JM&B Monthly Gold & Silver Report
April 2014

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

Gold moved sideways in April and silver fell back to its cycle lows.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 15th April 2014, (WGC) – The World Gold Council recently released a major report, China's gold market: progress and prospects, examining the factors that have driven China's rise to become the number one producer and consumer of gold since the market began liberalising in the late 1990s. It also highlights why, despite this steep growth in demand, the market will continue to expand, irrespective of short term blips in the economy.

The next six years are expected to see China's middle class grow by over 60%, or 200m people, to a total of 500 million. Comparing this to the total population of the US, which stands at 319m, puts the size of this new market of affluent consumers, with the propensity to buy gold, in perspective.

In addition to these newly emerging middle classes, rising real incomes, a deepening pool of private savings and rapid urbanisation across China suggest that the outlook for gold jewellery and investment demand in the next four years will remain strong.

Key facts:
China's continuing urbanisation means that it now has 170 cities with more than one million inhabitants - within these cities, the middle classes currently number 300million and are set to grow to 500million by 2020. Demand for gold amongst those with a greater disposable income and limited investment opportunities will continue to grow.

Chinese savings levels remain high – there is an estimated US$7.5 trillion in Chinese bank accounts and household allocations to gold remain small, around $300bn. Gold is seen as a stable, accessible investment by consumers, particularly in the light of rising house prices and a lack of alternative savings options. Chinese investors have a preference for physical gold over paper, with investment focused on small bars, gift bars or Gold Accumulation Plans (GAPs). New gold investment products mean that medium term demand for bars and coins could reach close to 500t by 2017 – a rise of nearly 25% above its record level last year.

China has become the world's number one jewellery market, nearly trebling in size over the past decade – at 669t in 2013, it accounts for 30% of global jewellery demand. Estimates suggest that demand will continue to grow and reach 780t by 2017. There are now over 100,000 retail outlets selling 24k gold and thousands of manufacturers nationwide.

Consumer sentiment toward gold is unwavering – although 40% of jewellery consumption relates to weddings, the appetite for gold in China goes beyond occasions and gift giving. 80% of consumers surveyed for this report planned to maintain or increase their spending on 24-carat gold jewellery over the next 12 months believing that gold will hold its long-term value and because they expect to have a higher level of disposable income.

Chinese electronics demand for gold will see small gains in the next four years – industrial demand has grown with electronics being the key driver (climbing from 16t in 2003 to 66t in 2013. China is also the leading market for gold related patents such as the use of nanogold in healthcare.

Official gold holdings in China totalled 1,054t at the end of 2013making the country the world's sixth largest holder of bullion- based on this declared stock, gold represents 1% of China's total official reserves (down from a peak of almost 2% in 2012) due to the rapid growth of the country's foreign exchange holdings which reached around US$3.8 trillion at the end of 2013. Speculation continues as to whether the Chinese government has increased its gold holdings.

China has gone from being a minor producer to the world's largest source of mined gold - in the past ten years production has doubled from 217t to 437t.

Beijing, 21st April 2014, (South China Morning Post) – The mainland has begun allowing gold imports through the capital, sources familiar with the matter said, in a move that would help keep purchases by the world's top bullion buyer discreet at a time when it might be boosting official reserves.

The opening of Beijing as a third import point after Shenzhen and Shanghai could threaten Hong Kong's pole position in the mainland's gold trade, as the country can get more of the metal it wants directly rather than through a route that discloses how much it is buying.

The mainland does not release any trade data on gold. The only way bullion markets can get a sense of its purchases is from the monthly release of export data by Hong Kong, which supplied US$53 billion worth of gold to the mainland last year.

"We have already started shipping material in directly to Beijing," said an industry source.

The quantities brought in so far had been small as imports through Beijing had only been allowed since the first quarter of this year, sources said.

The People's Bank of China was believed to be adding to its gold reserves, the World Gold Council said, as it looked to diversify from US Treasuries. The central bank rarely reveals the numbers.

The 28 per cent plunge in gold price last year and the mainland's record bullion imports sparked speculation that the PBOC had added huge amounts of gold to its reserves and could make an announcement this year.

Central banks tend to be very secretive about their gold purchases and sales because prices are extremely sensitive to their trades. Rumours last year of Cyprus selling its gold reserves to prop up finances sent the metal's price down more than 10 per cent over two days, its biggest such decline in 30 years.

Gold has traditionally been imported from Hong Kong into Shenzhen, where nearly 70 per cent of the mainland's gold jewellery business is located. Shanghai was opened up as a second port last year. Only banks are allowed to import gold into the mainland.

The mainland imported nearly 1,160 tonnes of gold from Hong Kong last year, more than twice 2012's figure, as the drop in prices caused a spurt in demand.

An analysis of trade figures from data provider Global Trade Information Services showed the mainland imported at least a further 194 tonnes last year from centres other than Hong Kong, likely into Shanghai.

One source said the move to open up Beijing "is partly driven by the fact that Hong Kong is perhaps a little too transparent", but it was also to accommodate upcoming free-trade zones and non-jewellery demand.

Besides the 1,160 tonnes of gold imported from Hong Kong last year, the mainland produced about 428 tonnes domestically.

The World Gold Council has said mainland demand was 1,066 tonnes last year, leaving the industry guessing about the "surplus" of about 522 tonnes, not including direct imports.

The central bank last disclosed its gold reserves in 2009, when it announced its holdings had risen to 1,054 tonnes from 600 tonnes in 2003.

Philip Klapwijk, managing director of Hong Kong-based consultancy Precious Metals Insights, has said the mainland's official-sector purchases could have totalled 300 tonnes in the first half of last year and the pace likely continued in the latter half.

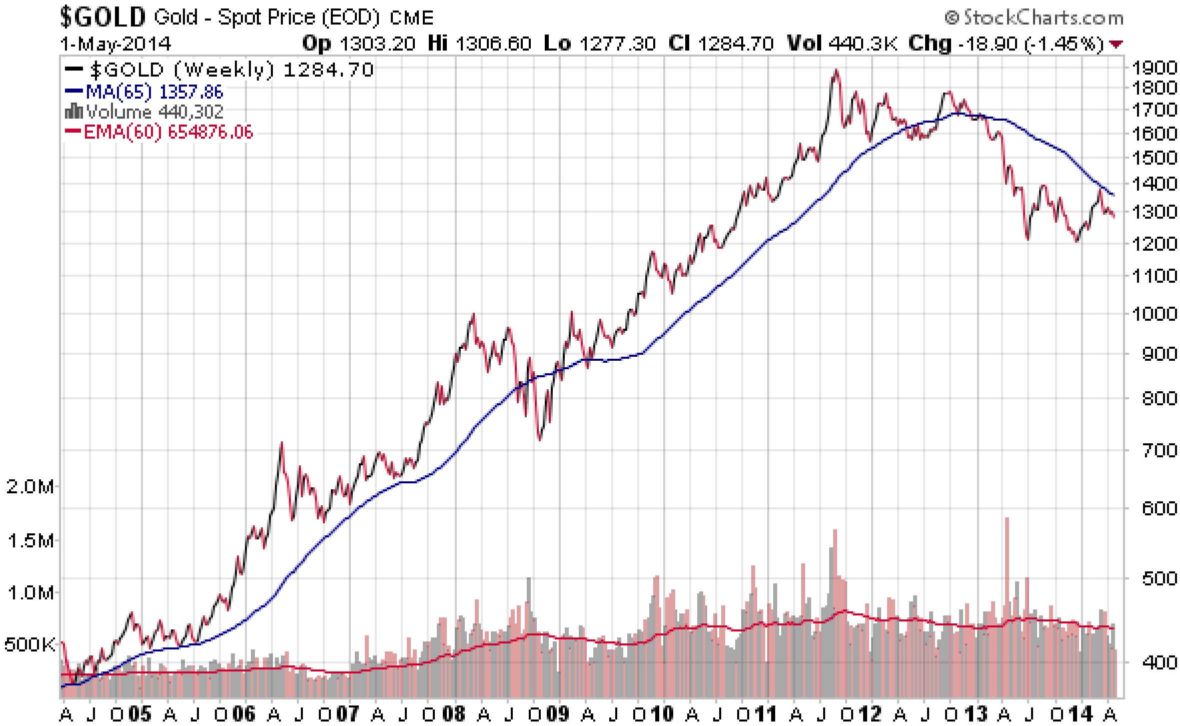
Rumours estimate the size of the PBOC's gold reserves at 3,000 to 5,000 tonnes. The United States is the biggest holder, with more than 8,000 tonnes.

Even a 1,000-tonne increase from last-announced levels could prompt a jump in gold prices, which would make the PBOC very cautious about the timing of any announcement, said two mainland analysts.

2.2 Technical Comments

Long Term Technical Comments

Gold moved sideways in April:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1st April	14th April	1st April	30th April
1284	1326	1284	1289

London afternoon fix in €/toz:

Open	High	Low	Close
1st April	10th April	30th April	30th April
930.4	952.3	929.8	929.8

Gold essentially moved sideways in April.

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3. Silver

3.1 News and Fundamental Considerations

3.2 Technical Comments

Long Term Technical Comments

At the end of April, silver appeared to be on the verge of testing its double-bottom:

Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1st April	10th April	24th April	30th April
19.8	20.24	19.06	19.28

London fix in €/toz:

Open	High	Low	Close
1st April	10th April	30th April	30th April
14.35	14.59	13.94	13.94

After clinging to around 20 USD/oz for the first half of the month, silver drifted down to its low in the second half.

John Fineron, 2nd May 2014

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Appendix: More about this report

Purpose of the Report
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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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