JM&B Monthly Gold & Silver Report
November 2016

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

Contents

1. Commentary

Both gold and silver fell again in price this month.

2. Gold

2.1 News and Fundamental Considerations

Selected News Items from the Month

London, 8th November 2016, (GFMS) – Physical gold demand slumped by nearly a third in the three months to September, GFMS analysts at Thomson Reuters said on Thursday, as a rally in prices curbed jewellery buying in the key Chinese and Indian markets. The net surplus in the gold market was at its highest since 2005, it said, as demand for gold-backed exchange-traded funds also weakened.

Prices are expected to stabilise into the year-end, GFMS said, bottoming out at $1,240 an ounce. Next year it forecasts gold prices will average $1,420.

The U.S. election battle between Democrat Hillary Clinton and Republican Donald Trump, who go to the polls in November, has now overtaken Britain's vote to leave the European Union as the key driver of gold buying, and consequently prices, it said. "On balance, if Trump became President it would be likely to cause gold to rise above $1,400 and even $1,500 for the first time since April 2013," it said. "However, a combination of scrap supply and weak demand might well cause such a rally to face strong headwinds." "Meanwhile, if Clinton wins then it is probable that some of the risk premium in the gold price at present would be lost in a kneejerk response, potentially causing a downward shift of around $50."

Consumption of physical gold in the form of coins, bars and jewellery was down nearly 30 percent year on year in the third quarter, while higher prices lifted scrap flows by a fifth. Chinese jewellery buying fell 29 percent from a year before, more than offsetting an 11 percent rise in investment demand in the same period. Indian consumption saw a still steeper drop, sliding 41 percent to 108 tonnes, while investment demand also fell 60 percent to 22 tonnes. Scrap sales more than doubled, meanwhile, to their highest since 1999. GFMS said it expects both Chinese and Indian demand to pick up in the final quarter. "Indian fabrication demand in the fourth quarter has started improving with fabricators indicating they are doing volumes in the range of 70 to 90 percent of their seasonal averages," it said. "Lower prices will continue to be an important factor driving sales during the October-November festive season." Chinese buying will also benefit from festive demand, it added. "Besides the seasonal demand impact as retail inventory levels rise ahead of the Chinese New Year next January, a rebound in retail consumer sentiment after a prolonged period of thrifting is also likely to boost jewellery demand, which in turn will stimulate gold imports in the remainder of 2016."

GOLD SUPPLY/DEMAND (T)

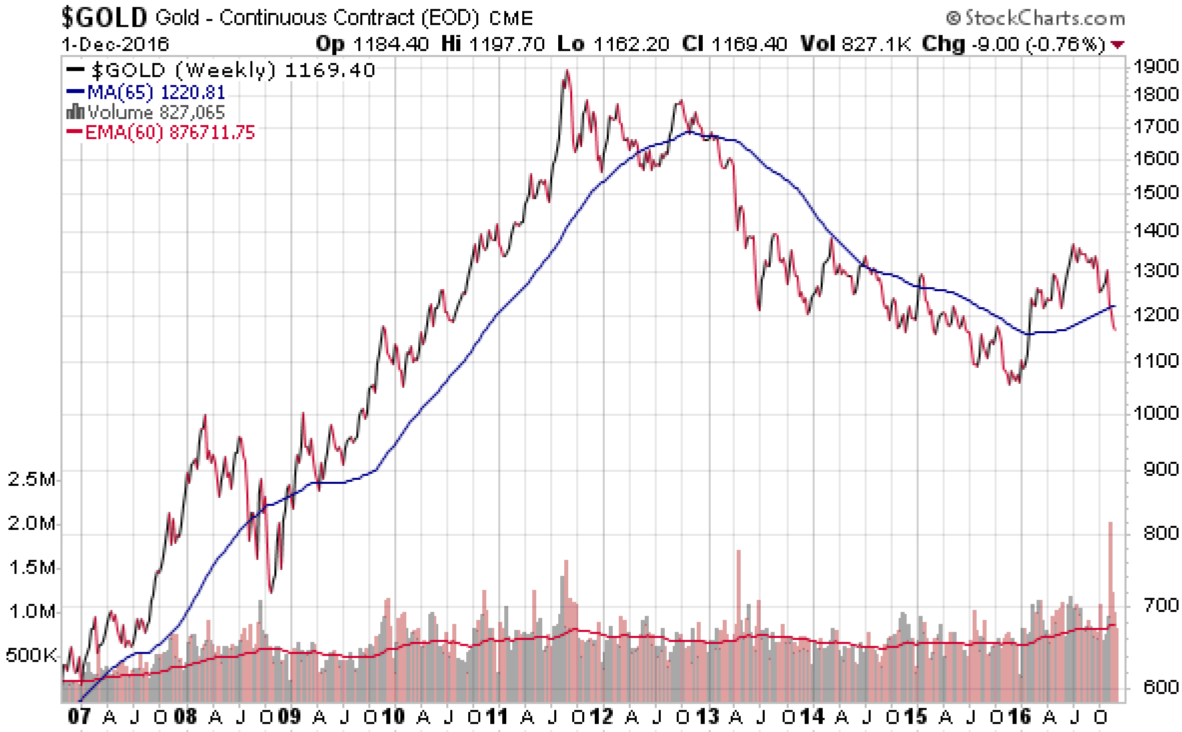
	Q3 2015	Q2 2016	Q3 2016	Y/Y change (pct)
DEMAND				
Jewellery fabrication	558	356	409	-26.8
Industrial fabrication	90	83	84	-6.1
Central bank buying	152	35	63	-58.2
Retail investment	299	234	211	-29.4
TOTAL	1099	708	767	-30.1
SUPPLY				
Mine production	839	775	822	-2.1
Scrap	279	304	336	20.3
Net hedging	20	21	-5	
TOTAL	1138	1100	1153	1.3
Physical surplus	39	392	386	848.5
ETF flows	-60	233	124	
Exchange inventory build	-39	76	5	
Net balance	139	82	258	84.7

Source: GFMS Gold Survey: Q3 Review and Outlook

2.2 Technical Comments

Long Term Technical Comments

Gold corrected further in November:



Daily/Weekly Technical Comments

London afternoon fix in USD/toz:

Open	High	Low	Close
01.11	02.11	30.11	30.11
1288	1304	1178	1178

London afternoon fix in €/toz:

Open	High	Low	Close
01.11	03.11	30.11	30.11
1167	1174	1112	1112

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

Gold moved downwards for most of the month.

3. Silver

3.1 News and Fundamental Considerations

London, 16th November 2016, (GFMS) – Physical silver demand hit a four-year low this year as higher prices and weaker consumer sentiment put people off buying jewellery, coins and bars, GFMS analysts at Thomson Reuters predicted on Thursday.

A drop in mine output is expected to have helped keep the market in a physical deficit, GFMS said, but the shortfall is forecast to shrink by nearly 60 percent.

"The silver market is expected to be in an annual physical deficit of 52.2 million ounces in 2016, marking the fourth consecutive year in which (it) has realized an annual physical shortfall," GFMS analyst Johann Weibe said in the report.

Silver prices have risen by nearly a quarter this year after three years of decline, as expectations for further U.S. interest rate hikes faded and worries over Brexit and the U.S. elections lifted demand for the metal as a haven from risk.

Buying of silver-backed exchange-traded funds to cash in on rising prices and an increase in exchange inventories, pushed up the silver market's overall net balance, including these two factors, to 185.5 million ounces. That is the biggest shortfall since 2008.

Silver-backed ETFs are expected to have seen inflows of 71.4 million ounces this year, GFMS said, while inventory stocks are tipped to have risen by 61.9 million ounces.

Sales of jewellery and silverware, the largest single segment of physical demand, are expected to have dropped to 257.6 million ounces, GFMS said, their lowest since 2012.

"A decline in discretionary spending, thrifting, lower economic growth and a higher silver price have all contributed to the overall decline," Weibe said.

Sales of silver coins and bars, which leapt to a record 292.4 million ounces last year, are seen falling by nearly a quarter to 222.0 million ounces in 2016.

Bar demand was hurt particularly by a weaker Chinese economy and lackluster consumer sentiment in the United States, GFMS said, though worries over Britain's vote to leave the European Union should lift European demand by 14 percent this year.

Coin and bar sales are still expected to account for more than a fifth of silver demand this year, however, up from 5 percent a decade ago.

Silver demand from the photovoltaic sector is expected to have risen 11 percent to a record high of 83.3 million ounces, driven by an increase in global solar installations.

Mine output eased to 887.4 million ounces this year, the group said, after 12 straight years of record highs. That would still be the second highest on record.

3.2 Technical Comments

Long Term Technical Comments

Silver corrected further in the last month:

Daily/Weekly Technical Comments

London fix in USD/toz:

Open	High	Low	Close
01.11	09.11	24.11	30.11
18.24	18.81	16.31	16.67

London fix in €/toz:

Open	High	Low	Close
01.11	11.11	24.11	30.11
16.54	17.09	15.43	15.66

Buyers were present at around 16.50 USD/oz for silver.

John Fineron, 2nd December 2016.

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

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.

Tel: +41 44 307 19 19; Fax: +41 44 307 19 20

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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