JM&B Monthly Gold & Silver Report
January 2010

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

Contents

1. Commentary

Gold and Silver corrected further in price in January and found support, technically exactly where they should have.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 5th January 2010, (Commodity Online) – How will India's reluctance to continue its gold buying spree affect the global bullion market? This is the question haunting many analysts across the globe as the world's numero uno consumer of gold, India, posts a huge fall in gold imports in 2009.

But, the ray of hope for the bullion market is that China has fast emerged as the leader in gold buying. In fact, in 2009 China has pipped India to the post in gold purchases.

Chinese New Year gold rush has already begun, and robust demand looks likely to continue through 2010. So, in the coming years, analysts will be watching China, instead of India, to make their decisions on investments in gold.

China's gold purchases have grown 10% from 2008's record in volume terms, rising 26% by value to equal $13.5 billion or more.

On recent trends, that would equate to more than 2% of China's famously massive household savings (up from 1% ten years ago) and account for almost one ounce in every eight sold worldwide.

According to GFMS, physical gold purchases by mainland Chinese households in 2009 was already running 19% ahead of India's private demand for Q1-Q3.

Given China's continued economic growth private gold consumption in Q4 most likely remained very robust. Whereas India's private gold off-take during Oct-December continued to shrink in the face of record-high prices.

Indian bank and wholesale dealers have reported below-market bids from their clients throughout the autumn. Imports were 54% lower from 2008's already disastrous finish.

Fourth-quarter Chinese consumption should be in the range of 116 tonnes. The running total to end-September was 315 tonnes. It is likely to finish full-year at 431-443 tonnes.

India's private demand, in contrast, ran 45% below 2008 levels during the first 9 months of the year, most notably depressed during Q1. Applying the 5-year average ratio of Q4 demand to Q1-Q3 figures (27% added to 264 tonnes), full-year private off-take would come in at 336 tonnes, the lowest total since at least 1991.

London, 6th January 2010, (Reuters) – Swiss bank Julius Baer (BAER.VX), which already operates a gold-backed exchange-traded product, said it is launching new ETPs backed by platinum, palladium and silver, to be traded on the SIX Swiss Exchange.

The products, which will be listed on January 8, will issue securities backed by physical stocks of the relevant precious metals, which will be stored in bank vaults in Switzerland.

Julius Baer executive director Stephan Mueller said the funds' launch was a logical step in the development of the bank's ETP portfolio, especially as the industrial precious metals may benefit from a broader economic recovery this year.

"We are very bullish on all metals which have a huge industrial application," he said. Platinum and palladium are chiefly consumed by car manufacturers, while silver is widely used in electronics fabrication.

ETPs are designed to give investors exposure to precious metals prices without having to buy and store the metals themselves. They have proved a popular way to invest in precious metals, with record inflows seen last year.

Julius Baer's gold ETP held 1.954 million ounces of gold as of January 4, data from the bank showed.

Toronto, 13th January 2010, (Reuters) – Gold prices will likely eclipse last year's record levels in the first half of the year, as stronger investment demand offsets the impact of relatively weak jewellery fabrication and lower de-hedging activity, a closely watched report said on Wednesday.

Gold could average $1,175 an ounce in the first half of 2010, up from last year's average of $972, GFMS, a London=based consultancy, said in an update of its Gold Survey 2009 report.

The metal XAU= leapt 25 percent last year and hit an all-time high of $1,226.10 an ounce in December, helped by the weakening U.S. dollar and gold's appeal as a hedge against inflation.

It has since retreated by about 8 percent, and was at $1,129 an ounce on Wednesday.

Philip Klapwijk, chairman of the consultancy, said those factors should continue to benefit gold, as the economic recovery would likely be sluggish, with a fair chance of a "double dip" in the United States, Europe and Japan.

"This suggests that there may be little or no tightening of fiscal and monetary policies this year in a number of major economies," he said.

Central banks are likely to keep interest rates near zero for most or all of the year, while government debt levels will continue to rise, raising the spectre of a prolonged slide in the U.S. dollar and higher inflation in the future.

"These are factors that are driving portfolio managers to look for further opportunities to enter the gold market," Klapwijk said.

However, the consultancy said the metal's increased dependence on investment demand -- global investment exceeded jewellery demand last year for the first time since 1980 -- leaves gold "increasingly vulnerable to a major correction when the circumstances favouring investment disappear."

DE-HEDGING TO FADE, JEWELRY WEAK

Producer de-hedging -- or the elimination of contracted future sales -- which helped drive gold higher late last year on the back of Barrick Gold's (ABX.TO) move to close its hedge position, should be fade sharply in 2010 due to the much smaller global hedge book.

Jewellery demand should recover modestly in the first half from 2009, when consumption was derailed by the global recession. However, it should remain historically weak in 2010 and could slide later in the year as pent-up demand from last year fades, GFMS said.

MODERATE SUPPLY RISE

Global mine supply should rise modestly, including a 3.9 percent year-over-year gain in the first half, but the gains are unlikely to have a big impact on gold prices, GFMS said.

Official sector sales -- generally central bank sales -- should also rise after a sharp 90 percent decline last year, when economic uncertainty drove central banks to be net buyers in the latter part of the year.

GFMS sees the sector returning to selling this year, with expected net sales of 69 tonnes expected in the first half.

Both these factors should be offset by a sharp drop in scrap sales from last year's record level of 1,541 tonnes, as 2009's price surge combined with a difficult economy prompted many consumers to sell unwanted jewellery.

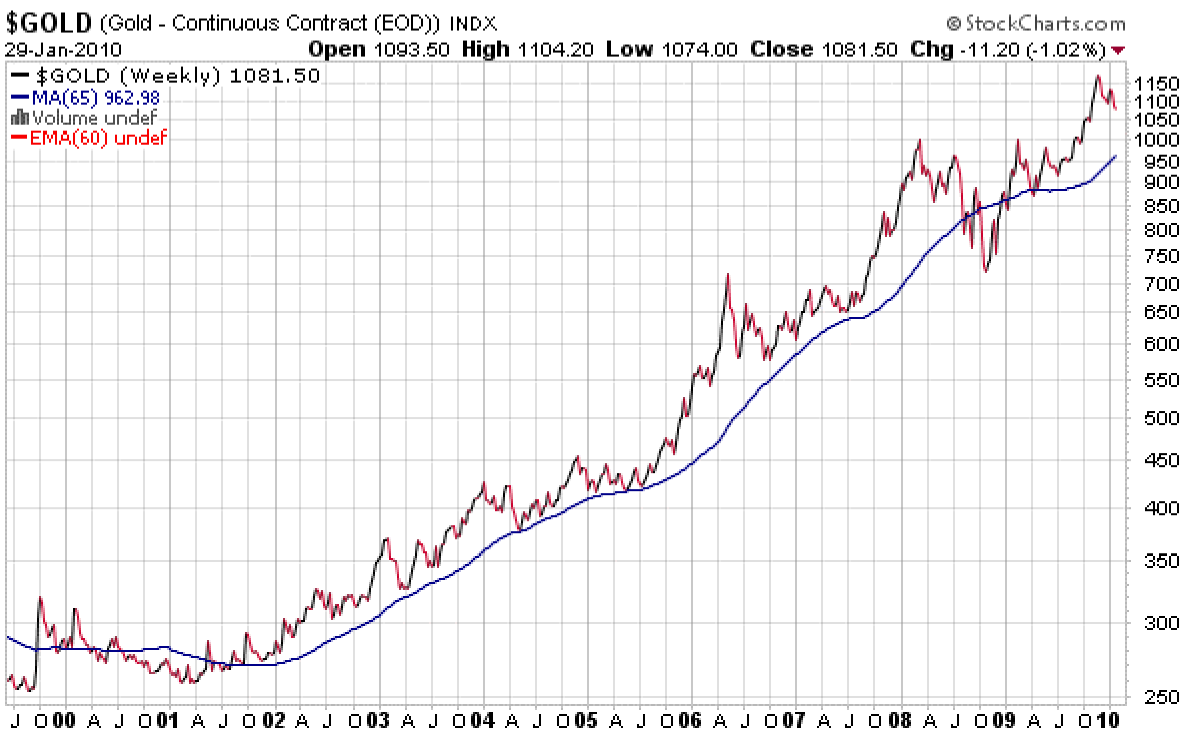
Moscow, 21st January 2010, (Bloomberg) – Russia's central bank added 800,000 troy ounces of gold to its reserves last month, increasing its holdings of the metal in dollar terms to $22.4 billion as of Jan. 1, Bank Rossii said on its Web site.

The bank's gold reserves climbed to 20.5 million ounces from 19.7 million the previous month.

2.2 Technical Comments

Long Term Technical Comments

No change in the long-term trend:



Daily/Weekly Technical Comments

London afternoon fix in USD/oz:

Open	High	Low	Close
4th January	11th January	29th January	29th January
1122	1153	1079	1079

London afternoon fix in €/oz:

Open	High	Low	Close
4th January	11th January	22nd January	29th January
777.5	794.4	768.1	775.4

After bouncing early January, gold fell to the December low at month's end, slightly lower as measured in USD/oz, slightly higher in €/oz. Interesting.

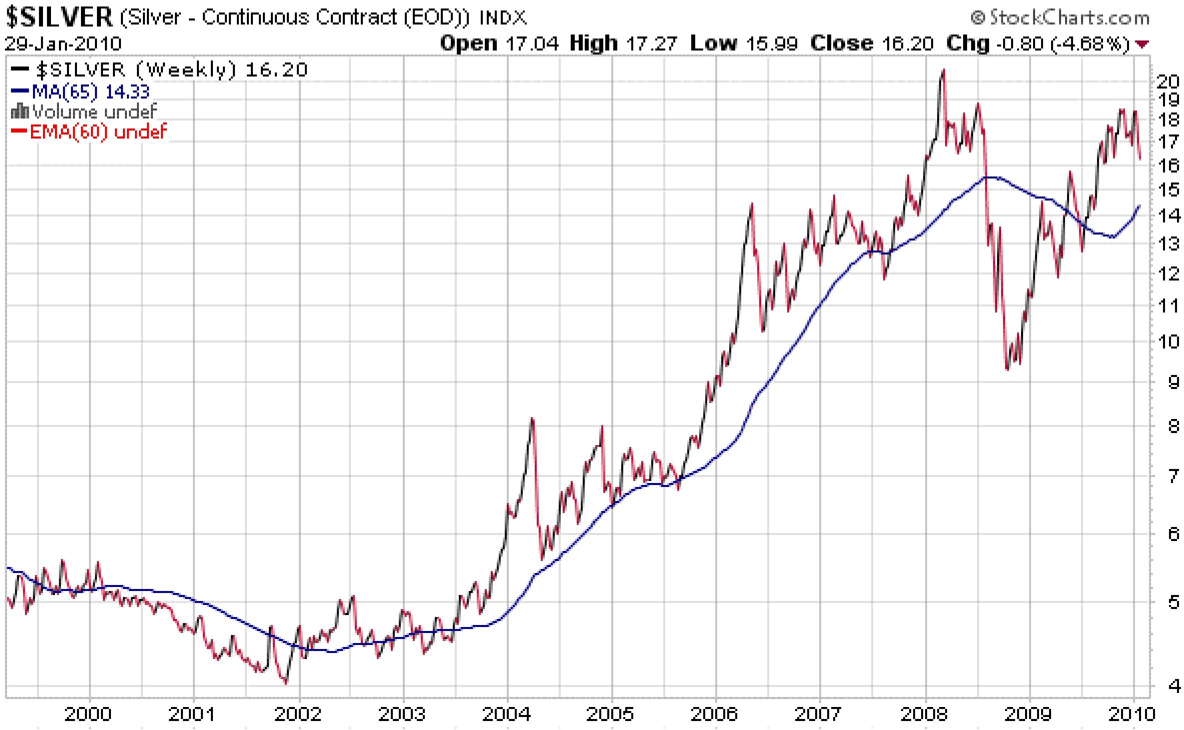
3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

Still no upward break of the inverted head and shoulders formation:



Daily/Weekly Technical Comments

London fix in USD/oz:

Open	High	Low	Close
4th January	11th January	29th January	29th January
17.17	18.84	16.29	16.29

London fix in €/oz:

Open	High	Low	Close
4th January	18th January	29th January	29th January
11.93	12.98	11.67	11.67

Silver found support at around 16 USD/oz at the end of the month.

John Fineron, 1st February 2010.

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

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.

Special Legal Notice/Disclaimer concerning this report

This report represents the views of Johnson Matthey & Brandenberger AG, which may be materially different from those of Johnson Matthey plc and other group companies.