

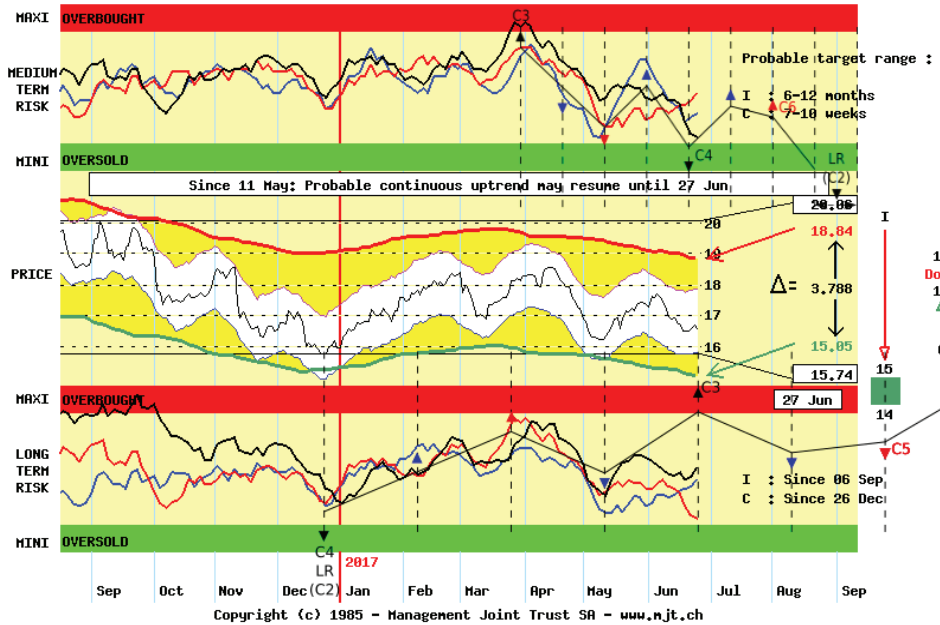
31 / MJT TIMING INSIGHT

Silver and the Silver to Gold ratio

Our positive scenario for the Dollar into the Summer could have a strong influence on the evolution of precious metals (12 months inverted correlation for both Gold and Silver vs the Dollar are currently very high: close to 80% for Gold vs EUR/USD and close to 60% for Silver). That said, Silver is more cyclical than Gold. Indeed, lately, it has suffered more than Gold as other commodities have corrected. If we follow our current global scenario, it may start to outperform Gold again from mid Summer as oil and commodities resume their uptrend.

Silver Spot

Daily graph or the perspective over the next 2-3 months

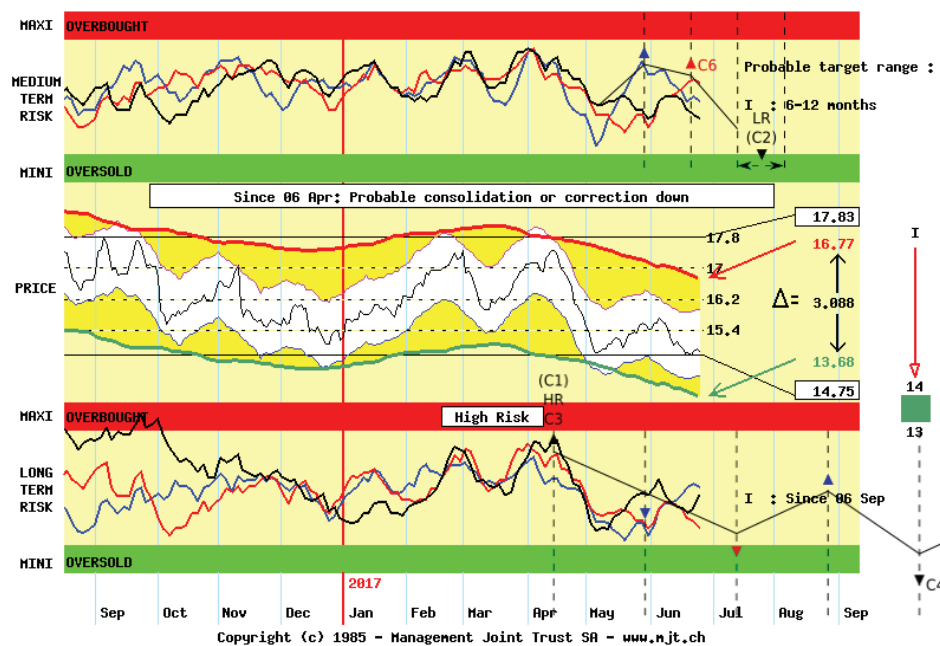


Before we go into the Silver to Gold ratio, we first look at the price of Silver on a standalone basis. It initiated its uptrend with other precious metals, EUR/USD and defensive assets in December. From mid April on, however, it was hit hard by the correction in commodities (and the sell-off in oil especially) and has failed to recoup its losses in June, while on the contrary Gold retested its April highs. On our long term oscillator series (lower rectangle), we

show this failed uptrend sequence which is now complete and we would hence expect Silver to continue to the downside into early August. The sequence on our medium term oscillators (upper rectangle) may justify a slight bounce into early July, but is generally still negative until late July / early August. Our 'I' Impulsive down targets would suggest target prices to the downside somewhere between 14 and 15 USD/oz.

Silver Spot in Euros

Daily graph or the perspective over the next 2-3 months

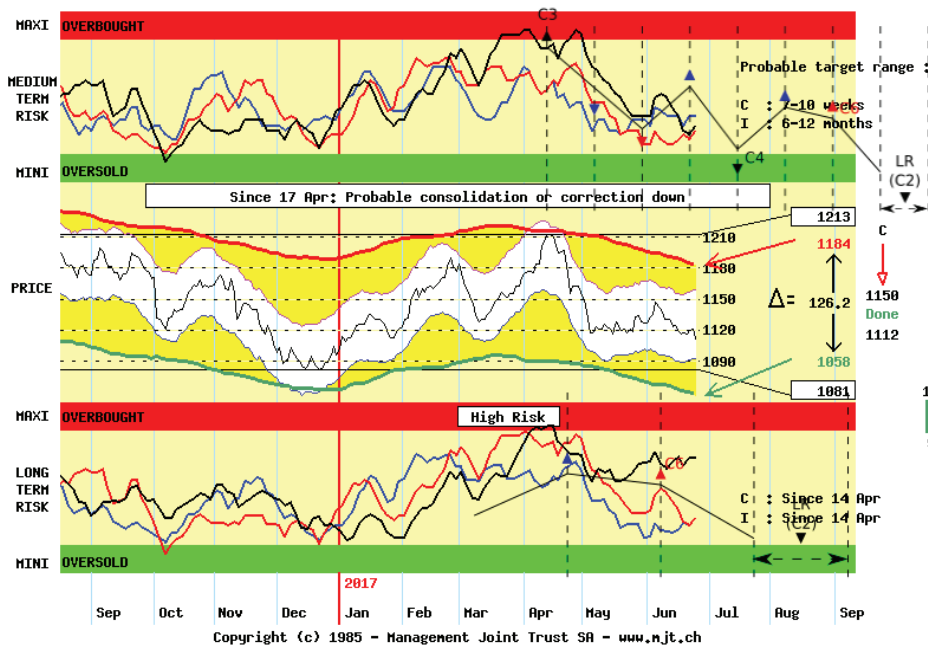


Stripping out the USD effect by looking at Silver in Euros, we can measure the extent of the late April / early May cyclical sell-off, which led to new lows in Silver in Euros early May. Reverting to the graph above of Silver in Dollar, we can see that Silver's negative correlation to the Dollar could only compensate for a small part of it. On both our oscillator series (lower and upper rectangles), we show that this downtrend could continue possibly towards mid July / early August with 'I' Impulsive targets to the downside between 13 and 14 Euros/oz. This is slightly less aggressive than the ones we calculate on Silver in Dollar, which would indirectly confirm that the Dollar could start to rebound vs the Euro during this period.

Impulsive targets to the downside between 13 and 14 Euros/oz. This is slightly less aggressive than the ones we calculate on Silver in Dollar, which would indirectly confirm that the Dollar could start to rebound vs the Euro during this period.

Gold Spot in Euros

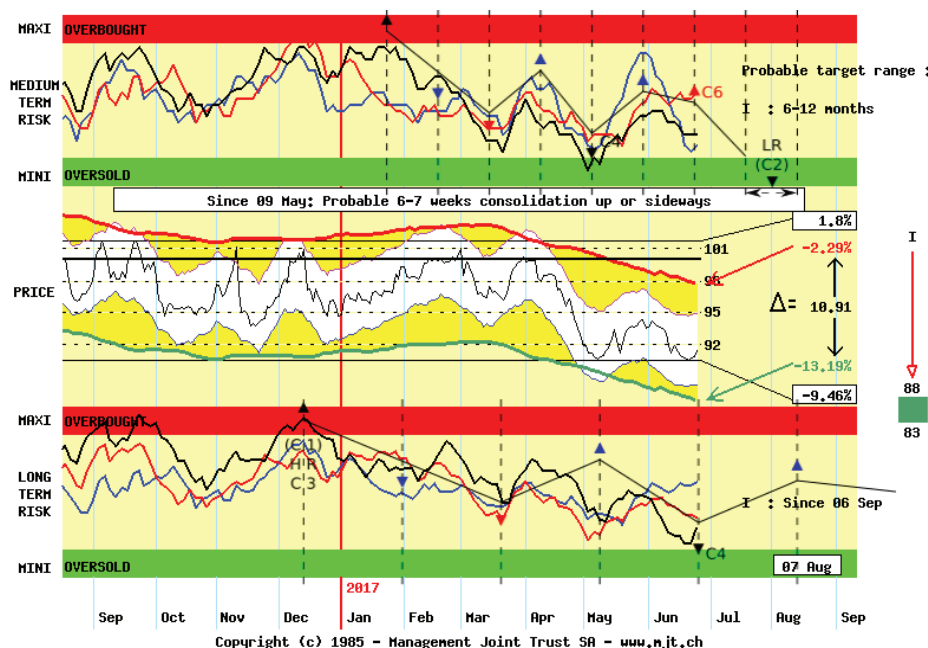
Daily graph or the perspective over the next 2-3 months



As a mean of comparison, we also look at Gold's recent performance in Euros. Gold in Euros did also see a strong sell-off from mid April to early May. Whereas Gold is circa a third less volatile than Silver, the sell-off was also less drastic as far as support and resistance goes. Indeed, Gold in Euros did hold previous support around 1'120 Euros/oz and did not make new lows. Comparing this graph with the one of Gold in Dollars on page 11, we can also note that the negative correlation of Gold vs Dollars was much stronger than the one for Silver: Gold in Dollars did manage to retest its April highs, while Silver in Dollars substantially failed to do so. Going forward, on both our oscillator series (lower and upper rectangles) we would also see Gold in Euros continue its downtrend possibly into mid July / early August. In Dollar terms, this move could be quite drastic if, as we expect, the Dollar starts to rebound.

Silver / Gold ratio

Daily graph or the perspective over the next 2-3 months

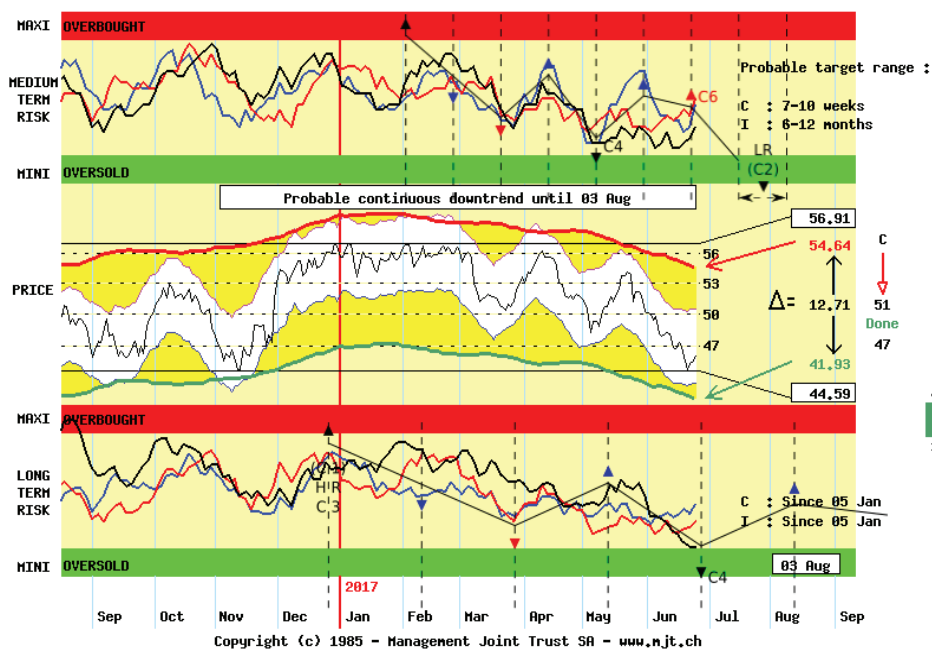


Based on the comments above, we can identify two main forces affecting the Silver to Gold ratio. First, the Silver is more cyclical than Gold and currently more correlated to commodities (this correlation has been a negative for the ratio in recent months). Second, the inverted correlation of Silver to the Dollar is less strong than for Gold (which has also been negative for the ratio recently). While the latter could help the ratio to some extent (Dollar bounce) as shown

on the model we project on our long term oscillators (lower rectangle), we believe the former factor remains the strongest. Indeed, on the sequence we project on our medium term oscillators (upper rectangle), we would expect the ratio to continue down until late July / early August. This is confirmed by our automatic messaging, which calculates a low point on the "7th of August". We hence expect the ratio to continue down towards early August. The Dollar rebound could slow the pace of its descent, but will probably not stop it

Brent

Daily graph or the perspective over the next 2-3 months

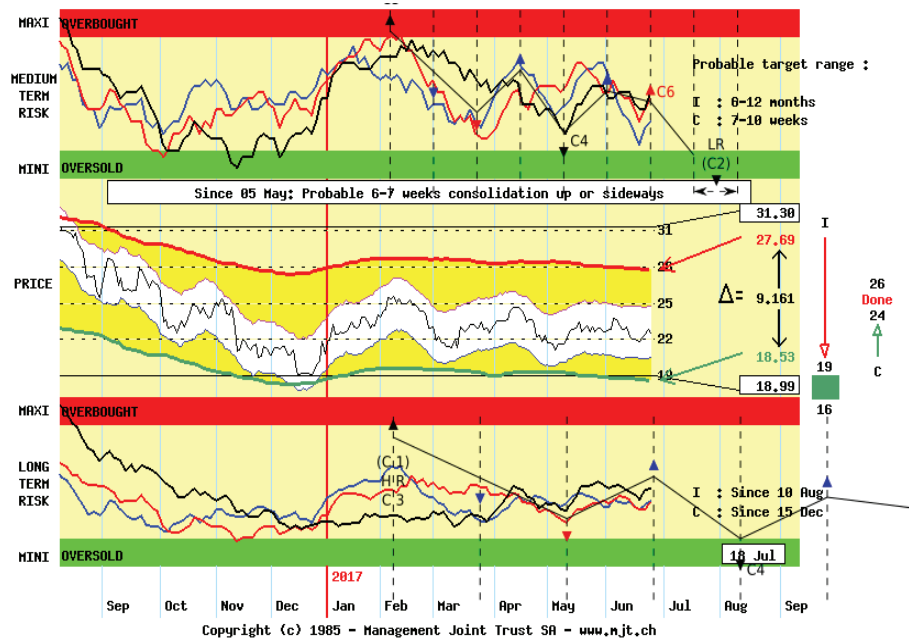


As a first confirmation, we look at the Daily graph of Brent. The re-balancing of the Oil market has been the driving force behind the reflation trade since it started to correct up in early 2016. It has also been the main driver of its retracement since February. Oil's dynamic is quite similar to the Silver to Gold ratio. Although we may expect a slight rebound into early July as shown on our long term oscillators (lower rectangles), the downtrend still seems dominant for

now, as shown by the following indications: 1) the sequence we project on our medium term oscillators (upper rectangle) is still negative, 2) our automatic messaging does indeed calculate a low point towards the "3rd of August", finally, 3) our 'I' Impulsive targets to the downside highlight further risk towards 40 USD/barrel over the next couple of months.

GDV Market Vectors Gold Miners ETF

Daily graph or the perspective over the next 2-3 months



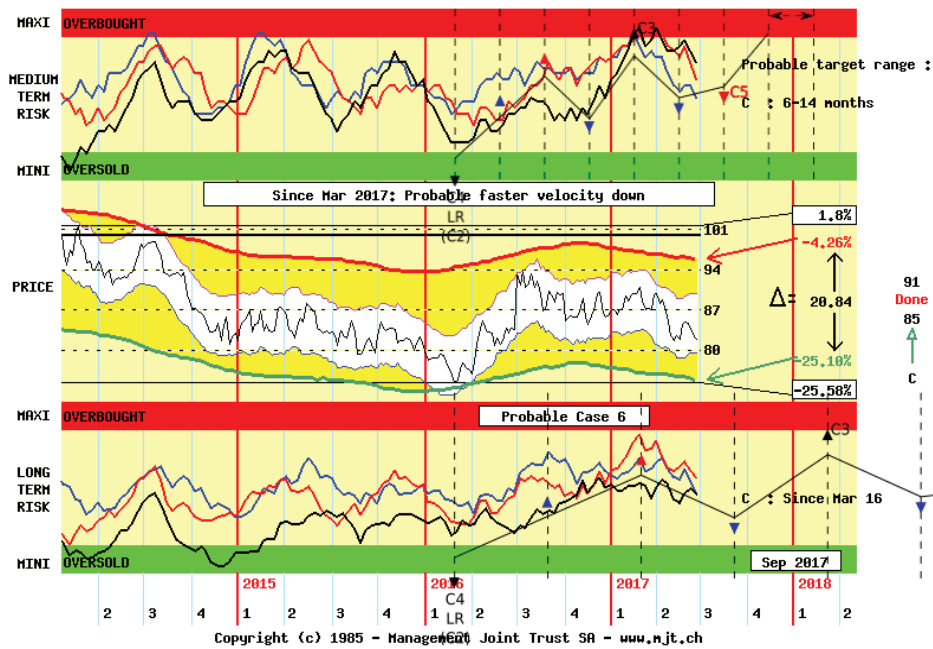
As a further confirmation, we also look at Goldminers and the GDV ETF. Following their strong bounce into February, they have since widely deceived. On both our oscillator series (lower and upper rectangles), we would now expect them to continue lower possibly into late July / early August. This scenario is not dissimilar to the Daily Gold, Silver, Silver to Gold and Brent scenarios articulated above.

Initial remarks

Until early August, Precious metals will probably continue to correct lower, i.e. both Silver and Gold are following commodities lower, and both should also be negatively affected by the rebound of the Dollar. That said, over the next few months, we expect that the Silver to Gold ratio could start to stabilize. With the rebound we expect on the Dollar, it should first slow the pace of its descent (Silver is less negatively correlated to the Dollar than Gold). Then from August, it could bottom and start to accelerate up again as commodities begin their comeback. Over the following pages, we consider this longer term perspective.

Silver / Gold ratio

Weekly graph or the perspective over the next 2 to 4 quarters

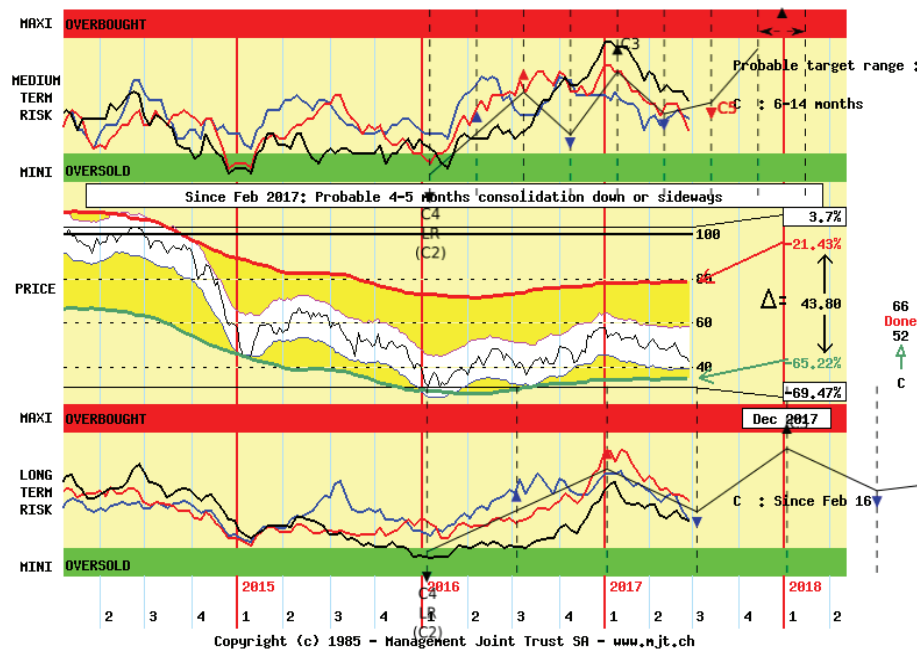


As commodity markets (and the oil market especially) started to rebalance, the Silver to Gold ratio accelerated up strongly in H1 2016. This indeed reflects that Silver is more cyclical than Gold. While the progression of oil prices did slow down a bit during H2 2016 and started to correct in Q1 2017, the ratio failed to make a new high. It is currently within an acceleration down on our long term oscillators (lower rectangles) which could lead it into lows towards mid

Summer / early Fall ("September 2017" according to our automatic messaging). Looking at this situation with a more positive bias, the sequence we show on our medium term oscillators (upper rectangle) would see the ratio accelerate up again once these lows have been reached. We would hence remain prudent for now, but would look for confirmations of a strong move up towards the Fall and possibly into early 2018.

Brent / Gold ratio

Weekly graph or the perspective over the next 2 to 4 quarters



The Brent to Gold ratio may provide this confirmation. On both our oscillator series (lower and upper rectangles), it should finish off its consolidation to the downside during the Summer. Following that, it should start to re-accelerate up again towards year-end and early 2018. Silver looks a bit weaker, yet should follow suit with a slight delay (from September rather than August for Brent).

Concluding remarks

While the Silver to Gold ratio is still under pressure until mid / end of 2017, we would expect it to follow Brent up vs Gold during H2 2017.