

JM&B Monthly Gold & Silver Report

February 2016

<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 appears to have based and started an up-trend. The picture for silver is less clear.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 11th February 2016, (World Gold Council) – Buying by central banks as well as Chinese investors seeking protection from a weakening currency helped lift demand for gold in the final quarter of last year and the trend looks set to continue, the World Gold Council said on Thursday.

China remained the world's biggest consumer of gold last year, ahead of India, with economic headwinds influencing purchasing, the WGC said in its annual "Gold Demand Trends" report. The WGC's members include the world's leading gold mining companies.

Chinese demand for gold coins surged 25 percent in the fourth quarter from a year earlier as consumers sought to protect their wealth after Beijing devalued the yuan currency. But stock market turmoil and a slowing economy knocked consumer sentiment and Chinese demand for gold for jewellery fell 3 percent from a year earlier, WGC said.

Jewellery is the biggest source of demand for gold globally and a slight dip in such demand meant overall demand for gold was virtually flat in 2015 at 4,212 tonnes.

Central banks have been buying gold to diversify their reserves away from the U.S. dollar and their purchases edged up to 588.4 tonnes last year, second only to a record high 625.5 tonnes in 2013, the report showed.

Central bank buying accelerated sharply in the second half of last year and jumped 25 percent in the fourth quarter, from a year earlier, as the need to diversify was reinforced by falling oil prices and reduced confidence in the global economy, WGC said.

Alistair Hewitt, WGC's head of market intelligence, was optimistic about the outlook for gold demand given a rally in gold prices since the start of 2016 as investors sought a safe haven from stock market turmoil and warnings of a possible global recession.

Investment demand for gold is improving and flows into exchange-traded funds turned positive this year.

"Looking ahead, physical demand will continue to be supported by strong central bank purchases, and continued buying of jewellery, bars and coins by households across the world, led by India and China," said Hewitt. "If we just look at the year to date, the investment case for gold is as strong as ever. While stock markets have wobbled, gold has performed well."

Chinese demand for gold totaled 985 tonnes last year, followed by India on 849 tonnes. They accounted for nearly 45 percent of total global demand, with consumer demand up 2 percent and 1 percent respectively in those countries.

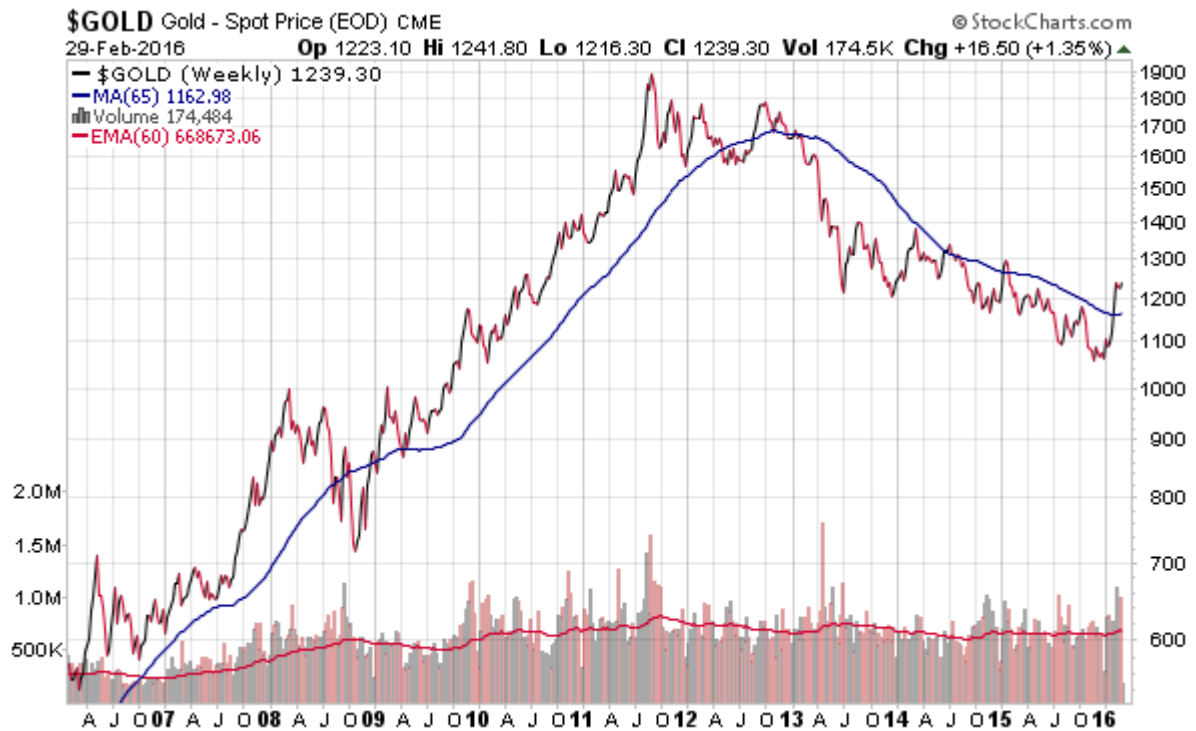
Indian jewellery demand reached its third highest level on record in 2015 at 654.3 tonnes.

Global supply of gold fell 4 percent last year to 4,258 tonnes, partly because of slower mine production. Mining companies have scaled back since 2013 in a bid to slash costs and mine production shrank in the fourth quarter of 2015, the first quarterly contraction since 2008, WGC said.

2.2 Technical Comments

Long Term Technical Comments

Gold appeared to have broke its multi-month downtrend in February:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.02	24.02	01.02	29.02
1127	1251	1127	1235

London afternoon fix in €/toz:

Open	High	Low	Close
01.02	24.02	03.02	29.02
1033	1135	1027	1134



Technically at month-end gold appeared to be consolidating before a further advance.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver failed to break its downtrend in February:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.02	11.02	02.02	29.02
14.33	15.65	14.26	14.75

London fix in €/toz:

Open	High	Low	Close
01.02	24.02	02.02	29.02
13.18	13.96	13.06	13.55



By the end of February, silver had lost around half its gains for the month.

John Fineron, 1st March 2016.

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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<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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