

JM&B Monthly Gold & Silver Report

October 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 fell significantly in price at the start of the month, only to find significant price support at the 200 DMA.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

New York, 5th October 2016, (Reuters) – A U.S. judge said gold investors may pursue much of their lawsuit accusing four major banks of conspiring for a decade to fix prices and exploit distortions at the expense of investors in global markets for the precious metal.

Antitrust and manipulation claims can move forward against Barclays Plc (BARC.L), Bank of Nova Scotia ("ScotiaBank") (BNS.TO), HSBC Holdings Plc (HSBA.L) and Societe Generale (SOGN.PA), U.S. District Judge Valerie Caproni in Manhattan said in a decision made public on Tuesday.

Investors allege that the banks conspired from 2004 to 2013 to fix prices. They did not estimate the size of the banks' gold portfolios, but said the gold derivatives market alone was as large as \$650 billion during the class period.

"From the gold plaintiffs' standpoint, it's a very substantial victory," Dan Brockett, a partner at Quinn Emanuel Urquhart & Sullivan representing the investors, said in a phone interview on Wednesday.

Deutsche Bank AG (DBKGn.DE) settled related claims in April, and the investors plan to seek preliminary approval of a settlement, Brockett said.

Terms have not been disclosed, but Deutsche Bank has put the expected payment in escrow, he said.

In a separate case involving the silver market, Caproni said another group of investors may pursue market rigging claims against ScotiaBank and HSBC.

Both decisions dismissed UBS Group AG (UBSG.S) as a defendant, saying there was nothing showing it manipulated prices, even if it benefited from market distortions.

Barclays spokesman Andrew Smith, ScotiaBank spokesman Rick Roth, Societe Generale spokesman Jim Galvin and Deutsche Bank spokeswoman Amanda Williams declined to comment. UBS spokeswoman Erica Chase said the bank is pleased with the decisions. HSBC had no immediate comment.

Investors have several lawsuits before the Manhattan court accusing banks of conspiring to rig rates and prices in financial and commodities markets.

In the gold case, investors said Barclays, Deutsche Bank, HSBC, ScotiaBank and Societe Generale conspired to manipulate prices of gold, gold futures and options, and gold derivatives through twice-a-day meetings to set the London Gold Fixing.

The investors said this conspiracy let the banks suppress prices and reduce risk at other investors' expense.

In her 73-page decision, Caproni said the investors plausibly alleged that the five banks recklessly created "artificial price dynamics" for gold, and that their misconduct was the "proximate cause" of the distortions.

She let the investors pursue antitrust claims for alleged unlawful restraint of trade from January 2006 to December 2012. The judge dismissed a claim for unjust enrichment.

Caproni gave the investors 14 days to amend their complaint.

London, 14th October 2016, (Sharps Pixley) – The Australian newspaper reports today on the damning case against the London gold fix following work by one of their leading academics. The research by the PHD mathematician shows quite conclusively that there is a build-up of trading activity before and after the London fixings according to his heat map - proving conclusively that price manipulation was evident - Brilliant ... nearly.

Actually what the research has discovered is a well-known concept which is called clustering - people do it all the time - think of activity around a train station - think of church-goers - think of food markets... even animals do it (for protection) and all quite legitimate. So, no sir, you have not discovered anything other than one of the oldest and best known concepts known to man and beast - and that is the benefits of getting together... and you don't need a PHD to know that.

Markets in particular do it because during periods in and around an event such as the benchmark you get high levels of liquidity - and high levels of liquidity means you get best price execution for your trade.

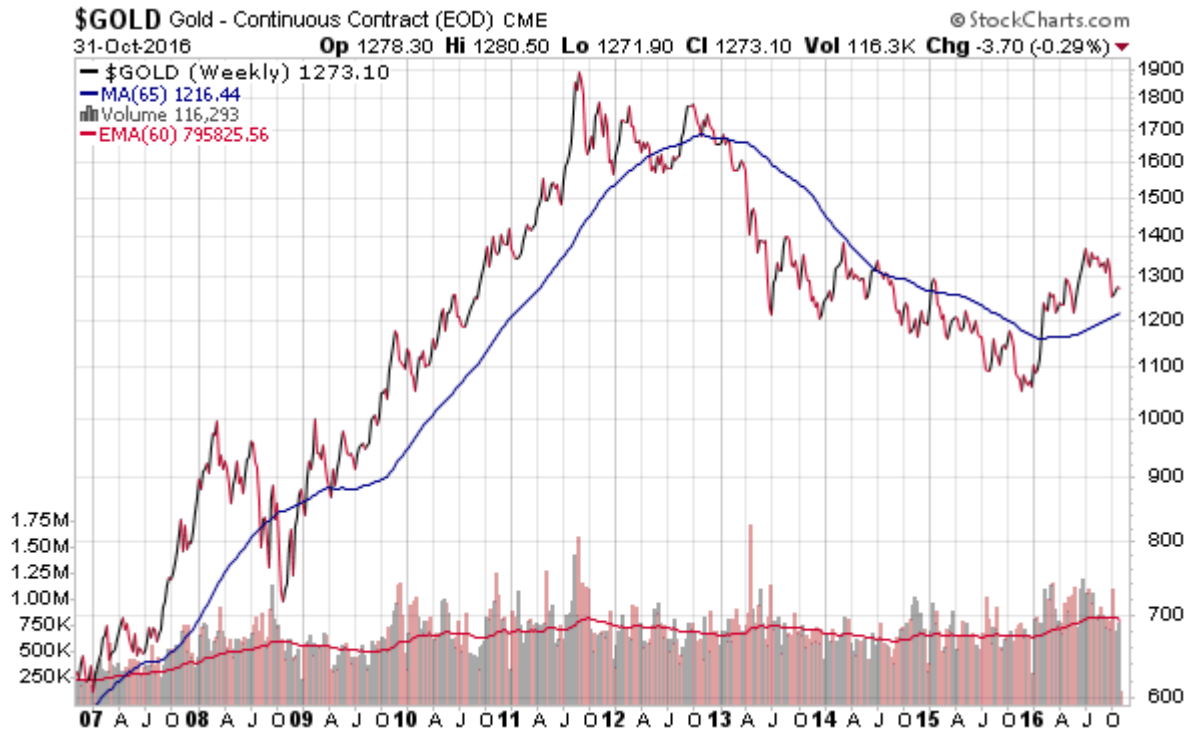
Going back to the fix, the argument seems to have overlooked a few other salient points. Clients trading through the fix invariably do not declare their interest before the event - even if they did, they have the option to change or cancel their order if the price is unattractive. I might add that the fixings are primarily a venue for market professionals and not widows and orphans. These are seasoned miners, fellow bankers, central bankers and other professionals who are participating who, like the fixing members, have a high level of market knowledge. It is distinctly not a platform for the retail client. In short, what about the potential for fixers themselves getting stitched up by their clients.

It is no surprise that US courts have seized upon the academic report, prompting a flurry of law suits to be filed in what is clearly looking like a pre-ordained desire for a guilty verdict in search of evidence to support it.

2.2 Technical Comments

Long Term Technical Comments

Gold suffered a sharp correction in October:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
03.10	03.10	14.10	31.10
1313	1313	1252	1272

London afternoon fix in €/toz:

Open	High	Low	Close
03.10	03.10	06.10	31.10
1171	1171	1122	1163



Buyers were obviously waiting at the 200 DMA for gold.

3. Silver

3.1 News and Fundamental Considerations

New York, 18th October 2016, (Reuters) – Deutsche Bank AG has agreed to pay \$38 million to settle U.S. litigation over allegations it illegally conspired with other banks to fix silver prices at the expense of investors, according to court papers filed on Monday.

The settlement, disclosed in papers filed in Manhattan federal court, came in one of many recent lawsuits in which investors have accused banks of conspiring to rig rates and prices in financial and commodities markets.

The settlement, had been expected since April, though terms had yet to be disclosed. In court papers, lawyers for the investors say the deal will likely be an "ice breaker" that will serve as a catalyst for other banks to settle.

Vincent Briganti, a lawyer for the investors, said the deal provides "substantial monetary compensation plus cooperation from Deutsche Bank in the continued prosecution of this important case against the non-settling defendants."

The settlement is subject to court approval. A spokeswoman for the German bank declined to comment.

In the litigation, investors claimed Deutsche Bank, HSBC Holdings Plc and Bank of Nova Scotia (ScotiaBank) rigged silver prices through a secret daily meeting called the Silver Fix, and accused UBS AG of exploiting that fix.

The alleged conspiracy started by 1999, suppressed prices on roughly \$30 billion of silver and silver financial instruments traded each year, and enabled the banks to pocket returns that could top 100 percent annualized, the investors said.

Earlier this month, U.S. District Judge Valerie Caproni ruled the investors had sufficiently, "albeit barely," alleged that Deutsche Bank, HSBC and ScotiaBank violated U.S. antitrust law by conspiring to depress the Silver Fix from 2007 to 2013.

But the judge dismissed UBS from the case, saying there was nothing showing it manipulated prices, even if it benefited from distortions.

Caproni at that time said the investors could amend their complaint, including against UBS, and a lawyer for the investors has said they planned to do so.

3.2 Technical Comments

Long Term Technical Comments

As with gold, silver suffered a sharp correction at the start of the month:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
03.10	03.10	07.10	31.10
19.18	19.18	17.33	17.76

London fix in €/toz:

Open	High	Low	Close
03.10	03.10	12.10	31.10
17.07	17.07	15.83	16.22



Buyers were present at around 17.50 USD/oz for silver.

John Fineron, 3rd October 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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