

# JM&B Monthly Gold & Silver Report

## July 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 rose for the month but didn't break out of established ranges.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**New York, 29th June 2017, (News Max)** – After purchasing a meagre 6.1 tonnes of gold in April, Russia roared back into the market to buy 21.8 tonnes (700,000 ounces) of the yellow metal in May. That brings gold holdings of the Central Bank of the Russian Federation up to 1,708 tonnes (54.9 million troy ounces) as of June 1. The value of its holdings rose to \$69.30 billion.

Russia has been on a steady pace of converting its dollar currency holdings into gold for a number of years and is now the sixth largest gold owner in the world behind China. It may surpass China to take over the Number 5 spot sometime late this year or early next year if the relative reported pace of gold acquisitions for the two countries remains the same.

China has not reported any gold purchases for several months, though some gold market observers speculate they may likely be secretly buying gold but not reporting it.

British multinational bank Standard Chartered sees gold more likely to be at \$1,300 per ounce by the end of the year than at \$1,200. In a report issued by the bank this week, precious-metals analyst Suki Cooper hiked Standard's fourth-quarter forecast to \$1,300 from the previous \$1,230.

"We believe prices are more likely to breach \$1,300/oz than test the downside by year-end..." the report said.

Standard cites several reasons for its upbeat outlook for gold: a more dovish US Fed, less likely increases in 10-year US Treasury yields, and indications that India's new Goods and Services Tax regime will be a temporary speed bump and not a fundamental structural change for the gold market.

It's not clear sailing for gold, the bank said, as the market can be affected by the Fed's balance-sheet reduction, slower inflation than expected, and glitches in execution of India's GST plan.

Standard expects one more rate hike from the US Fed this year, but anticipates that there will only be two additional rate bumps in 2017 instead of the planned three.

"There is also growing evidence that Trump will be unable to push through a significant fiscal stimulus package," the bank said, adding that this suggests lows for gold prices will be around \$1,220 to \$1,240.

**New York, 14th July 2017, (Market Oracle)** – Gold imports into India have surged in the last six months thanks to festivals, economic recovery and concerns over a new tax regime and the push for the cashless society in India.

Imports totalled 521 tonnes in the first half of this year, compared to just 510 tonnes in all of 2016.

Should buying levels continue then India could end 2017 having imported over 900 tonnes, a level not seen since 2012.

These figures are impressive given where the country's gold demand was at the end of the 2016. The low figure of just 510 tonnes imported in the entire year was mainly thanks to a range of political and economic issues which had a more negative role than anyone foresaw.

Many of those issues are now resolved, but some had lingering effects. Some good, some bad. So it is with tentative celebration that we look at this boost in gold demand from the world's second-largest lover of gold and ask how the country has begun to favour gold once again and if it will continue at pace.

2016: A tough year for gold buyers

Last year physical gold demand – for gold coins, gold bars and jewellery – in India hit a seven-year low not because of a loss in interest in the precious metal but thanks to a range of political and economic factors.

The biggest of these events was of course the sudden announcement by the government to immediately remove all Rs500 and Rs1,000 notes by 30 December. A total of Rs15.44 trillion (\$220 billion) – or 86% of the currency in circulation – was abandoned almost overnight.

Whilst many internationally and in India itself, especially their many small and medium enterprises, looked on in horror at the impact this had on savers and on the economy, the Governor of the Reserve Bank of India, Urjit Patel's prediction that the economic recovery would be 'V' shaped has come to fruition.

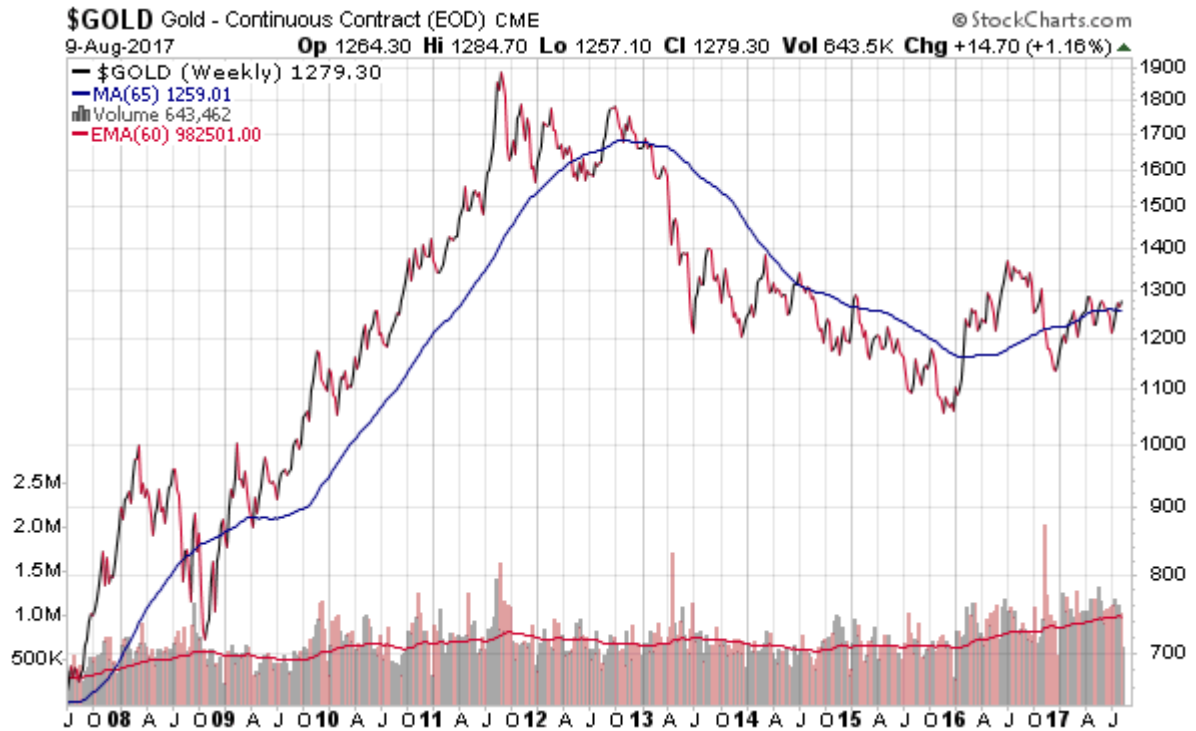
The World Gold Council's June newsletter draws attention to two significant indicators, the Composite PMI and the sale of motorcycles, which have demonstrated this V-recovery.

The sale of motorcycles is a good indicator of the health of India's cash economy. Last year sales halved in one month, to their lowest in six years. The PMI dropped to its lowest level on record. Both have since rebounded.

## 2.2 Technical Comments

### Long Term Technical Comments

Gold moved up in July:



### Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
03.07	31.07	11.07	31.07
1230	1268	1211	1267

London afternoon fix in €/toz:

Open	High	Low	Close
03.07	03.07	11.07	03.07
1082	1082	1062	1082



A solid month for gold.

## 3. Silver

### 3.1 News and Fundamental Considerations

Nothing significant to report this month.

**Shanghai, 25th July 2017, (Scrap Register)** – China's silver imports have been robust so far this year, pointed out Commerzbank.

Rising demand for silver in two of the world's largest consumers, China and India, since the beginning of this year is seen raising hopes of a better price performance for the metal.

A precious metal and industrial metal at once, silver generally follows the footsteps of its more sought-after sibling, gold.

The first half of this year has been no different. In the initial months, silver prices rose two per cent on strong investment demand and in line with gold.

Analysts at Commerzbank cited a data from customs authorities showing that China imported around 330 tons of silver in June, which is up 34% from last June.

The figures show that 1,984 tons of silver were imported in the first half year – 37% more than in the same period last year and the highest first-half-year silver imports in seven years, Commerzbank added

## 3.2 Technical Comments

### Long Term Technical Comments

Silver rose in July:



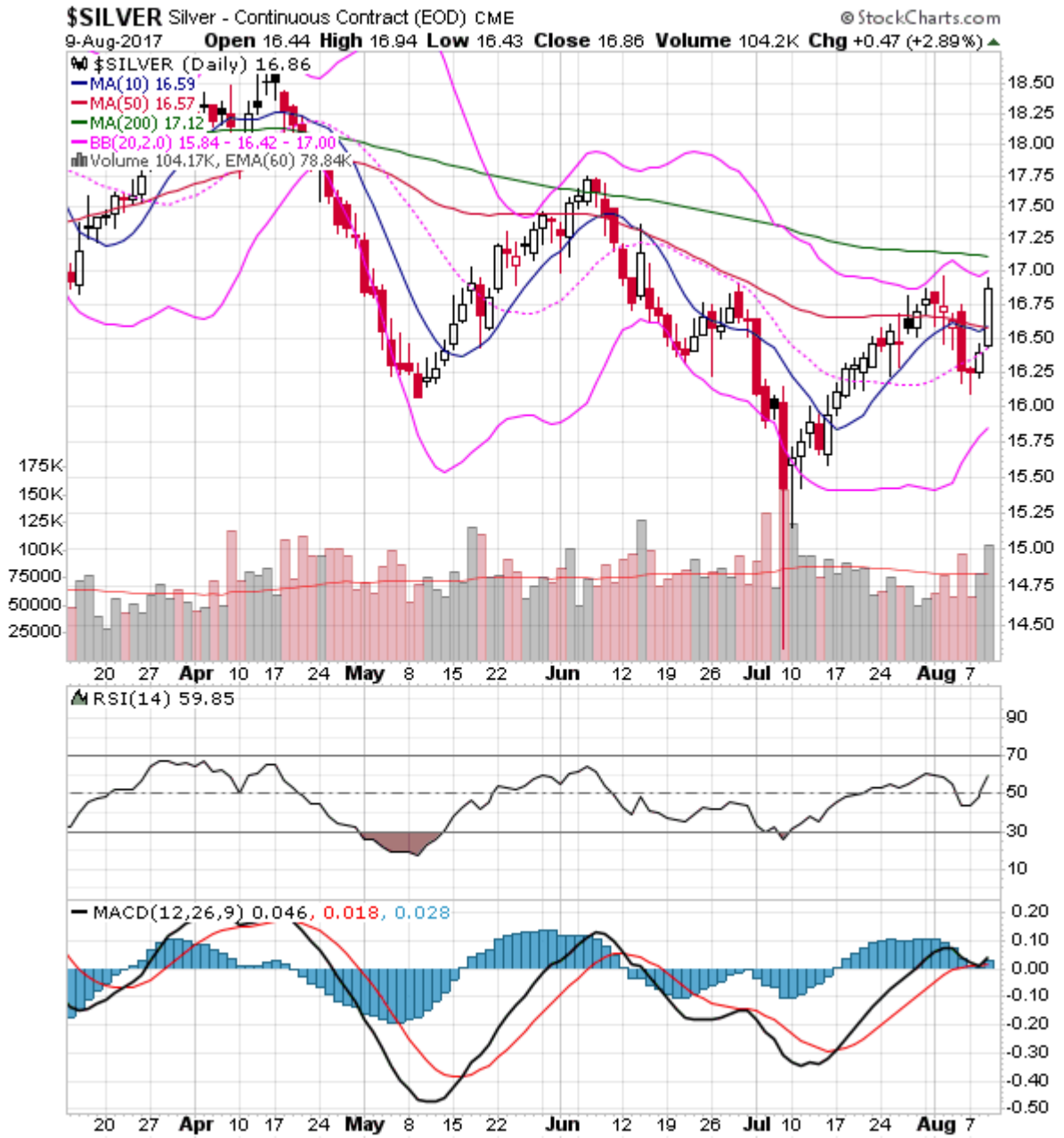
### Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
03.07	27.07	10.07	31.07
16.48	16.79	15.22	16.76

London fix in €/toz:

Open	High	Low	Close
03.07	03.07	10.07	31.07
14.49	14.49	13.36	14.29



Silver displayed a similar price-pattern to gold in July.

John Fineron, 10<sup>th</sup> August 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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