

# JM&B Monthly Gold & Silver Report

## January 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

Both gold and silver had a positive start to the New Year.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**Zurich, 7th January 2017, (Reuters)** – Switzerland's central bank expects to post a profit of more than 24 billion Swiss francs (19.34 billion pounds) for 2016, it said on Monday, as it logged big gains from its foreign currency holdings and its negative interest rate policy.

The Swiss National Bank (SNBN.S) made a profit of 19 billion francs on foreign currency investments which rose to roughly 645 billion francs last year, a size similar to the entire Swiss economy.

The bank made a profit of 3.9 billion francs on the valuation of its gold holdings. The SNB's profits are not part of its monetary policy mandate.

The profit figure compared with a 23.3 billion franc loss recorded by the bank for 2015 when the value of its foreign currency investments fell sharply.

The bank has built up foreign currency reserves by selling francs and buying foreign currency to weaken the franc, which it has consistently described as "significantly overvalued".

A strong franc makes life more difficult for Switzerland's exporters by making their products more expensive outside the country.

To quell demand for Swiss franc investments, the SNB has also been charging a negative interest rate on cash it holds for commercial banks.

The SNB on Monday did not give a figure for how much it has pocketed from the charge, but analysts estimate the figure to be around 1.5 billion francs.

Banks have complained about the negative rates, which they see as an extra charge on their activities, while pension funds have also struggled with the rates, which together with the low interest rate environment has weighed on their investments.

The Swiss federation of trade unions (SGB) has asked the SNB to give the money collected from negative interest rates to pension funds, a proposal supported by the association of Swiss Pension Funds.

"The pension funds need every franc, and any kind of support would be welcome," said Daniel Lampart, chief economist at the SGB, saying the SNB had rejected any payment to the pension funds which it said would require a change of law.

The SNB is not required to make a profit, with its main mandate to ensure price stability in Switzerland. But a portion of any profit it does make is distributed to the Swiss government and the country's 26 cantons.

For 2016 the SNB said it expects to raise its normal payment of 1 billion francs to 1.5 billion francs, in addition to its dividend payment of 15 Swiss francs per share to investors.

**London, 23rd January 2017, (WGC) –** India was one of the world's fastest growing economies in 2016. In recent years' millions have been lifted out of poverty and India's middle class has swelled. This is important because our econometric analysis indicates income growth drives gold demand. But India's relationship with gold goes beyond income growth: gold is intertwined with India's way of life. And as we look ahead, India's gold market will evolve.

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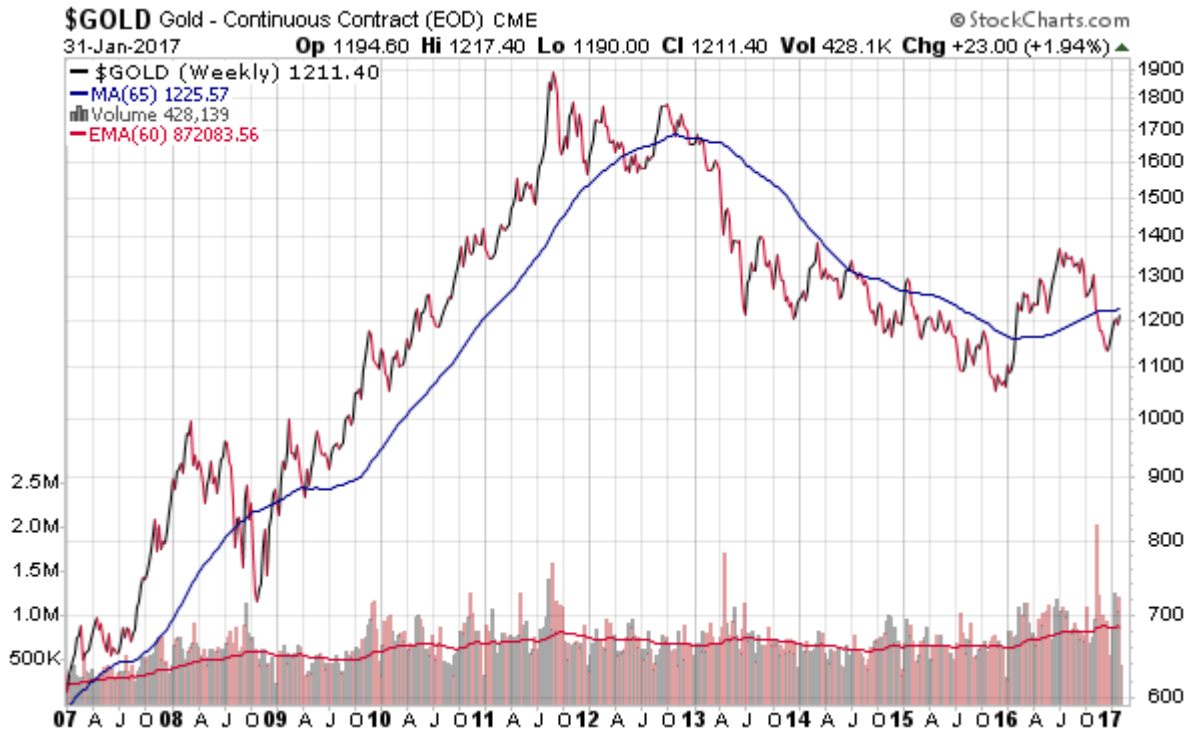
Highlights

- Economic growth drives gold demand: India was one of the world's fastest growing economy in 2016. This is key to the health of the gold market. Our econometric analysis of the drivers of Indian gold demand reveals income growth is the most significant factor: as India becomes richer, gold demand increases.
- Urbanisation will change the shape of consumer demand: Rural and urban India can be thought of as two distinct markets. Rural India prefers to invest in gold jewellery, while urban India has a greater preference for bars and coins. Rural-to-urban migration will change the shape of consumer demand.
- India has a young population with a strong affinity with gold: Over 45% of India's population is under the age of 25. And young people think about the world differently from previous generation. But our large-scale consumer research indicates that they do have a strong affinity with gold: when we asked the question what you would buy if you were given Rs50,000, a third of respondents aged between 18–33 said they would invest in gold.

## 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
03.01	24.01	03.01	31.01
1151	1217	1151	1213

London afternoon fix in €/toz:

Open	High	Low	Close
03.01	17.01	27.01	31.01
1110	1135	1107	1123



Gold more than made up its December losses in January.

### 3. Silver

#### 3.1 News and Fundamental Considerations

#### 3.2 Technical Comments

##### Long Term Technical Comments

Like gold, silver had a strong month in January:



##### Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
03.01	31.01	03.01	31.01
15.95	17.29	15.95	17.29

London fix in €/toz:

Open	High	Low	Close
03.01	31.01	03.01	31.01
15.35	16.08	15.35	16.08



Silver performed well in January.

John Fineron, 1<sup>st</sup> February 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](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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