

# JM&B Monthly Gold & Silver Report

## November 2013

<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](http://www.platinum.matthey.com/publications/price_reports.html)

### Contents

- 1. Commentary
- 2. Gold
  - 2.1 News and Fundamental Considerations
  - 2.2 Technical Comments
- 3. Silver
  - 3.1 News and Fundamental Considerations
  - 3.2 Technical Comments
- Appendix More about this report

## 1. Commentary

Gold and silver slipped in price in November.

## 2. Gold

### 2.1 News and Fundamental Considerations

#### Selected News Items from the Month

**Beijing, 1st November 2013, (Bloomberg)** – Gold shipments to China from Hong Kong fell for a second month after the premium to take immediate delivery declined, indicating waning physical demand in the nation poised to become the largest consumer.

Net imports, after deducting flows from China into Hong Kong, were 109.4 metric tons in September, from 110.2 tons a month earlier, according to Bloomberg calculations based on data e-mailed from the Hong Kong Census and Statistics Department. Still, the amount has more than doubled to 826 tons in the first nine months of the year, the data show.

Gold prices dropped in September for the first loss in three months amid speculation at the time that the U.S. Federal Reserve would slow its \$85 billion in monthly bond purchases. The average premium that Chinese buyers paid to take gold for immediate delivery in Shanghai fell to \$8.97 in September, compared with \$13.57 a month earlier.

“Demand eased a bit in September as investment in China remained sensitive to the gold price outlook,” said Wang Weimin, an analyst at Dalian Fortune Futures Co., before the announcement. “A lower premium was a good indicator that Chinese investment demand slowed after more sell-offs following the gold rout in April and in June.”

Gold for immediate delivery in London traded at \$1,323.91 an ounce at 10:18 a.m. Beijing time. Bullion, which dropped as low as \$1,180.50 an ounce on June 28, has declined 21 percent this year as investors reduced holdings in exchange-traded products on prospects for a global economic recovery.

### Overtaking India

China’s total gold consumption this year may jump 29 percent to reach 1,000 tons, overtaking India to become the world’s largest user, according to the World Gold Council. China and India combined account for more than half of the world’s demand, according to the WGC.

Mainland buyers purchased 116.3 tons in September, including scrap, compared with 131.4 tons in August, data from the Hong Kong government showed.

China’s purchases in September were 67 percent higher than the 69.7 tons a year earlier, according to the Hong Kong data. Mainland China doesn’t publish such data.

Exports to Hong Kong from China were 6.9 tons in September, according to the e-mail today, compared with 21.3 tons in August and 28.2 tons in September 2012.

**Beijing, 11th November 2013, (Bloomberg)** – A gold vault that can store 2,000 metric tons, double China’s projected consumption this year, opened in Shanghai this month as owner Malca-Amit Global Ltd. seeks to benefit from rising demand in Asia’s largest economy.

The facility is the biggest for the Hong Kong-based company, and it can also store diamonds, jewelry and art, Joshua Rotbart, precious metals general manager, said in an interview. The site could hold bullion worth about \$82.5 billion at today’s price, Bloomberg calculations show. China’s total demand may reach 1,000 tons in 2013, the World Gold Council forecasts.

Consumption in China may increase 29 percent to a record this year, overtaking India as biggest user as lower prices and higher incomes spur demand, according to the WGC. The investment in Shanghai’s new free-trade zone reflects a shift in world demand away from the U.S. and Europe toward Asia. Demand for gold jewelry, bars and coins in Greater China, India, Indonesia and Vietnam is now about 60 percent of the global total, up from 35 percent in 2004, according to HSBC Holdings Plc.

“Such a facility is a massive vote of confidence for the Chinese gold market,” said Philip Klapwijk, managing director of Hong Kong-based Precious Metals Insights Ltd. “The trend for

demand has been very strongly positive,” said Klapwijk, who’s monitored precious metals since 1988.

#### Annual Loss

Bullion is headed for the first annual drop in 13 years as expectations that the U.S. Federal Reserve will curb stimulus hurt investment demand, spurring record outflows from exchange-traded products. Bullion in London traded at \$1,282.14 an ounce at 3:03 p.m. in London, 23 percent lower this year and 33 percent below the record \$1,921.15 reached in September 2011.

“There’s going to be more gold coming to China,” Rotbart said on Nov. 5. “This place can be used as a trade hub basically, so foreign banks can trade with domestic banks within this facility, saving costs and time.”

The Shanghai vault is targeted at international and Chinese financial institutions, as well as the arts community, Rotbart said at the Waigaoqiao free-trade area, where firms have fewer restrictions on investment and foreign-exchange requirements. Apart from Hong Kong and Singapore, where capacity is 1,000 tons each, Malca-Amit also has storage space in New York, Zurich, Geneva, London and Bangkok.

“We expect big demand from foreign banks and we are talking to a few,” said Rotbart. “It’s a step forward for them because it puts less limit on how they operate in China.”

#### Preserving Wealth

While gold in China and elsewhere in Asia is traditionally seen as a way of preserving wealth, Goldman Sachs Group Inc. and Credit Suisse Group AG are among those forecasting more losses. Bullion will average \$1,175 in the third quarter of next year, according to the median of estimates from the 10 most-accurate precious metals analysts tracked by Bloomberg in a survey published last month. Prices were last at that level in 2010.

Investors sold more than 755 tons from gold-backed ETPs this year as holdings contracted every month, according to data compiled by Bloomberg. There is a risk that bullion may drop below \$1,000 an ounce as the Fed withdraws stimulus and economic data improve, Goldman Sachs forecast Sept. 13.

“There’s been a lot of gold being sold out of ETFs, all of that is outside of China,” Victor Thianpiriya, a Singapore-based analyst at Australia & New Zealand Banking Group Ltd., said by phone today. “A lot of that has found its way to China via Hong Kong, attracted by demand for bullion bars.”

#### Chinese Consumption

China’s consumption totaled 776.1 tons in 2012, compared with 864.2 tons in India, according to the WGC. Usage in China rose 54 percent to 706.36 tons in the first six months, according to the China Gold Association, which is funded by miners, refiners, retailers and jewelry makers.

Australia & New Zealand Banking Group, Deutsche Bank AG and UBS AG also opened vaults in Asia this year, and U.K. bullion exports surged, a sign to Macquarie Group Ltd. of the flow of

metal from west to east. Bullion demand across Asia will keep expanding as inflation spurs purchases, HSBC economists including Frederic Neumann said in a report on Oct. 18.

China ranks fourth worldwide in terms of the number of people with \$1 million or more in investible assets, according to a report by Cap Gemini SA and Royal Bank of Canada. The number of high-net-worth individuals in the country rose 14 percent to 643,000 in 2012 from the year before, the report said. China's gross domestic product increased to \$8.4 trillion last year, from \$1.5 trillion in 2002, Bloomberg data show.

#### Net Imports

Bullion has been flowing into mainland China even as local output increased. Net imports from Hong Kong more than doubled to 826 tons in the first nine months of the year, according to Bloomberg calculations based on government figures. Local output rose 8.2 percent to 270.2 tons from January to August.

Shanghai is home to the country's biggest physical gold exchange, founded by the People's Bank of China. Gold volume on the Shanghai Gold Exchange rose to a five-month high of 22,703 kilograms on Oct. 8.

China started the pilot free-trade zone in Shanghai at the end of September, promising a more business-friendly regulatory framework and relaxed capital-flow rules. The country may allow more companies to import and export gold under draft rules released by the central bank on Sept. 30.

**London, 14th November 2013, (WGC)** – The World Gold Council's Gold Demand Trends (GDT) is the leading industry resource for data and opinion on world-wide gold demand. Our quarterly publication examines demand trends by sector and geography. The most recent review of the third quarter of 2013 comprises three sections:

#### Executive summary:

This section of the report considers the main themes to have emerged in global gold demand in Q3 and throughout the year-to-date.

#### Global Gold Market: Third quarter 2013 review:

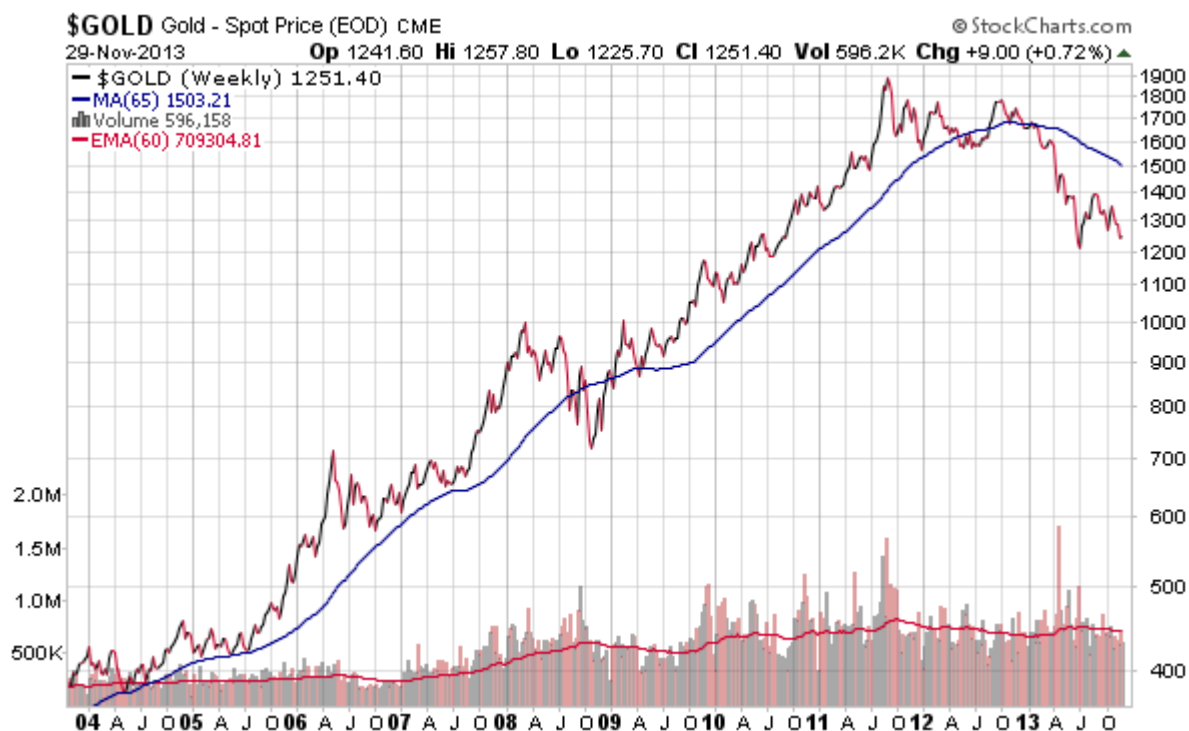
- Jewellery: The jewellery sector delivered another quarter of solid year-on-year growth as consumers across the globe, encouraged by lower average prices, showed an increasing demand for higher carat pieces.
- Investment: Demand for bars and coins grew 6% to 304.2 tonnes, with growth mainly coming from Asia and the Middle East, including Turkey. Outflows from ETFs slowed to 119t.
- Technology: Q3 was another period of robust demand for gold in the Technology sector. Demand related to the use of gold in electronics has shown the most resilience, aided by demand for tablets and smart phones.
- Central Banks: Central banks continued to accumulate gold, albeit at a slower rate than the elevated levels seen in 2012. Year-to-date, global central bank gold reserves have increased by almost 300 tonnes.

- Supply: The supply of gold in the third quarter fell by 3% from the same period in 2012. A sharp contraction in the supply of gold from recycling accounted for the decline as mine production increased by 4%.

## 2.2 Technical Comments

### Long Term Technical Comments

Gold fell in price in November:



### Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
1 <sup>st</sup> November	6 <sup>th</sup> November	21 <sup>st</sup> November	29 <sup>th</sup> November
1307	1319	1240	1253

London fix in €/toz:

Open	High	Low	Close
1 <sup>st</sup> November	7 <sup>th</sup> November	28 <sup>th</sup> November	29 <sup>th</sup> November
967.7	978.5	915.5	921.1



Gold approached the lows of the summer in November.

## 3. Silver

### 3.1 News and Fundamental Considerations

Washington, D.C., 20h November 2013, (Silver Institute) – The growing industrial demand for silver and its multiple uses throughout the world was highlighted at the 2013 Silver Industrial Conference, recently held in Washington, D.C. The well-attended conference, which included presentations by global industry leaders, was sponsored by the Silver Institute.

Executives and experts from manufacturing, technical research, mining, refining, product and systems development, and the financial and investment sectors came together to examine the expanding requirements for silver. New and mature silver-based industrial products were discussed, focusing attention on the growing demand for silver, as industry — spurred on by new research — turns to increasingly advanced technological products and systems.

Reporting on the silver industrial demand in Europe, Mr. Arnd Gollan of Allgemeine Gold-und Silberscheideanstalt said that in the chemical industry and in electrical engineering, there is an increasing demand for machined silver parts. The trend in European silver usage is also rising in automotive, aerospace, communications, household appliances, and water treatment systems, Mr. Gollan stated.

Silver is a critical element in the production of ethylene oxide (EO), a basic chemical vital in the production of polyester textiles, polyethylene terephthalate (PET) bottles, and thousands of other products commonly used in everyday life, according to Mr. Doug Rightler of PCI Xylenes Polyesters Ltd. He detailed how silver enables ethylene to react with oxygen to produce EO, which is a building block in producing polyester. The silver acts as a catalyst and is then recovered and recycled. “As many as 100 million ounces of silver are in existing EO production facilities and that number is expected to be some 40 percent higher by 2020,” Mr. Rightler said.

Dr. Heather McGinley, of Dow Microbial Control, stated “Silver is found in medical applications all over the world. It is inherently antimicrobial and controls hundreds of pathogens, especially in hospital settings.” Silver is increasingly integrated into fabrics used as medical gowns and in disposables, to minimize the transmission of pathogens. Silver also gives the hospital garments a longer useful life as they can be washed as many as 50 times and still retain their silver protection.

The conference attendees also heard from experts on silver’s use in solar panels and electronics. In addition, there were presentations on supplying the industrial sector from a banking perspective and how silver recycling plays an important role in servicing the needs of industrial end-users.

A panel discussion examined current issues affecting the silver industrial complex, including silver’s bright industrial potential in a growing global economy and those uses where silver’s unique properties outweigh all other factors.

“Yet,” as Mr. Ross Norman of Sharps Pixley reminded the attendees, “with all of its many uses, silver is very much a rare metal. Since the beginning of recorded history, only an estimated 1,464,700 tons of silver have been mined.”

## 3.2 Technical Comments

### Long Term Technical Comments

Silver slipped in price in November:



### Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
1 <sup>st</sup> November	6 <sup>th</sup> November	25 <sup>th</sup> November	29 <sup>th</sup> November
21.75	21.94	19.71	19.93

London fix in €/toz:

Open	High	Low	Close
1 <sup>st</sup> November	6 <sup>th</sup> November	28 <sup>th</sup> November	29 <sup>th</sup> November
16.09	16.24	14.54	14.64





Silver fell in price in November.

John Fineron, 3<sup>rd</sup> December 2013

## 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](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.

### **General Legal Notice/Disclaimer**

Information and images contained within the web pages published by Johnson Matthey & Brandenberger AG ("JM&B") are copyright and the property of JM&B.

JM&B authorises you to copy documents or pages published by JM&B on this Web site for your non-commercial use only. Copies may be made for others for their personal information only. Any such copy shall retain all copyrights and other proprietary notices, and any disclaimer contained thereon.

None of the content of these pages may be incorporated into, reproduced on, or stored in any other Web site, electronic retrieval system, or in any other publication, whether in hard copy or electronic form. You may not, without our permission, 'mirror' this information on your own server, or modify or re-use text or graphics on this system or another system.

Certain links on this Web site lead to resources located on servers maintained by third parties over whom JM&B has no control. JM&B accepts no responsibility for the information contained on such servers.

The information, text, graphics and links contained in these pages are provided for information purposes only. JM&B does not warrant the accuracy, or completeness of the information, text, links, and other items contained on this server or any other server.

JM&B accepts no responsibility for loss, which may arise from reliance on information contained in this site.

No warranty of any kind, either expressed or implied, is made as to the information contained in these pages, including, but not limited to any implied warranty of merchantability, fitness for a particular purpose or non-infringement of third party intellectual property of or by JM&B products. Some jurisdictions do not allow the exclusion of implied warranties, so the above exclusion may not apply to you.

JM&B may make changes to the information contained in these pages, or to the products described in them, at any time without notice, however JM&B makes no commitment to update the information given in these pages.