

JM&B Monthly Gold & Silver Report

June 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

Both gold and silver posted solid price gains in June.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

Beijing, 7th June 2016, (Reuters) – China's gold reserves were unchanged, at 58.14 million fine troy ounces at the end of May, from the end of April, the central bank said on Tuesday.

China began updating its reserve figures on a monthly basis in June 2015. Prior to that, the reserve figures had not been updated regularly.

Bangkok, 16th June 2016, (Reuters) – A run of strong Thai exports this year should be welcome news for the trade-dependent economy, but rather than reflecting healthy shipments of goods such as cars or textiles speculative gold sales have often had an outsized influence.

In February alone, a 1,000 percent surge in gold exports to a record \$1.89 billion contributed to the largest annual rise in overall exports for more than three years at 10.3 percent. Stripping out gold, year-on-year growth was just 0.3 percent.

Thailand is Asia's third-largest gold market after India and China, and has imported over \$80 billion worth of the precious metal in the past decade. Most of that came as Thais joined a gold buying rush when prices hit record highs in 2011.

The subsequent price fall left many sitting on gold worth less than when they purchased. The pile of gold in Thailand is so large that whenever international prices rally, the value of sales by people cutting holdings or speculating on future price moves distorts export figures.

"A lot of people made speculative investments in gold and they got stuck when prices came down," Bank of Thailand Governor Veerathai Santiprabhob told Reuters.

"So when gold prices go up, it's an opportunity for them to release their gold inventory, and when they release the gold inventory it gets re-exported out of Thailand."

Thailand's total exports rose for two consecutive months for the first time in a year in February and March, driven partly by gold. But shipments shrank again in April as gold sales dropped to only \$287 million.

"We've had some unusual items," said Veerathai, when asked about the surprise rises in February and March.

He said, however, the central bank would retain its forecast for a 2 percent drop in overall exports this year, marking the fourth consecutive year that exports have shrunk.

Gold shipments in the first four months of the year were \$3 billion, already approaching the \$3.8 billion for all of 2015.

In China and Hong Kong, too, gold flows have changed. There, investors and consumers who bought at low prices in 2013 have sold to cash in on the price rebound. Sales were so high that the typical flows of gold from Europe to China went into reverse earlier this year.

Thailand's May exports may also get a boost from gold after gold's spot price hit a 15-month high of \$1,303.6 per ounce early in the month. The price has picked up again in mid-June after a dip toward the end of May.

"There should be some impact from gold and we expect May exports to have contracted less than April's (8 percent fall)," said Pimonwan Mahujchariyawong, senior economist of Kasikorn Research Center.

There is plenty more gold to ship. Exports in the past decade have totalled about \$43 billion, only half the value of imports. The Bank of Thailand declined to release an estimate of how much gold is held in the country.

Thailand produces 3-4 tonnes a year but imports on average around 200 tonnes, said Industry Minister Atchaka Sibunruang. Gold production will end soon after Thailand ordered the only gold mine to shut down due to environmental concerns.

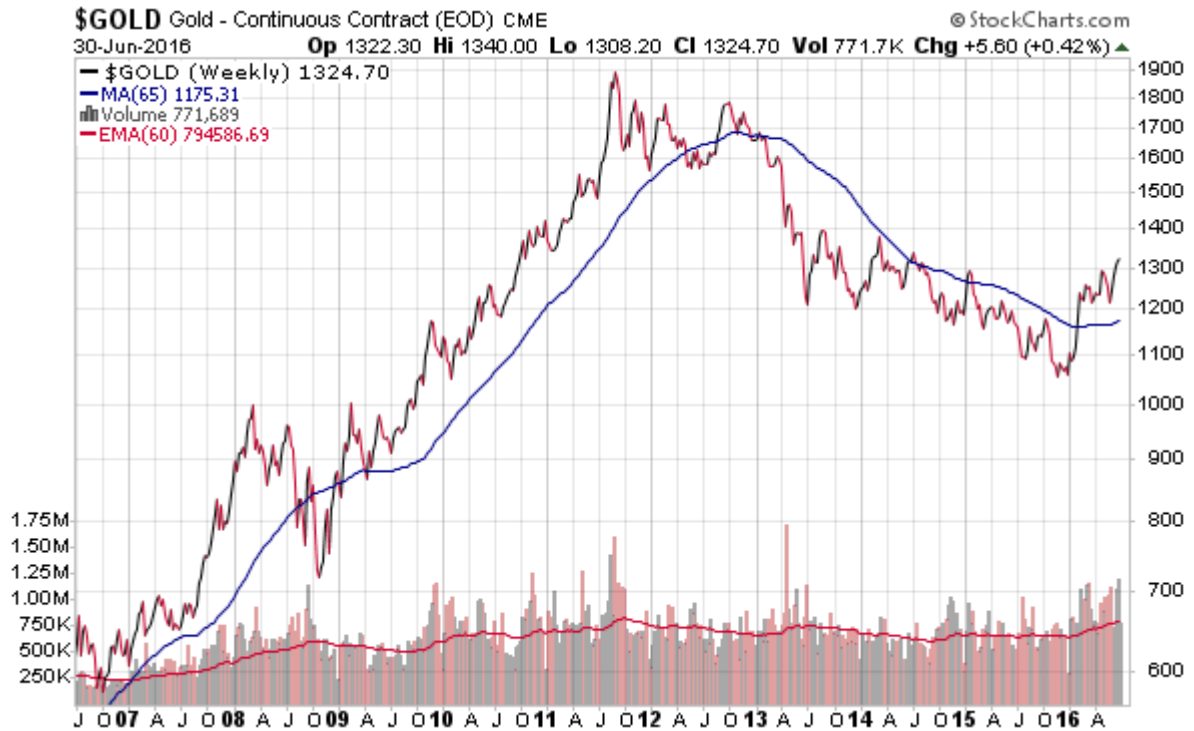
In Thailand's bustling Chinatown, gold shops are empty and bored employees stare at their mobile phones. Slow growth means consumers have little cash to spend on gold.

"I've been in this business a long time," said Suiwat Ngamtangjitsakul, a gold shop employee who says business is the worst he's seen in 30 years. "But I have never seen anything like this happen before. The economy is not in good shape."

2.2 Technical Comments

Long Term Technical Comments

June was a positive month for gold:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.06	29.06	02.06	30.06
1215	1322	1212	1321

London afternoon fix in €/toz:

Open	High	Low	Close
01.06	27.06	02.06	30.06
1088	1202	1086	1188



Mays correction was more than compensated in June.

3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Silver gained significantly in June:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.06	30.06	01.06	30.06
15.95	18.36	15.95	18.36

London fix in €/toz:

Open	High	Low	Close
01.06	30.06	01.06	30.06
14.30	16.48	14.36	16.48



Silver increased in price by 20% in June!

John Fineron, 1st July 2016.

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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