JM&B Monthly Gold & Silver Report
March 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

Contents

1. Commentary

Both gold and silver corrected in March, but finished the month hardly changed.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

New York, 3rd March 2017, (CNBC) – The price of bitcoin continues to rise, setting a fresh record high. The price for one bitcoin is now worth more than one ounce of gold, but this is less significant than it may seem, say experts.

Gold and bitcoin prices crossed overnight. The crypto currency has set a fresh record high of $1,290.13, while a gold ounce currently trades around $1,228.

Part of the reason for the switch is that gold has had a rough week. The price for the precious metal has fallen more than 2 percent this week, due to the strengthening dollar and several indications from members of the Federal Reserve hinting towards a potential interest rate hike in March.

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Meanwhile, the price for the digital currency is up more than 7 percent this week. A recent regulatory clamp down by the People's Bank of Chinahas proven beneficial for bitcoin. Speculation around an imminent decision by the U.S. Securities and Exchange Commission on whether it will approve a bitcoin-based ETF (exchange traded fund) has also created heavy buying pressure.

Looking more broadly, bitcoin has enjoyed a stellar recovery over the past 12 months, climbing more than 214 percent from a low level of $407.98 last March.

In contrast, the price for gold has fallen 1 percent over the past 12 months. Gold prices fell heavily following the result of the U.S. election, but have been recovering steadily since mid-December.

However, while bitcoin prices are climbing, the digital currency has a much lower market cap compared to gold, highlights Fran Strajnar, co-founder & CEO of data and research company Brave New Coin.

"The gold supply is 180,000 tonnes of 'above ground' gold, valued at $7 trillion. The bitcoin market value is $20 billion, so gold vs bitcoin is psychological more than anything," he told CNBC via email.

"The comparison is perhaps a positive signal that bitcoin is being commoditized. But bitcoin is not a commodity, while gold has been a commodity for thousands of years."

The price movement is less significant than it may seem, says Adrian Ash, head of research at Bullion Vault.

"Price is just a number, and overtaking one ounce of gold doesn't in itself mean much. More important is that bitcoin is making new highs. That signals both a growing appetite for alternative assets and also that crypto currency is finding new, perhaps unwary, buyers," he told CNBC via email.

Charles Hayter, founder of digital currency comparison website CryptoCompare, said there is ultimately no significance behind bitcoin prices being higher than gold prices.

"Bitcoin has been linked to gold as a store of value and a flight to safety - the truth is that bitcoin is its own asset class in its own right and does fairly well in times of uncertainty - however it is also subject to its own internal forces too, such as its governance or lack of to be more accurate," he told CNBC via email.

Also, bitcoin prices could be set for a shock if the SEC does not approve a bitcoin ETF. Strajnar predicts it is unlikely to pass.

"This is for a few reasons but mainly because no ETF in the US has the issuer also act as custodian and index provider all in one. We assume this application is still viewed as a qualitative risk to investors by the SEC (Securities & Exchange Commission)," he said.

"If the ETF is not approved we expect a correction and consolidation period but growing adoption and the deflationary supply of bitcoin suggests a continued uptrend in the medium term."

Mumbai, 12th March 2017, (Reuters) – India's ambitious plan to recycle thousands of tonnes of gold lying idle in temples and households looks to have foundered on concerns over high costs and slight returns, in a blow to government hopes of cutting imports of the metal.

After 16 months, temples and households have turned over just seven tonnes of gold out of the 24,000 tonnes believed to be in private hands, two industry sources and a government official said, with almost all the gold coming from temples.

Families that hold about 80 percent of the idle gold have largely shunned the scheme, with some four dozen government-approved centers that opened to test purity still to process a single gram of household gold, said Harshad Ajmera, president of the Indian Association of Hallmarking Centres.

"You hardly earn anything but you have to do so many things to deposit gold under the scheme. Why should I take all this pain?" said 54-year-old clerk Ganpat Shelke, who considered depositing 50 grams of gold.

The struggling scheme was launched with much fanfare by Prime Minister Narendra Modi in November 2015, with India seeking ways to stem the spending of billions of dollars on a non-essential commodity that accounted for 27 percent of its trade deficit in the year to March, 2016.

The country is the world's second-biggest gold importer behind China, buying about 800 tonnes a year for wedding gifts, religious donations and as an investment. (For a graphic on India's gold market click tmsnrt.rs/2c1U49q)

The plan was for holders of idle gold to lodge it with banks in return for interest and cash at redemption. The government would melt the gold and auction or rent it to jewelers, reducing the need for imports.

But the scheme logistics mean the owners of the gold must shoulder the cost of testing its purity and melting it down, while the interest rate on offer of just 2.5 percent compares with 7-8 percent that banks offer for cash deposit rates.

"If a consumer wants to have 25 grams jewelry converted the cost of converting and purity testing takes 3-4 percent of total value away," said Shekhar Bhandari, executive vice-president of Kotak Mahindra Bank.

RELUCTANT BANKS

Even when holders of the precious metal want to take part in the scheme they have run into hurdles.

"I visited four banks several times to deposit gold but they could not accept it," said Kushal Chatterjee, a businessmen from the eastern city of Kolkata. "They said they did not know the process."

At least five bank branches visited by Reuters this week in Mumbai said they could not accept gold under the scheme as they had not been given directions by their head offices.

A senior official with the Indian Banks' Association said the current scheme offered banks little or no profit.

"There should be an incentive for banks," said the official, who declined to be named when commenting on a sensitive issue.

Banks are also concerned that provisions allowing gold to be deposited for up to 15 years will raise currency and liquidity risks, the India Gold Policy Centre in a recent report.

A finance ministry spokesperson declined to comment on the gold program.

Gold refiners, who more than doubled capacity in recent years in anticipation of higher scrap supplies, are operating at well below capacity, said James Jose, secretary of the Association of Gold Refineries and Mints.

"Except for the banks, all other stakeholders like purity centers, refiners are ready, but they are helpless without banks' participation," he said.

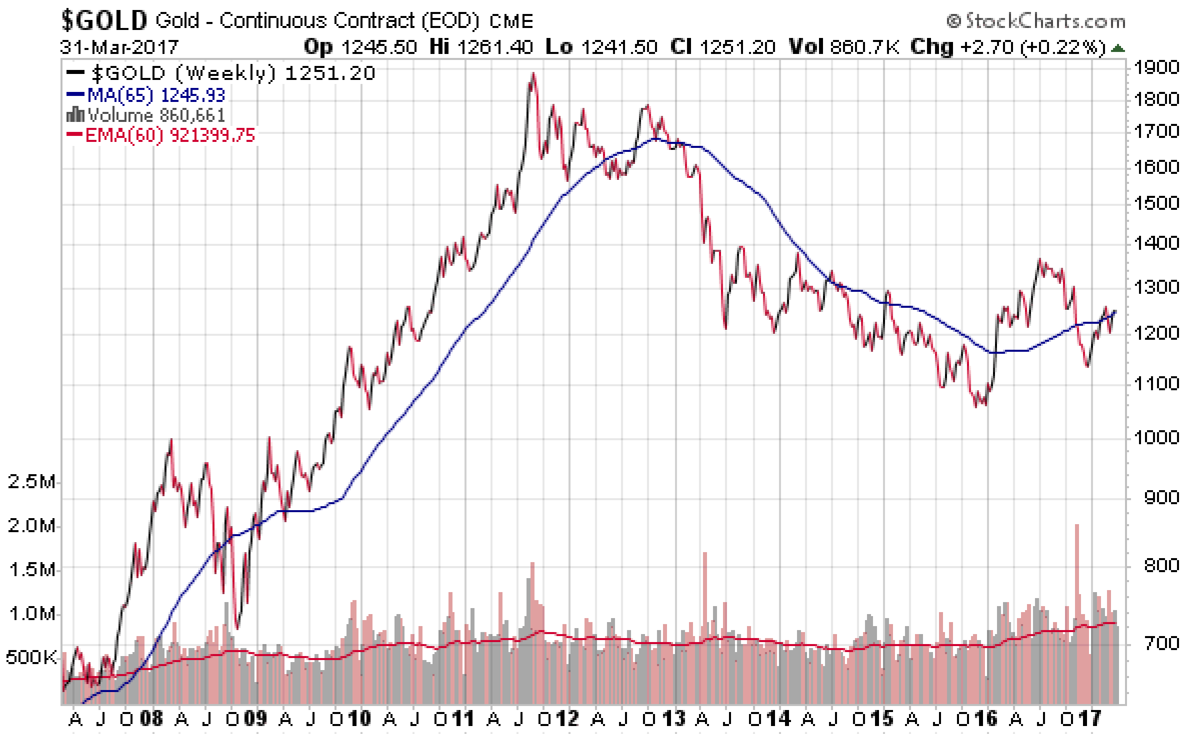
The India Bullion and Jewellers Association urged the government to revisit the scheme, clearing doubts for consumers and putting pressure on banks to participate.

"Otherwise Indian imports will not fall," said Association secretary Surendra Mehta.

2.2 Technical Comments

Long Term Technical Comments

Essentially sideways this month:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.03	27.03	14.03	31.03
1240	1258	1205	1245

London afternoon fix in €/toz:

Open	High	Low	Close
01.03	02.03	15.03	31.03
1177	1178	1128	1165

Unchanged for the month.

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3. Silver

3.1 News and Fundamental Considerations

Washington D.C., 16th March 2017, (Silver Institute) – The silver price has started 2017 on a positive tone, rising by roughly 9 percent since the beginning of the year.

The strength of silver prices is largely due to improving sentiment among institutional investors. Changing expectations towards the outlook for U.S. interest rates and the proliferation of negative policy rates across other key reserve currencies has rekindled institutional investor interest in precious metals. Meanwhile, a marked improvement in silver industrial offtake, led by photovoltaics, which achieved a record high last year, is also helping. All these factors in turn have fueled investment inflows into silver futures, options, exchange traded products (ETPs) and over-the-counter products.

Additionally, although expectations about a U.S. Fed rate hike this month saw precious metals face some selling pressure earlier this year, the rate rise announced yesterday and accompanying dovish Fed comments have been met by healthy silver price activity.

<u>Silver Investment Demand</u>

Million Ounces

	2011	2012	2013	2014	2015	2016E
Physical Investment	271.0	239.3	297.4	284.4	309.0	215.9
ETPs	-26.1	52.1	14.8	0.1	-15.9	45.9

Source: Metals Focus

This year's silver price rise is coming on the heels of an impressive 2016, with the price experiencing a 9 percent increase in its annual average, its first yearly rise in five years.

Turning to physical investment, sales of silver bars and coins in 2016 fell from 2015's record high, due to a downturn in U.S. and Indian demand, the world's two largest markets, according to Metals Focus, the precious metals consultancy based in London. In part, this reflected some market saturation after several years of very strong demand. The price recovery also meant that 2016 saw no repeat of the surge in bargain hunting seen in 2015.

"We expect that the factors that buoyed institutional silver investment over much of 2016, and have carried over into the early months of 2017, will remain relevant for the remainder of this year," stated Michael DiRienzo, Executive Director of the Silver Institute.

Washington D.C., 27th March 2017, (Silver Institute) – Silver jewellery sales in the United States were strong in 2016, with 62% of jewellery retailers reporting increased sales, according to a survey conducted on behalf of the Silver Institute's Silver Promotion Service (SPS). The results showed that 2016 was the eighth consecutive year of silver jewellery sales growth.

Highlights from the 2016 survey include:

- The average store growth in 2016 for silver jewellery sales was 16%. Eight percent of retailers reported an increase in sales of over 25%.
- Retailers said their silver jewellery sales, as a percentage of their overall jewelry sales, were on average 35% of their unit volume and 27% of their dollar volume.
- 54% of retailers said silver experienced the best turnover rate in 2016, followed by bridal and diamond both at 17%, gold at 10% and platinum at 2%.
- The best maintained margins during the holiday season were:

  -Silver Jewellery 49%

  -Diamond Jewellery 21%

  -Bridal Jewellery 18%

  -Gold Jewellery 10%

  -Platinum Jewellery 2%

- 89% of retailers say they are optimistic that silver jewellery sales will continue to grow.

A copy of the report can be downloaded at the Silver Institute.

Michael DiRienzo, Executive Director of the Silver Institute commented, "Our Silver Promotion Service develops and implements programs which are designed to enhance the image of and stimulate demand for silver jewellery. While we are obviously pleased with the survey results, we are particularly struck by the fact that 62% of retailers reported they had increased their silver jewellery inventory on average of 24% last year."

3.2 Technical Comments

Long Term Technical Comments

A correction in March:

Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.03	02.03	10.03	31.03
18.33	18.33	16.89	18.06

London fix in €/toz:

Open	High	Low	Close
01.03	02.03	10.03	31.03
17.40	17.42	15.92	16.91

Slightly down for the month.

John Fineron, 3rd April 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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