sales of its silver Maple Leaf coins since July after record monthly sales that month, an official told Reuters. Sales were at all-time highs in August and September.

With North American mints overwhelmed by orders, investors and collectors were forced to look overseas for increasingly scarce supplies, triggering a domino effect in Europe and Asia.

"We can only get a fraction of what we could sell," said Terry Hanlon, president of Dillon Gage, one of the world's biggest precious metals dealers, based in Addison, Texas.

Hanlon said he has seen premiums for coins, which are paid on top of the spot price for physical delivery, surge to about \$4 to \$5 per coin in wholesale deals, compared with \$2.30 in June.

While such buying binges are not uncommon in the coin world, and the U.S. has allocated sales of silver coins several times since prices of silver plummeted in 2013, this episode has lasted far longer, and its effect more pronounced, than in the past, dealers say.

The silver spree is also notably more intense than in gold coins. U.S. Mint sales of gold coins had their best quarterly performance since the second quarter of 2010, but mints aren't yet straining to keep up.

PLUNGING SILVER

Still, the rush of coin buying has failed to offset a years-long silver rout by institutional and retail investors betting on further gains in the dollar, U.S. equities and an improving U.S. economy.

Prices have fallen 7 percent this year, are on track for their third yearly loss and down by 70 percent from all-time highs of \$50 hit in April 2011.

Holdings in the silver-backed exchange traded funds,, which were popular with investors during the financial crisis that followed the collapse of Lehman Brothers, sank to below 518 million ounces this week, their lowest in almost three years.

For now, however, coin dealers are riding the wave. Bullion dealers around the globe who typically offer next-day delivery are now taking silver coin orders several weeks out.

"I don't expect things to get better until next year," said Gregor Gregersen, founder and director of retailer Silver Bullion based in Singapore.

3.2 Technical Comments

Long Term Technical Comments

Silver had a stronger month in October:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.10	15.10	02.10	30.10
14.55	16.18	14.43	15.63

London fix in €/toz:

Open	High	Low	Close
01.10	23.10	02.10	30.10
13.05	14.40	12.93	14.19



As with gold, silver's 50 DMA turned up in October.

John Fineron, 2nd November 2015.

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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