

JM&B Monthly Gold & Silver Report

October 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

October was a flat month for both metals.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 10th October (Reuters) – The London Metal Exchange expects three more clearing members to join its precious metals contracts by year-end and is looking to expand trading around its gold and silver reference prices, Chief Executive Matthew Chamberlain told Reuters on Tuesday.

Adding further clearing members is a top priority for the exchange as it looks to expand volumes on LME precious, the suite of gold and silver spot and futures it launched in July, Chamberlain said.

“We have three clearing members who are in the testing environment now,” he said. “They have done all their documentation and are now configuring their systems to be ready to go. I’ll be very disappointed if those three weren’t publicly announced and publicly trading in the next couple of months.”

“Through the first half of next year I’d say there are another six clearing members who are very seriously looking at it,” he said at the Reuters Global Commodities Summit.

LMEprecious has 11 clearing members, including Goldman Sachs and Morgan Stanley. Most are members of EOS Precious Metals, a company set up to develop the contracts, which has a 50:50 revenue-sharing deal with the LME.

One of the six to be added next year, Chamberlain said, could be one of the “Big Four” gold market institutions not currently involved in LMEprecious - JPMorgan, HSBC, UBS and ScotiaMocatta.

JPMorgan and HSBC declined to comment. UBS and ScotiaMocatta did not immediately respond to requests for comment.

Chamberlain would not be drawn on the level of volume growth the exchange is targeting in the near term. He said he was “very happy” with current volumes of trades going through LMEprecious, which averaged around 700,000 ounces of gold and 5.8 million ounces of silver a day in September.

“We always saw this as a three-step process,” he said. “The first step was getting the product up and running, having the EOS members make markets and seeing them trade among themselves. The second, which I was surprised by the speed of, was getting third-party clients and non-EOS members coming in and trading.”

“The third, which is where we are really pushing through the fourth quarter, is getting other clearing members signed up.”

Chamberlain said the LME also wanted to extend market-making activities on LMEprecious into Asian trading hours next year. That is likely to happen through current market-makers’ Asian operations and new members added in the region, he said.

The LME is one of a number of institutions that have expanded their presence in precious metals this year, with Intercontinental Exchange (ICE) also launching gold futures contracts.

Its ICE Benchmark Administration arm runs the auctions for the industry standard LBMA Gold and Silver Price benchmarks, after it won a bidding process to operate the latter this year over the LME.

LMEprecious has also begun producing gold and silver reference prices at 10:30 a.m., midday and 3 p.m. London time, coinciding with the times at which the LBMA gold and silver prices are set.

As of mid-2018 participants will be able to trade at those prices, Chamberlain said, with technology being developed to match buy and sell orders for execution at the settlement price.

“Benchmarks take a long time to evolve,” he said. “What we can do is put in place the infrastructure, show that we have day after day of robust prices, but ultimately it is for end-users to decide what they want to use.”

“Pricing is sticky. So when you’re the aspirant it means there’s a bit of an uphill march,” he said. “But we know there are people who want this to succeed.”

The LME already runs the LBMA Platinum and Palladium Price benchmarks. It plans to launch platinum and palladium contracts on LMEprecious by early 2019, Chamberlain said.

Moscow, 19th October (Reuters) - The Russian central bank will not change its outlook on the gold and forex reserves growth after it starts buying gold on the Moscow Exchange, the bank’s head of monetary policy said on Thursday.

The central bank’s purchases of gold on the Moscow Exchange, due from November, will partially substitute its purchases of the precious metal on the OTC market, Igor Dmitriev said.

Zurich, 31st October (Reuters) - The Swiss National Bank reported its highest ever quarterly profit of 32.5 billion Swiss francs (\$32.66 billion) on Tuesday as the central bank’s campaign to weaken the Swiss franc starts to pay off.

A combination of buoyant stock markets, rising gold prices and a fall in the franc’s value following a decline in European political risks combined to push the bank’s nine-month profit up to 33.7 billion francs.

The quarterly profit was nearly double the previous high of 16.6 billion francs in the third quarter of 2011, when the SNB intervened heavily in currency markets to rein in the franc.

The central bank reported a profit of 30.16 billion francs on its vast foreign currency positions built up during its efforts to relieve upward pressure on the safe-haven franc, whose strength drags on the export-reliant Swiss economy.

The SNB’s foreign currency holdings have ballooned to 747 billion francs, although currency interventions have eased in recent months as fears about a break-up of the euro zone receded following May’s French presidential elections.

Since then the franc has lost value to trade at its lowest level against the euro since the SNB rocked currency markets by scrapping its 1.20 euro-franc floor in January 2015.

A lower franc boosts the value of foreign shares and bonds the publicly listed SNB has bought with francs it has created.

The third-quarter profit included a gain of 1.93 billion francs from the increased value of its gold holdings and of 520 million francs from negative interest rates it charges banks to hold deposits.

Making a profit is not part of the SNB’s mandate, but the cash it generates makes a substantial contribution to the coffers of Switzerland’s federal government and 26 cantons.

A profit of 24.5 billion francs last year helped push the Swiss federal budget into a surplus after the central government received a payout of 580 million francs.

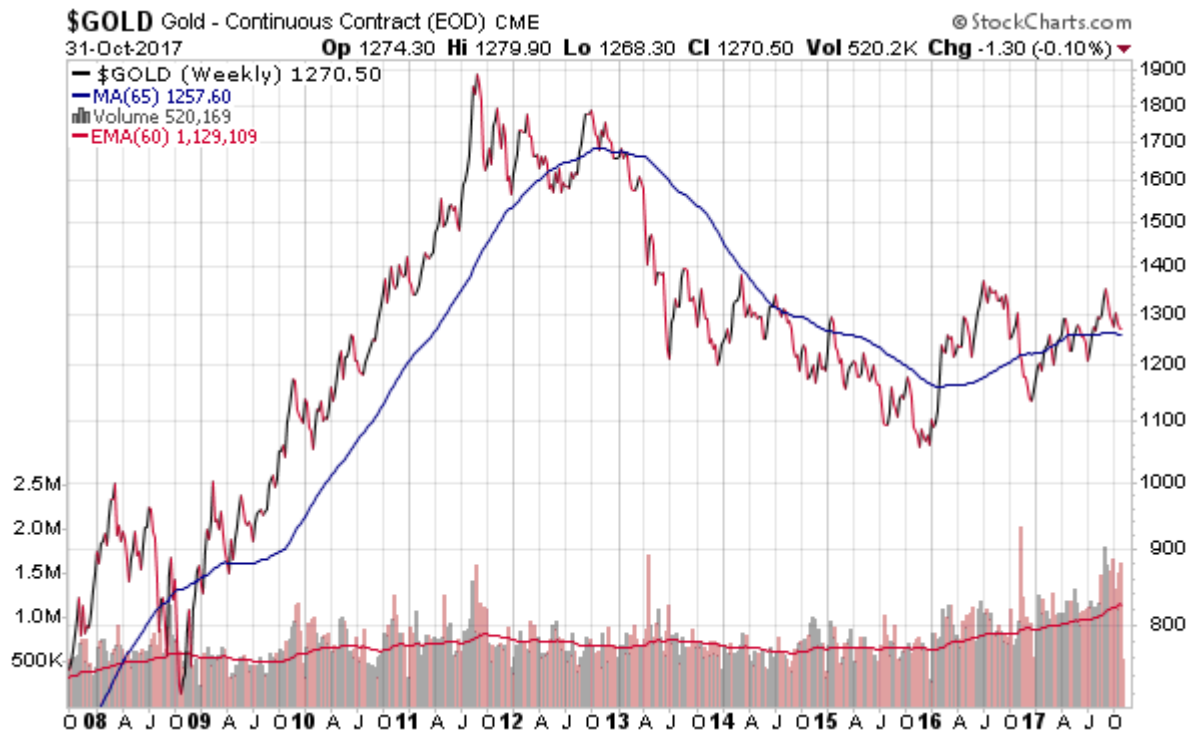
UBS economist Alessandro Bees said the SNB had benefited from an unusual set of circumstances with the franc depreciating while bond and gold prices have both risen.

“Everything is in the SNB’s favour at the moment, and although it’s hard to say where the full year will end, I think the bank is on course to make a record profit - or be close,” Bee said.

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
02.10	16.10	06.10	31.10
1271	1303	1262	1270

London afternoon fix in €/toz:

Open	High	Low	Close
02.10	16.10	06.10	31.10
1084	1104	1079	1092



Another flat month for gold.

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 October:



Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
02.10	16.10	02.10	31.10
16.58	17.41	16.58	16.82

London fix in €/toz:

Open	High	Low	Close
02.10	16.10	02.10	31.10
14.12	14.75	14.12	14.45



Silver went nowhere in October.

John Fineron, 1st November 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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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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