

# JM&B Monthly Gold & Silver Report

## November 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
2.	Gold
2.1	News and Fundamental Considerations
2.2	Technical Comments
3.	Silver
3.1	News and Fundamental Considerations
3.2	Technical Comments
Appendix	More about this report

## 1. Commentary

Gold and silver moved sideways again in November.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**London, 10th November 2017, (WGC)** – Gold’s resilience in the face of soaring equities and a dramatic fall in demand this year points to underlying confidence in the metal among investors unconvinced by this autumn’s scorching stock market rally.

Bullion’s price has barely budged XAU= as stocks soared to record high after record high since mid-October and, with a month and a half to go, is on track to post its narrowest trading range of any year since 2005. Physical gold demand, meanwhile, hit an eight-year low in the third quarter.

But that masks solid underlying support from investors. While gold's price performance during this autumn's stock market boom has been underwhelming, they have not been bailing out of the metal.

"In theory, and in the past, when you have exceptional markets and low volatility, gold was much, much lower - but nobody's selling gold," Davis Hall, head of FX and precious metals at Indosuez Wealth Management, said.

"At some point, this stock market run is going to run into some profit-taking, for one reason or another," he said. "As a hedge, gold's definitely still the best viable alternative for high exposure to global equity positions."

Last time there was a strong retracement in equities, during the financial crisis of 2008, it precipitated a years-long rally in gold that took it to record highs near \$2,000 an ounce, even after stocks started to recover.

Hedge funds and money managers have cut their net long positions in Comex gold futures in the past seven weeks, but after strong inflows in the third quarter, positioning remains elevated compared to the start of the year.

And while inflows into bullion-backed exchange-traded funds have been sparse this year -- helping to drive that eight-year low in gold demand in the last quarter -- there have been no significant outflows.

The past quarter's drop in physical demand sounds dramatic, particularly as gold is tipped to repeat that performance in the full year. However, for gold, this is less disastrous than it sounds.

Unlike most other commodities, physical demand is typically dictated by price, rather than the other way round. This is particularly true in huge Asian markets such as China and India, where investors buy for the long term and have an eye for a bargain.

Much more important for setting gold prices is investment appetite. There have been plenty of headwinds for that, not just in terms of rising stocks and a stronger dollar - which makes gold more expensive for holders of other currencies - but also the prospect of another rise in interest rates this year.

Federal Reserve interest rate policy has been the single biggest driver of gold investment over the last decade, with ultra-low rates in the wake of the financial crisis keeping the opportunity cost of holding non-yielding bullion at a minimum. Its subsequent decline through to early last year was largely a reflection of expectations that rates would start to normalise.

The Fed has indeed pressed ahead with rate hikes, but these have been relatively benign so far. With moderate Jerome Powell now tipped to take over from Janet Yellen as head of the U.S. central bank early next year, confidence in a continuation of that policy is growing.

"With Jerome Powell, Fed policy will remain relatively unchanged in the next quarter, and that will represent good news for gold," Arnaud du Plessis, portfolio manager at CPR Asset Management, said. "If (more hawkish candidate) John Taylor had been selected, the situation would definitely have been different."

Meanwhile there is plenty in the wider markets to support gold.

The flattening of the U.S. yield curve suggests that investors may be rotating out of nominally safer short-dated U.S. Treasuries and into riskier assets such as equities, Mitsubishi analyst Jonathan Butler said. This, he said, has traditionally been seen as an indicator of trouble ahead.

“It does seem like we have another canary in the coal mine here,” he said. “Equities are making new all-time highs, the dollar’s doing okay, but yields are signalling that something is not quite right in the fixed income market.”

“There is still an element of support for gold to hedge some of the riskier equity trades.”

**New York, 30th November 2017, (Reuters)** – Sales of U.S. Mint American Eagle gold and silver coins fell sharply year-over-year in November, keeping their tally for the first 11 months of 2017 on track for the weakest year since 2007, the latest data showed on Thursday.

U.S. Mint data showed its sales of American Eagle gold coins totaled 12,000 ounces in November, down 92 percent from November 2016. This placed sales for 2017 so far at 259,500 ounces, on track for the lowest in 10 years.

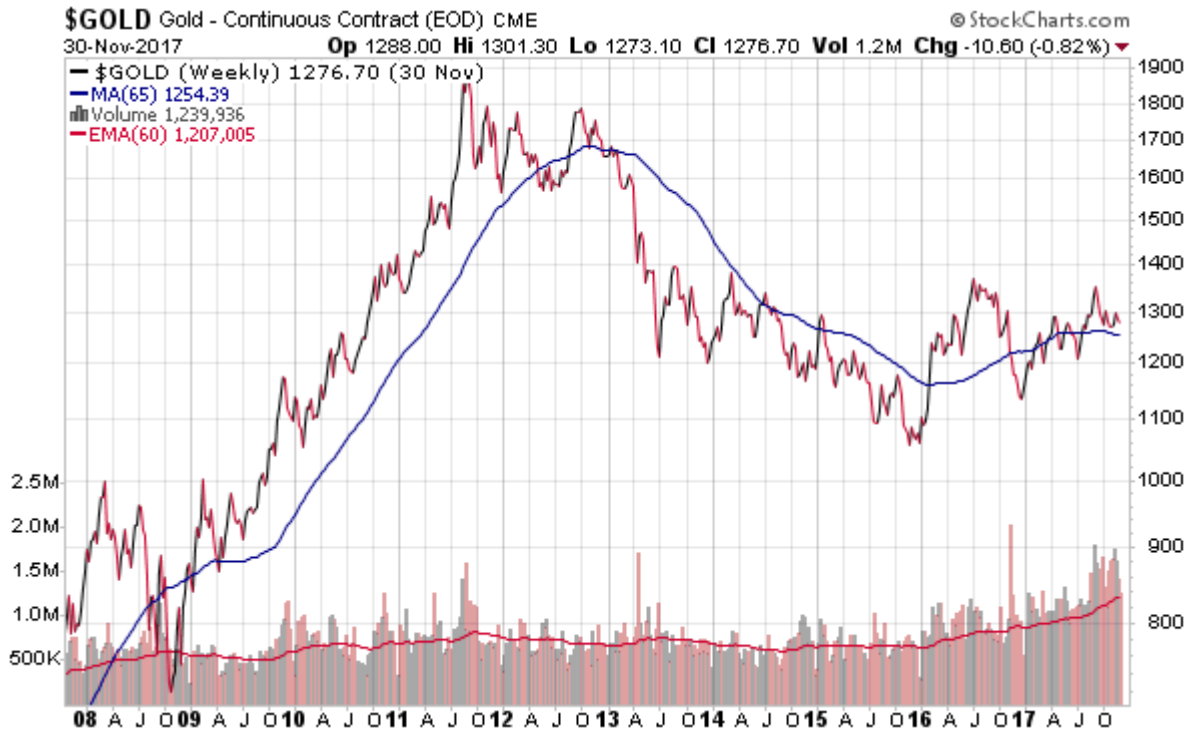
Sales of American Eagle silver coins reached 385,000 ounces in November, down 87 percent from November 2016, and bringing year-to-date sales to 17.3 million ounces, also on track for the lowest in 10 years.

Investors have shrugged off geopolitical concerns and have been selling some silver in favor of investing in the stock market’s record rally.

## 2.2 Technical Comments

### Long Term Technical Comments

Gold remained above its long-term trend:



### Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.11	27.11	03.11	30.11
1277	1295	1267	1280

London afternoon fix in €/toz:

Open	High	Low	Close
01.11	08.11	30.11	30.11
1098	1107	1075	1075



Gold moved sideways again in November.

### 3. Silver

#### 3.1 News and Fundamental Considerations

Nothing significant to report this month.

#### 3.2 Technical Comments

##### Long Term Technical Comments

Silver remained below its long-term trend in November:



##### Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.11	20.11	30.11	30.11
16.94	17.15	16.57	16.57

London fix in €/toz:

Open	High	Low	Close
01.11	07.11	30.11	30.11
14.55	14.70	14.00	14.00



Silver ended the month on a down-note.

John Fineron, 1<sup>st</sup> December 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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