

JM&B Monthly Gold & Silver Report

February 2017

<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>

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1. Commentary

Gold and silver continued their positive price trend in February.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 31st January 2017, (BI) – The rise of Donald Trump, Brexit and political shocks has driven demand for gold bullion from the "person in the street," the chief of the UK's Royal Mint said.

"We've definitely seen more activity in gold" following an increase in political uncertainty in the past year, Adam Lawrence, the chief executive of the Royal Mint, said in an interview with Business Insider in London.

"Gold is seen as a safe haven and what we've tried to do with gold bullion is make it accessible. We've made it easier for the person in the street to invest in real gold."

Gold broke above the \$1,200 in trading on Tuesday, spurred on by President Donald Trump's volatile first 10 days in power, which culminated in the firing of acting US Attorney General Sally Yates after she defied him on his controversial executive order on immigrants and refugees.

Spontaneous protests broke out in London on Monday evening to protest the order, while large demonstrations have also appeared all over the US.

"Samples of the coin have been out for a couple of years now, so that vending machine companies and others can get prepared," Andrews said. "We've also got to make sure there's nothing out there like it in other countries that can be used to substitute for it."

The coin has 12 sides in honour of the old thrupenny bit, the first coin that the Queen appeared on. "We've got to make 1.5 billion of them." Andrews said. "We've made 600 million already, so we're doing alright."

Lawrence was at Goldsmiths' Hall in London to attend the Trial of the Pyx, a near-800 year old ceremony to test Britain's coinage. Coins are weighed and tested by a jury for imperfections and impurities in the metals used to make them, to confirm their value.

A sample of all the coins made by the Royal Mint are tried in this way – from a commemorative coin made from a kilo of solid gold, down to the lowly 20p piece.

One of the new attractions for the Trial this year was the new £1 coin, which has 12 sides and will be released to the public later this year. It is considered to be the most secure coin ever developed.

London, 8th February 2017, (Scrap Register) - China had a strong finish to the year. Q4 gold demand rose 86% year-on-year, pushing annual demand to 284.6 ton, the highest level since 2013. This was slightly above the 5year average of 275t. Four factors underpinned China's strong finish.

Chinese gold bar and coin demand has steadily increased over the past 3 years. It is now above its 5year average, said World Gold Council in a report.

However, India's gold market suffered in 2016. A raft of regulatory developments, fragile rural sentiment following weak monsoons in 2014 and 2015, and the soaring gold price for most of the year, pushed bar and coin demand down to its lowest level since 2005.

Q4 began positively in India. Demand was good leading up to and during Diwali. Rural incomes had been boosted by a good monsoon – the best in three years – and the price drop in October from Rs30,940/10g at the start of the month to a low of Rs29,710/10g was the opportunity many investors had been hoping for.

Festive sales were up around 30% on the previous year, and most retailers expected this momentum to continue through November and December. But the shock demonetisation announcement on 8th November disrupted the market.

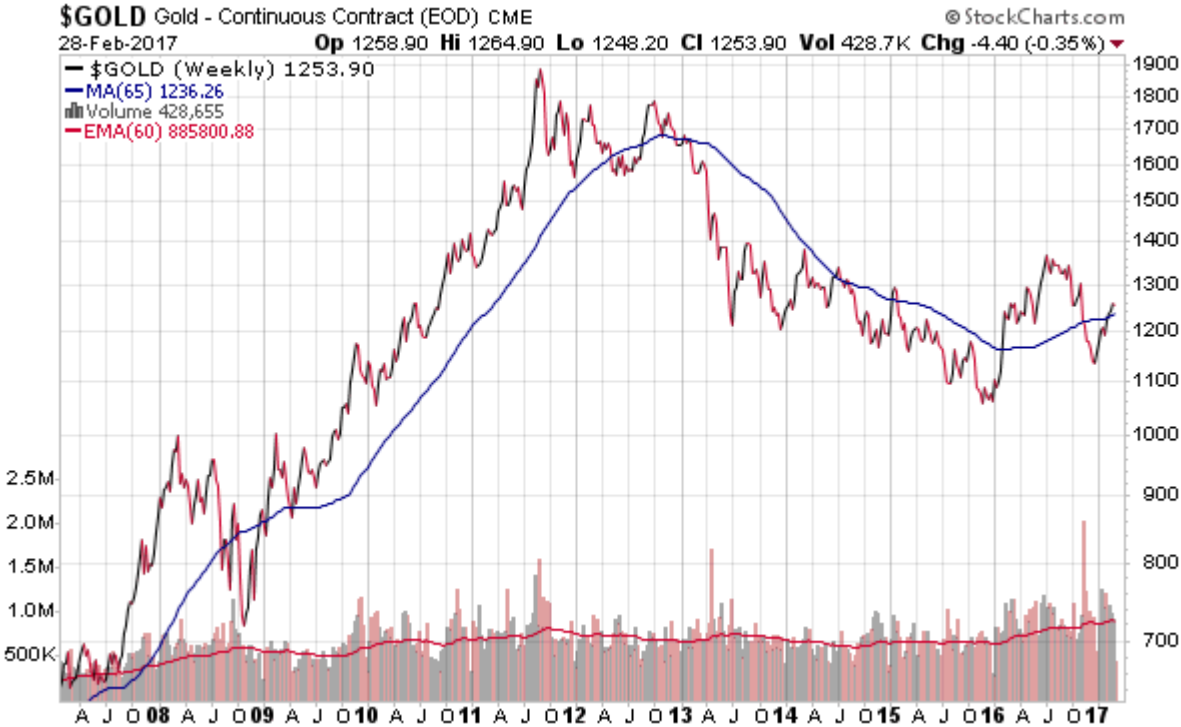
The frenetic rush to convert unaccounted money into gold boosted bar and coin demand in the immediate aftermath of the announcement. But it was short lived.

The subsequent cash crunch rocked the market, with sales dropping sharply. Many of the factors that hung over India's gold market in 2016 look set to linger into 2017. For deeper analysis of these factors, please see our recent publication India's gold market: evolution & innovation.

2.2 Technical Comments

Long Term Technical Comments

Another positive month for gold in February:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.02	27.02	03.02	28.02
1204	1257	1215	1256

London afternoon fix in €/toz:

Open	High	Low	Close
01.02	27.02	01.02	28.02
1120	1186	1120	1184



Gold made slow upward progress in February.

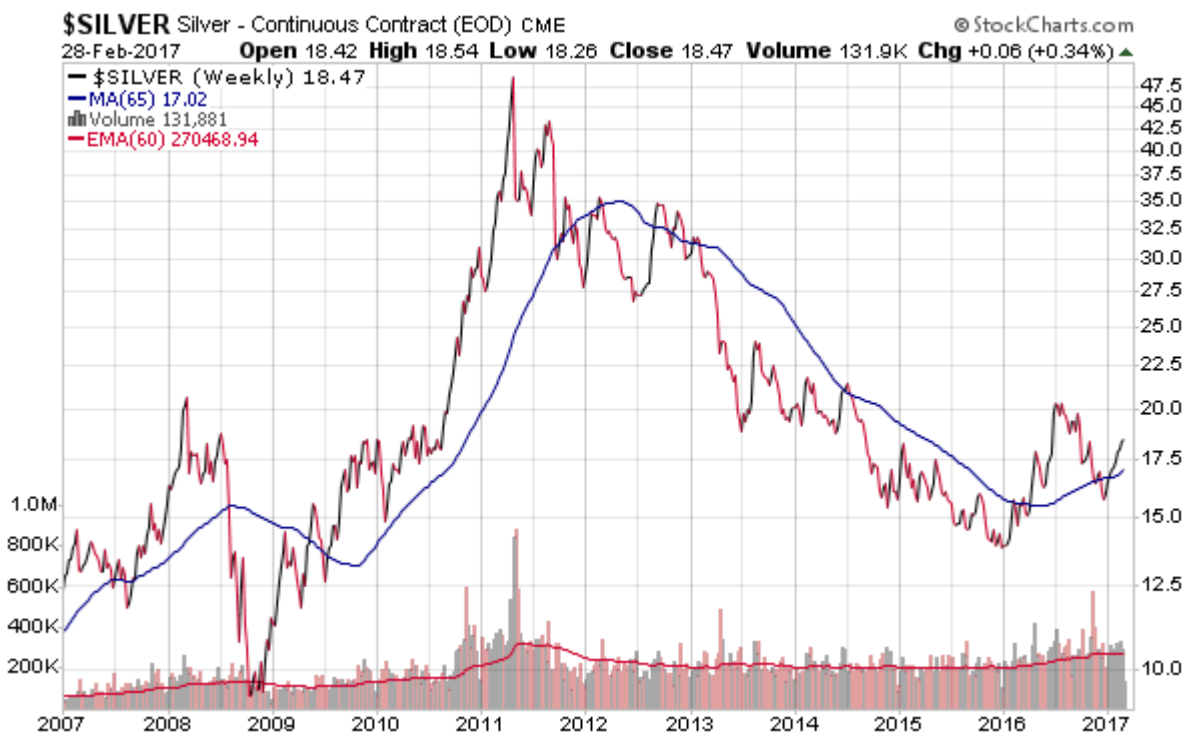
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver had a strong month in February:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.02	27.02	06.02	28.02
17.60	18.34	17.28	18.28

London fix in €/toz:

Open	High	Low	Close
01.02	27.02	03.02	28.02
16.29	17.33	16.10	17.24



What a beautiful chart this month.

John Fineron, 1st March 2017.

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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