JM&B Monthly Gold & Silver Report
January 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

Contents

1. Commentary

Gold and silver are basing at current price levels.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Singapore, 7th January 2015, (Reuters) – China added more gold to its reserves in December, bringing its total purchases in the second half of 2015 to more than 100 tonnes, with analysts predicting the country will continue purchasing at a similar pace this year.

More purchases by the world's sixth largest official sector gold holder could lend support to international prices of the precious metal, which are currently near nine-week highs amid a global stock market rout, worries over the Chinese economy and heightened geopolitical tensions.

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China's gold reserves stood at 56.66 million troy ounces at the end of December, versus 56.05 million ounces in November, the People's Bank of China (PBOC) said on Thursday.

In tonnage terms, China's reserves increased by 19 tonnes in December to 1,762.323 tonnes. PBOC's purchases in the second half of the year totaled about 104 tonnes.

"The PBOC is adding to its gold stock at a steady pace," said Shandong Gold Group chief analyst Shu Jiang, adding that the central bank's purchases will be driven by the need to diversify its foreign exchange reserves.

"PBOC knows there is great attention paid to its purchases. They would purchase gold steadily to minimize the impact on the gold market," he said.

Higher gold prices will not necessarily curb PBOC's buying, but a sharp drop could prompt it to purchase more, Shu said.

Gold prices tumbled 10 percent last year, a third straight annual loss, on fears that higher U.S. rates would dent demand for the non-interest-paying metal. Several analysts have predicted further price declines.

Market participants believe the PBOC will continue buying the metal in a bid to diversify its currency risks, as gold reserves, according to Reuters calculations, currently make up only 1.8 percent of the country's total foreign reserves.

The country's total foreign exchange reserves, the world's largest, fell $107.9 billion in December to $3.33 trillion, the biggest monthly drop on record.

China should increase its gold holdings to around 5 percent of its total reserves to help diversify currency risks, a World Gold Council official said last year.

The United States, the top holder of gold with over 8,000 tonnes, has 73 percent of its total foreign reserves in gold.

In June, China provided details on its gold holdings for the first time since April 2009 and has been giving monthly updates since then. It previously considered its gold holdings a state secret and did not report its holdings on a monthly basis to the IMF like most other countries.

Singapore / Mumbai, 15th January 2016, (Reuters) – China's gold demand picked up this week as people bought gifts ahead of the spring festival while purchases for wedding jewellery drove up sales of the precious metal in India.

Investment demand for physical gold stayed subdued in top importing countries with prices moving in a range and few expecting the metal to rally, dealers said.

"With the spring festival approaching, there is some increase in demand as people are buying gifts. We expect the demand to pick up towards the end of the month as the spring festival is in early February," said Shu Jiang, chief analyst, Shandong Gold Group.

Premiums on Shanghai Gold Exchange, the platform for all physical gold trade in China and a good indicator of demand in the country, held at $2-$3 this week as compared with $4-$5 a week ago.

In India, the world's second largest gold consumer, the metal started trading at a premium this week, as a correction in prices slightly improved demand.

"Those who have weddings next month are purchasing gold. However, some buyers are still expecting correction in prices," said Kumar Jain, vice-president, Mumbai Jewellers Association.

In India, gold is an essential part of the bride's dowry and also a popular gift at weddings.

Dealers in India were charging a premium of up to $1 an ounce to global prices after offering a discount of up to $1.50 last week.

Indian gold prices have corrected nearly 2 percent after hitting a two-month peak of 26,123 rupees per 10 grams last week.

Demand from rural areas remained sluggish as earnings of Indian farmers have drained out by the first back-to-back drought conditions in nearly three decades. Rural demand accounts for about two-thirds of India's total gold consumption.

"Investment demand is weak. People are confused over gold price outlook," said a Mumbai-based bullion dealer with a private bank.

Investors in Japan are preferring to buy platinum instead of gold, said a Tokyo-based dealer.

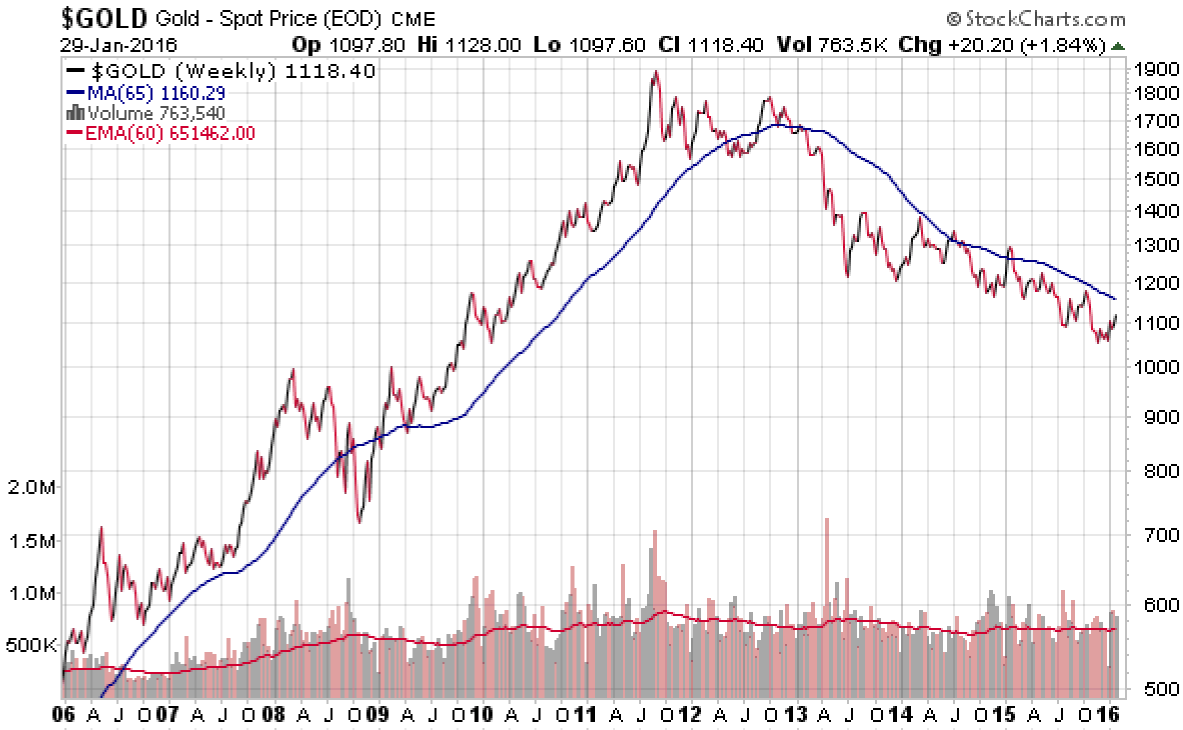
"Platinum is cheaper than gold, hence, people are investing in 100-gram and 500-gram platinum bars here," the trader added.

Platinum has traded at a discount to gold since January 2015 as South African producers ramped up production after a long strike.

2.2 Technical Comments

Long Term Technical Comments

Gold had a positive month in January:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
04.01	27.01	05.01	29.01
1082	1116	1077	1112

London afternoon fix in €/toz:

Open	High	Low	Close
04.01	26.01	14.01	29.01
998.4	1027	997.3	1026

It's starting to look like the bottom may be in for the gold price.

3. Silver

3.1 News and Fundamental Considerations

London, 31st January 2016, (Sharps Pixley) – Somebody needs to say it ... so I will. The LBMA silver price (aka the silver fix) is not fit for purpose.

A journey that started with false claims that the old fixing methodology was flawed, only to be replaced by an IOSCO compliant model driven by a technically driven, manipulation-resistant, all engaging and transparent solution does not work. Ten times in the last six months the silver priced has been "fixed" outside the trading range of the spot price for that day. Laughably last Thursday silver traded between 14:40 and 14.10 in the spot markets yet "fixed" at $13.85. Fridays benchmark price was little better.

The LBMA silver price is meant to represent the price at which the optimal buying and selling volumes would meet and to provide a benchmark against which thousands of trades between producers, consumers, speculators etc etc would settle. In short - the so called LBMA silver price does not come close to reflecting reality - it is vulnerable to manipulation and it is therefore effectively invalid. The key question is WHY is it failing ... and why is the price administrator seemingly saying nothing and doing less.

Some will point to deficiencies and shortcomings in the platform (which fails to respond to any unusual sized orders), others will point to this being evidence of ongoing price manipulation by speculators (or more likely the banks) - but the reality is rather more prosaic.

Under the old regime when a large order to buy or sell is placed in the fix (yes, old habits die hard), the price is adjusted to reflect this and it winkles out those with an opposing view - once the buying meets the selling - and the price adjusted up and down accordingly to reflect this, a fair view of the price of silver is set against which a host of contracts between parties (often not directly involved in the price setting) are settled. The LBMA Silver Price is administered by CME and Thomson Reuters who have an External Oversight Committee - who are they and where are they ??? Should they not come forward and explain what is going wrong and what they are going to do about - it is their job.

The real problem as we see it is that banks are increasingly unwilling or unable to place corresponding orders because of fears of abusing a situation and facing the wrath of the regulator or their compliance departments. In short - they have become entirely emasculated. The changes to the fix brings to mind the expression "the operation was a great success but unfortunately the patient died".

Try it - walk into any dealing room in the City of London and leave a £50 on the floor - I guarantee you it will still be there an hour later. No one would take it and no one would report it - dealers would just hurry on by.

Since Mitsui the only non-bank amongst the price setters departed, we have only banks involved in the benchmark setting process so it can only get worse.

However, to suggest that 'animal instincts have disappeared in the City of London would be wrong - it’s just that wolves have been replaced with sheep.

New York, 11th January 2016, (Reuters) – American Eagle silver coin sales jumped on Monday after the U.S. Mint said it set the first weekly allocation of 2016 at 4 million ounces, roughly four times the amount rationed in the last five months of 2015, after a surge in demand.

More than half of the week's allocation sold on Monday, the first day of 2016 sales, the mint said, a sign that demand remains strong as spot silver prices hovered above a 6-1/2-year low of $13.60 per ounce hit in December.

The mint said nearly 2.76 million ounces of American Eagle silver bullion coins sold, about half of the 5.53 million ounces that sold in all of January 2015.

First-day sales of American Eagle gold bullion coins were also strong at 60,000 ounces, compared with the 81,000 ounces that sold in the entire month of January 2015, mint data showed.

On Monday, spot gold prices traded just below $1,100 an ounce, which is up about 5 percent from the near six-year-low of $1,045.85 reached in early December.

The mint ran out of American Eagle silver coins in July because of a "significant" increase in demand as spot silver prices fell to a six-year low.

The bullion coins are bought by authorized dealers who then sell to the general public at a premium, which changes according to supply and demand. The coins are viewed as a more affordable form of investment in physical bullion than the much larger bars.

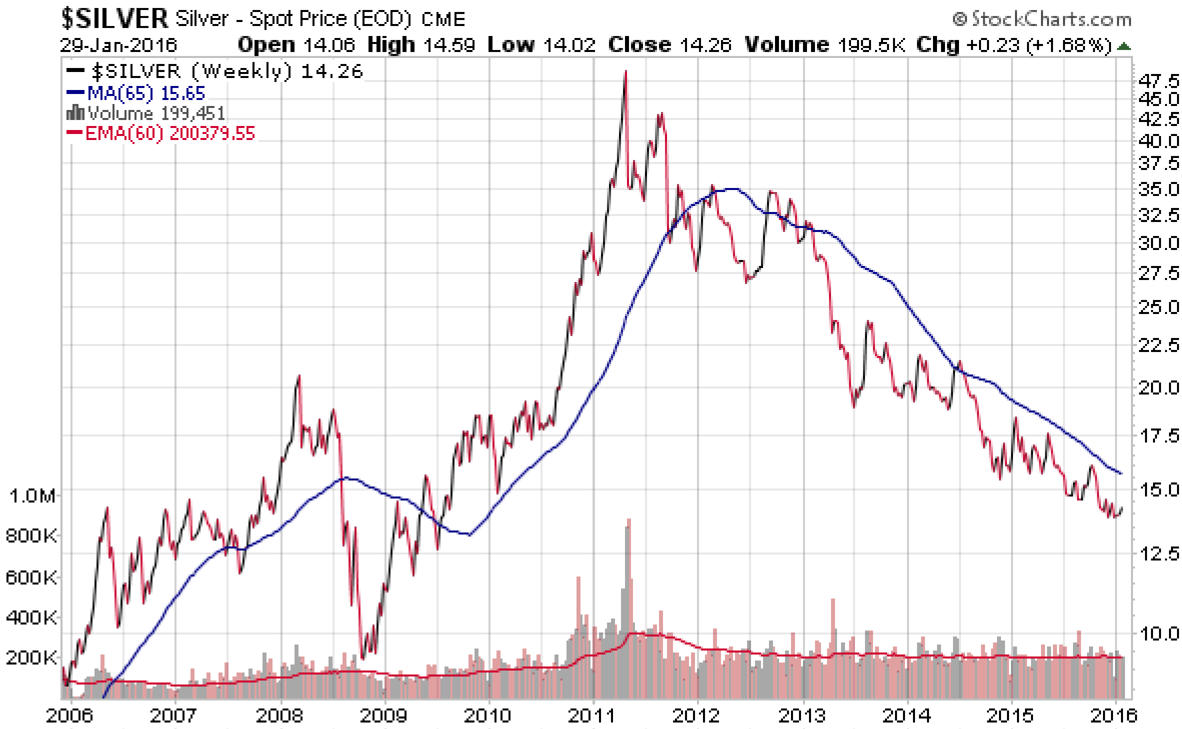
Inventory was replenished in August and sales resumed. But the coins were on weekly allocations of roughly 1 million ounces for the rest of the year because of low supplies.

The U.S. Mint was not alone in limiting silver coin sales. The unexpected surge in demand put the global silver-coin market in an unprecedented supply squeeze, forcing other mints around the world to ration sales, while U.S. buyers had to look abroad for supplies.

3.2 Technical Comments

Long Term Technical Comments

Silver moved sideways again:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
04.01	27.01	28.01	29.01
14.00	14.38	13.58 – see comment above	14.08

London fix in €/toz:

Open	High	Low	Close
04.01	26.01	15.01	29.01
12.82	13.24	12.66	13.18

Silver looks to be basing.

John Fineron, 1st February 2016.

Appendix: More about this report

Purpose of the Report
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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.

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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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