JM&B Monthly Gold & Silver Report
September 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

After peaking in the first week of September, gold and silver fell in price, for the remainder of the month.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 6th September 2017, (The Independent) – It's the stuff of legend. A commodity like no other that can capture the heart of even the steeliest of investors. After all, at the end of the rainbow there isn't a pot of wheat or natural gas.

Some even seem to think gold has healing properties – especially when it comes to unnerving international politics and the effects on financial markets and, ultimately, our investment portfolios.

This week, after a weekend of some pretty robust rhetoric on both sides of the rapidly warming cold war of words over North Korea's nuclear muscle flexing, transactions were higher than they were in the 24 hours of panic following the Brexit vote.

You're indestructible

On Monday and over last weekend, The Pure Gold Company, for example, reported a record number of enquiries from people considering purchasing physical gold following news that North Korea had tested a hydrogen bomb, the US helpfully warned of the prospect of a "massive military response" and Vladimir Putin started shouting about global catastrophe.

"Many of our clients are very concerned that matters could escalate quickly and with the threat of nuclear weapons on both sides, some fear the worst," noted Josh Saul, CEO of the business, who noted that the number of prospective first time gold buyers getting in touch was up 114% on Monday alone, and that the gold price is up more than 8% since the beginning of August.

"We've seen an 89% increase in financial professionals purchasing physical gold," he adds. "They cite the same geopolitical fears and are buying to protect themselves from the systemic financial consequences of increased volatility and uncertainty, which may ultimately lead to currency and equity market crashes.

"Increasingly, our professional clients mention that President Trump's pledge to stop doing business with any country that still has relations with North Korea could have severe financial implication, as it would mean possibly no trade with China, India, Mexico and France, to name a few."

Glad that you'll always return

So why gold? When crises loom, many opt for a so-called flight to safety, hurling their money into the precious metal as its value climbs and (they fear) other assets stumble and prices plummet. (Ultimately, many feel that if the end of the world really is nigh, society crumbles and anarchy erupts, gold will be the currency of choice.)

The price soars in light of classic supply and demand pressures and everyone sits back feeling vindicated. Once things even out again, investors plan to take their money out of gold and reinvest in a broader range of assets as they recover.

It's no surprise that in the 10 years since the beginnings of the financial crisis, the price of gold has ranged from a low of just under £340 an ounce to more than £1180 an ounce.

Just three months ago it was bumping around the £940 mark. Today, you won't get change from £1020 for your ounce of the yellow stuff.

Always believe in

But this is not an easy thing to invest in.

"Investors really shouldn't try to time their way through buying in and taking out," warns Danny Cox, head of financial planning at Hargreaves Lansdown who says such decisions should be made as part of a longer term plan.

“Get the timing wrong and you incur the costs of selling out (of other investments) and buying back in at the wrong price. And don’t forget you won’t get an income from gold.

“Commodities should only ever be a small proportion of a portfolio,” he adds. “If you feel you’re taking too much risk, you could consider corporate bonds or holding fewer overseas equities, not least because of the currency risk.”

There’s something I could have learned

But if you’re still attached to the idea of having a tiny, tiny part of a gold bar with your name on it in a secret vault somewhere under the M25, how do you even go about it?

Those hoping to hand over their card in return for a hunk of metal that looks like it’s come straight out of a train robbery would need to have quite a credit limit as a whole gold bar would set you back many millions of pounds.

The Royal Mint, for example, will sell you a coin of the stuff if you’re after physical gold, but there are plenty of dealers and options. Look for the cheapest premium on top of the price you see listed on financial websites, known as the spot price and buy from established British or European dealers who will deliver to your door. Be prepared to pay out for secure storage though.

You won’t incur stamp duty or VAT and if you buy coins that are still UK tender there’s no Capital Gains Tax (CGT) if and when you sell either.

Then there’s the option of buying shares in a mining company or investing in a fund, such as the famous BlackRock Gold, which invests mainly in global shares of companies that gain a large part of their income from gold mining or commodities such as precious metals.

Exchange Traded Funds (ETFs), which in this case passively track the gold price, are a cheap and popular choice.

Boston, 14th September 2017, (Reuters) – U.S. prosecutors have charged a former senior precious metals trader at UBS Group AG (UBSG.S) with fraud and conspiracy over his alleged role in rigging prices.

According to a criminal complaint made available on Wednesday, Andre Flotron and his co-conspirators placed “spoof” orders for precious metal futures contracts that they intended to cancel before they could be executed.

They did this with an intent to conduct real trades “on the opposite side of the market” that would benefit from artificial price movements caused by the spoof orders, in a conspiracy that ran from July 2008 to November 2013, the complaint said.

The complaint was based in part on help from a cooperating witness, a former UBS trader who said Flotron taught him in his first week how to place spoof orders.

Flotron's case was previously reported by Bloomberg News, which said the Swiss citizen was arrested while visiting his girlfriend, a dentist, in New Jersey, and ordered held without bail on concerns that he might flee to Switzerland.

According to Bloomberg, Flotron's lawyer, Marc Mukasey, said the defendant had cooperated with U.S. prosecutors in an unrelated foreign exchange probe, and had visited his girlfriend in New Jersey many times before being taken into custody.

"Despite the fact that Mr. Flotron was blindsided by this arrest, he is prepared to fight this case," Mukasey said in an email on Thursday. "We look forward to a speedy trial."

Flotron began trading metals at UBS in 1999 and was put on leave in early 2014 after working for the bank in Switzerland and Stamford, Connecticut.

UBS was not accused of wrongdoing. The U.S. Attorney's office in Connecticut is handling Flotron's case.

In May 2015, the U.S. Department of Justice immunized UBS from possible criminal prosecution over metals price-rigging as part of a settlement in which the Swiss bank pleaded guilty to manipulating the London Interbank Offered Rate, or Libor, and other benchmark interest rates.

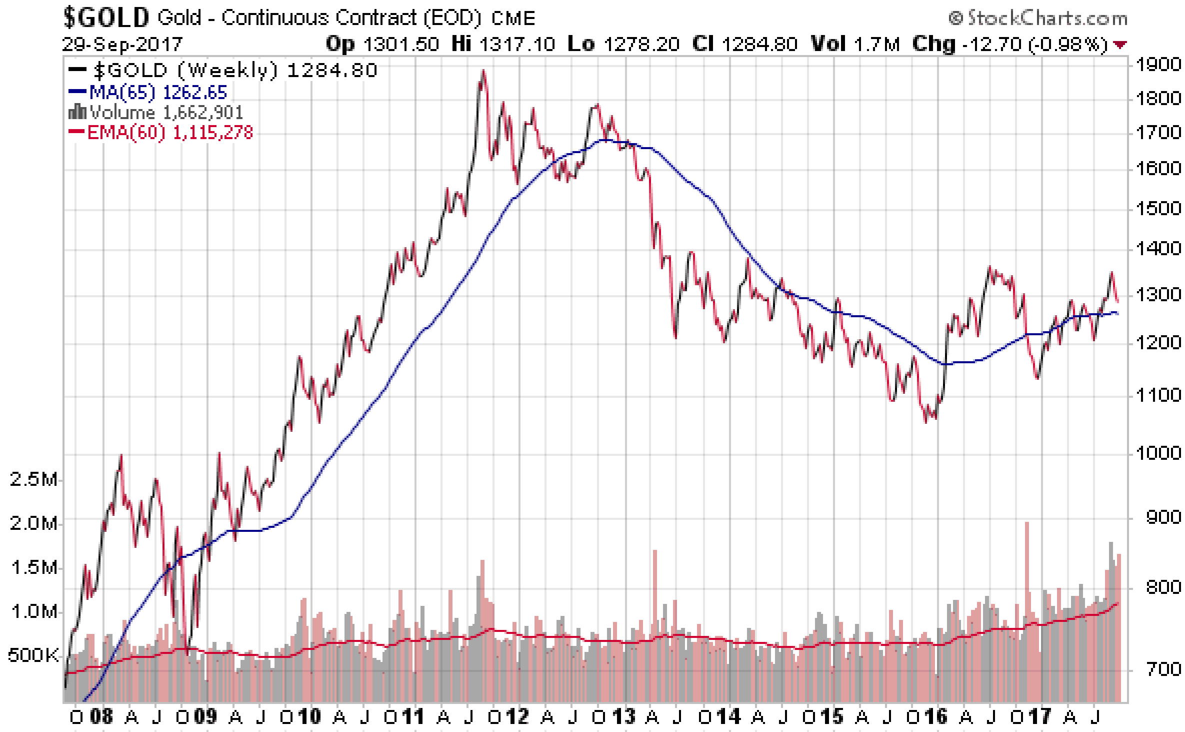
UBS also agreed at the time to pay a $203 million criminal penalty after breaching a December 2012 non-prosecution agreement resolving a Libor probe. ((bit.ly/2v9AZWX))((here))

In June, another precious metals trader, David Liew, pleaded guilty to a criminal conspiracy charge in the U.S. District Court in Chicago over his role in spoofing contracts for gold, silver, platinum and palladium.

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
01.09	08.09	27.09	29.09
1320	1346	1383	1283

London afternoon fix in €/toz:

Open	High	Low	Close
01.09	05.09	22.09	29.09
1114	1123	1082	1087

Gold fell back into its sideways channel in September.

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3. Silver

3.1 News and Fundamental Considerations

Nothing significant to report this month.

3.2 Technical Comments

Long Term Technical Comments

Silver fell below its long-term trend in September:

Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.09	08.09	29.09	29.09
17.5	18.21	16.86	16.86

London fix in €/toz:

Open	High	Low	Close
01.09	08.09	29.09	29.09
14.69	15.09	14.27	14.27

A poor month for silver.

John Fineron, 2nd October 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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