

JM&B Monthly Gold & Silver Report

Mid-March 2004 Special Update

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Introduction

The purpose of this special mid-month update is to provide technical comments on silver, which has significantly increased in price in all currencies over the last few months. We are being asked our opinion on silver prices on a daily basis and therefore wish to offer our views, to all who have elected, to receive our Monthly Report.

Fundamental Considerations

When supply/demand information for 2003 becomes available in May 2004, we do not anticipate that anything will have changed. What do we mean? We estimate that demand will still have exceeded supply and that above ground stocks will again be lower than the previous year.

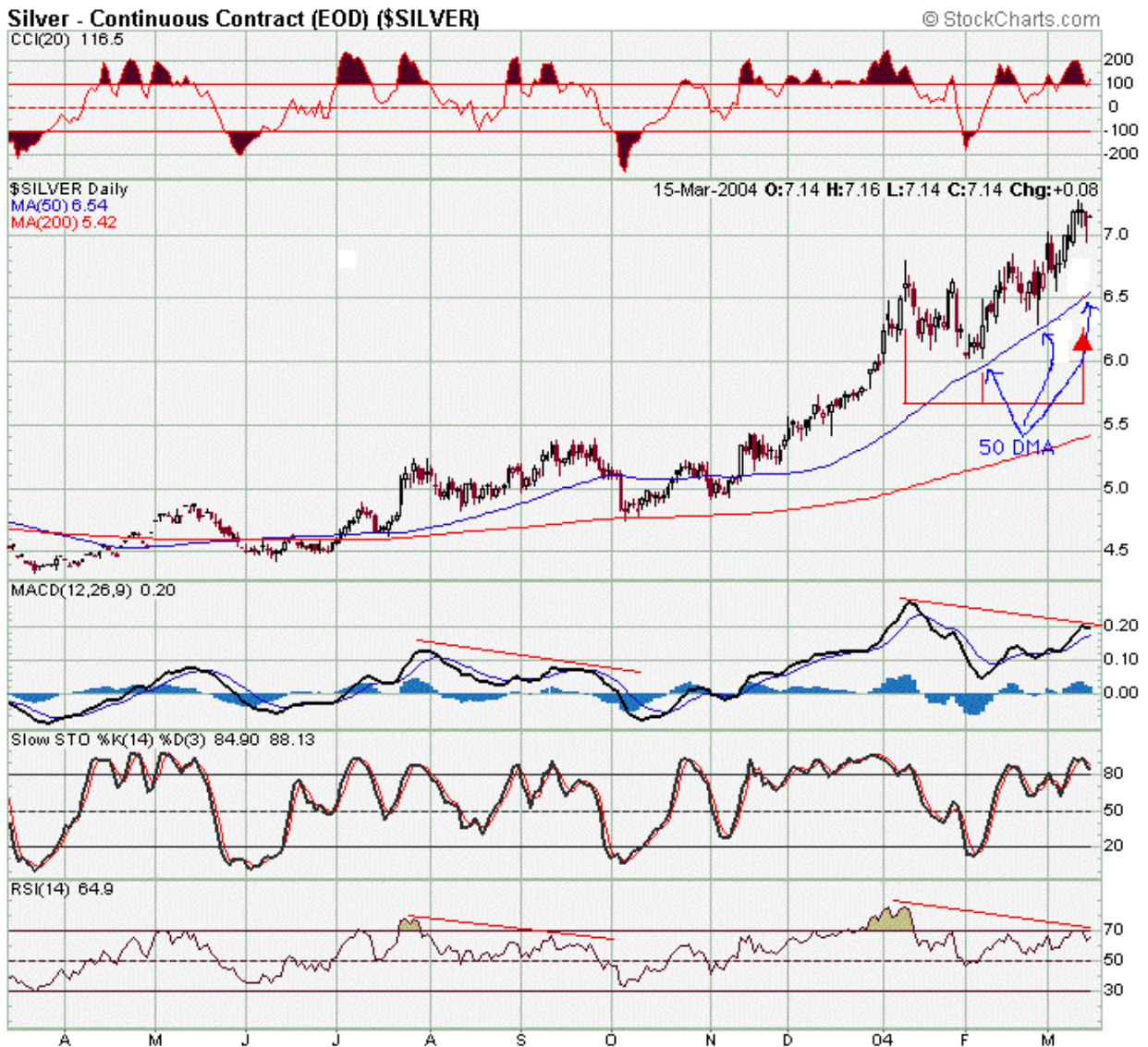
So why is the price of silver going up? The answer is simple, there is more buying than selling. Why? As with base metals, demand is strong and traders, call them speculators if you will, are also buying. Will fundamental demand go down as price increases? We strongly doubt this, unless prices go up by a large amount. At what price will holders of above-ground-stocks-sell? Your guess is as good as ours. At what point will traders close out positions? Remember, big bets have been made long, i.e. for higher prices and, big bets have also been made short, i.e. for lower prices. Again, your guess is also as good as ours, but technical analysis may give us clues, so please read on.

Technical Comments

We present two charts below.

The first chart shows the daily price movements of silver in USD/oz. Traders will be using charts in USD/oz, so even if you buy and sell silver in CHF or EUR, you should still follow trends in USD/oz.

You will notice that the 50-day moving average (50 DMA) has provided price support since November 2003. In fact, the two corrections in February stopped just above the 50 DMA. The momentum indicators below the chart indicate that the strength of the up-trend is deteriorating and that silver is currently overbought.



The second chart shows the monthly price movements of silver.

This chart shows clearly that since 1993, silver prices changed direction every 26 months and that we are now over 26 months ahead of the last price change.

The points in time where gold bottomed and tested it's low are also shown. Whilst silver usually trends with gold, it can move in a different direction for considerable periods, i.e. behave independently of gold.

Conclusions

The current rally is in its 28th month. Silver is overbought and the experience of the last 10 years, suggests that a major correction in the silver price should have taken place by now. On the other hand, the fact that a major correction is overdue may be an indication that the pattern of the last ten years is about to be broken. Silver may correct slightly (to the 50 DMA) and then move on to new highs. We think that currently, the price trend of silver over the next two months

could move either way. If silver does not have a major correction very soon, it could move significantly higher.



So what are buyers and sellers to do?

This is not an easy question to answer. The answer depends on risk tolerance and the need to buy or sell. With respect to price trends, our opinion is always the same. The trend must be respected until it changes. Even though a correction in silver prices is likely, based on the experience of the last ten years, the trend with silver is still up. The logical conclusion is, that buyers should buy on dips in price; sellers should sell on price surges. Anything else is speculation, one-way or the other.

If you still do not know what to do, perhaps the best approach is to reduce your exposure. This means buy or sell a part of your position be it supply or demand-side, or set yourself strict price limits at which you will buy or sell!

J. Fineron/17th March 2004

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

This document is supplied in PDF format. To view, you may need to download the free Adobe Acrobat Reader:

<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/What/index.html>

and the terms used:

<http://stockcharts.com/education/Resources/Glossary/index.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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