

The Global Source

**THE SILVER INSTITUTE**

# THE SILVER MARKET IN 2013

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*The Silver Institute - 2013 Interim Report*

*November 12<sup>th</sup> 2013*

# THE SILVER MARKET IN 2013

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- SILVER PRICES
- DEMAND
- SUPPLY
- INVESTMENT
- PRICE OUTLOOK

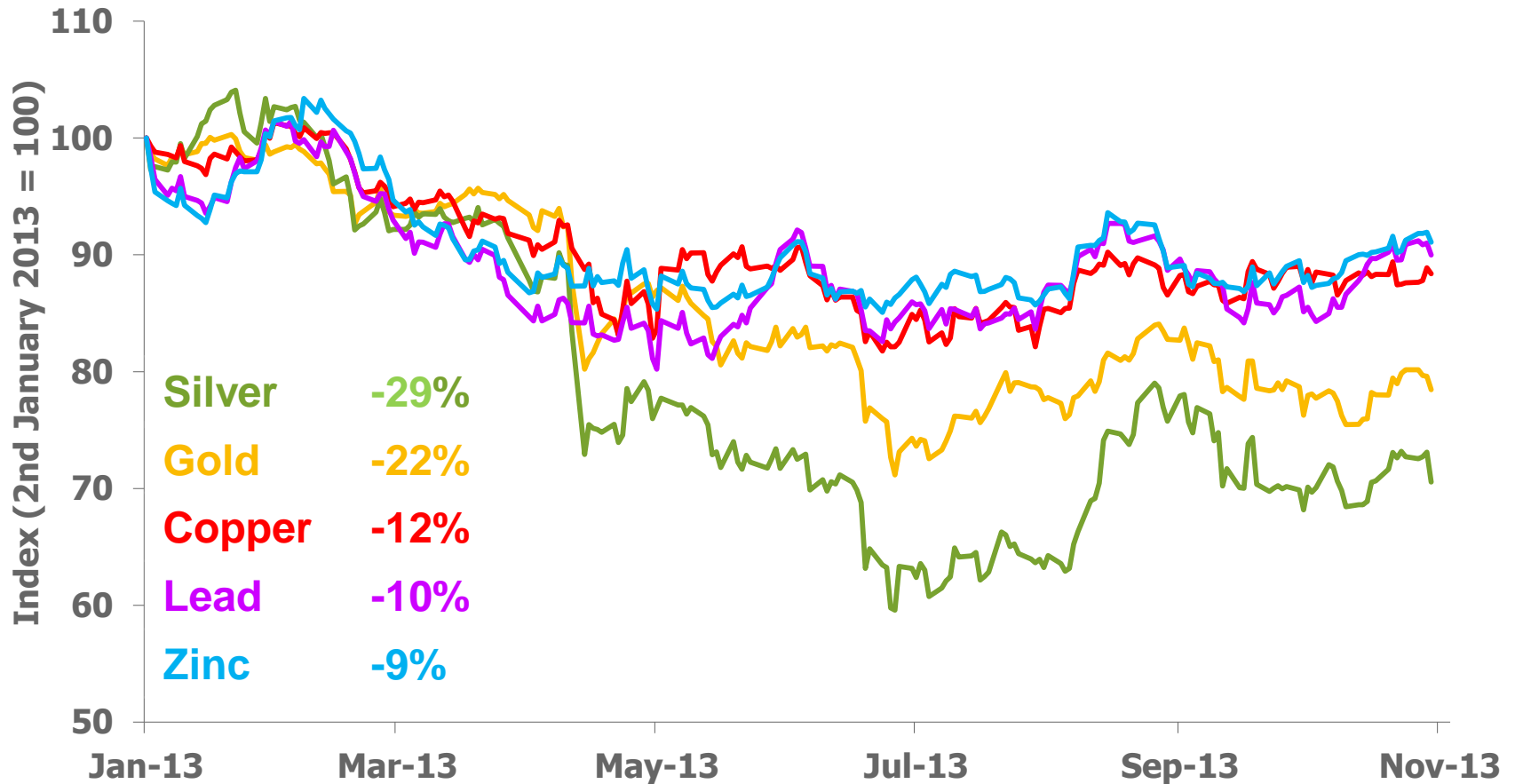
# US DOLLAR SILVER PRICES



\*intra-period change refers to difference between the last business day and the first business day of the year

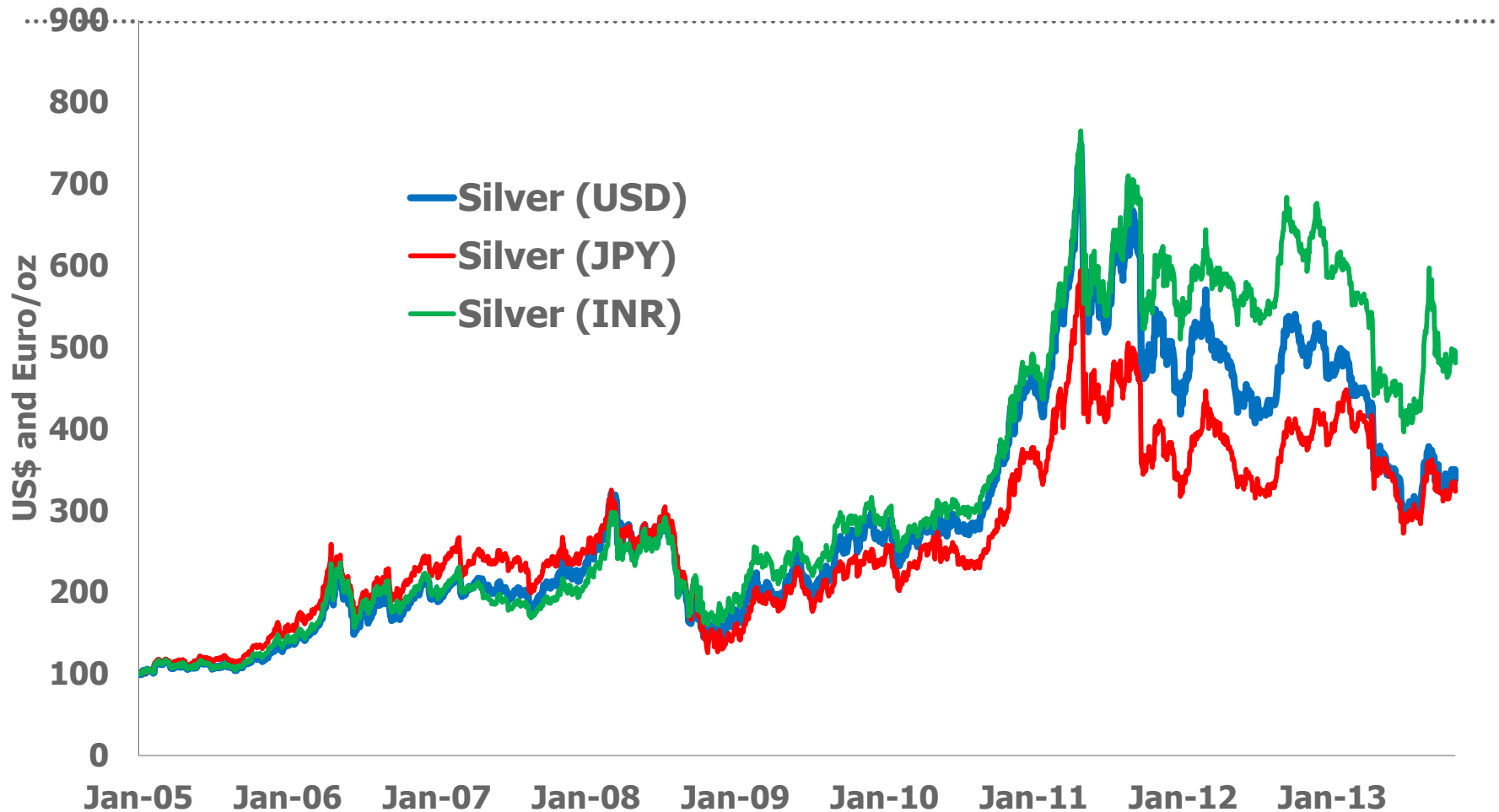
Source: Thomson Reuters GFMS

# SILVER, GOLD & BASE METALS PRICES



Source: Thomson Reuters GFMS

# US DOLLAR AND EURO SILVER PRICES

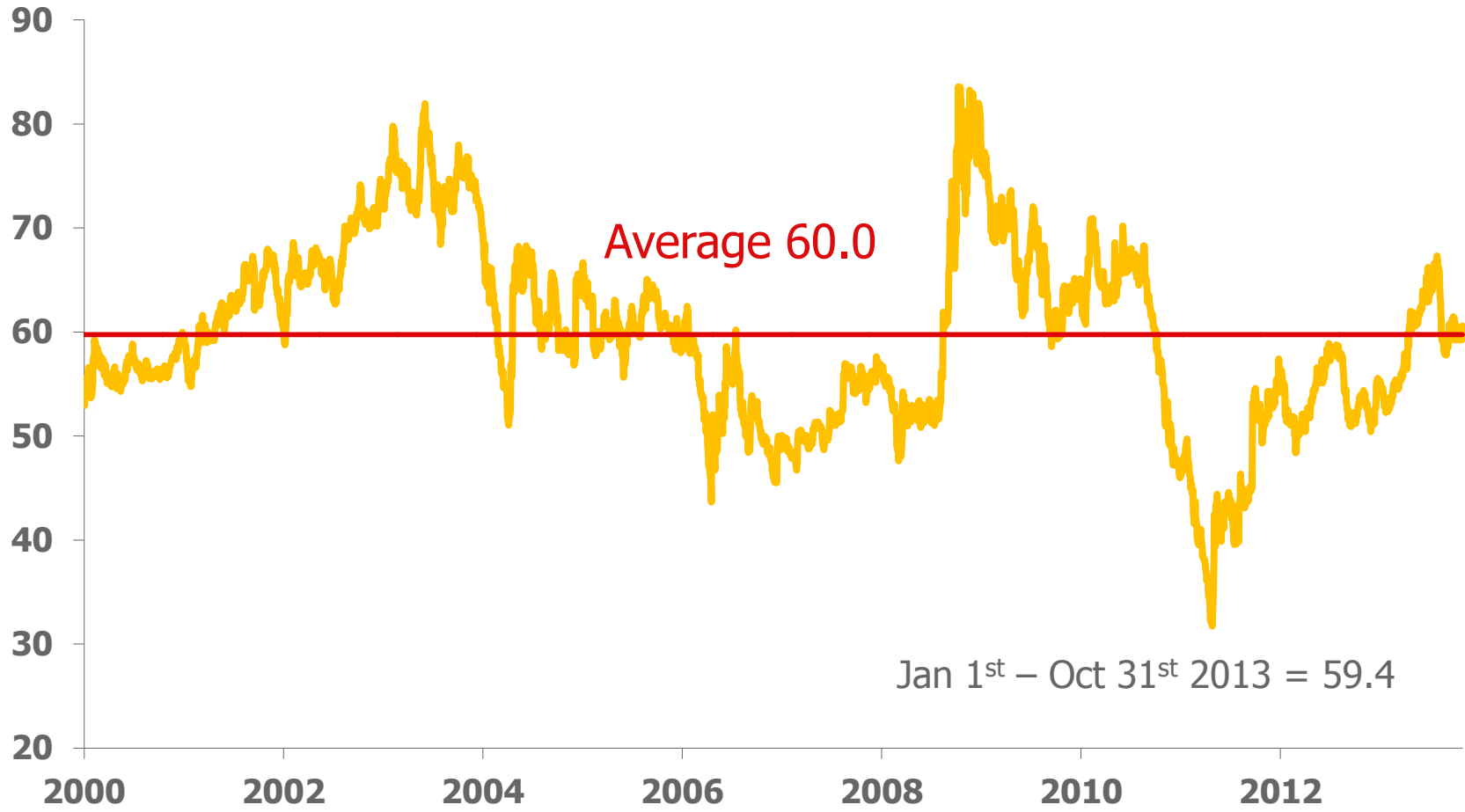


\*intra-period change refers to difference between the last business day and the first business day of the year

Source: Thomson Reuters GFMS

# GOLD/SILVER RATIO, 2000 – 2013 TO-DATE

(BASIS WEEKLY AVERAGE PRICES)



Source: Thomson Reuters GFMS

# THE SILVER MARKET IN 2013

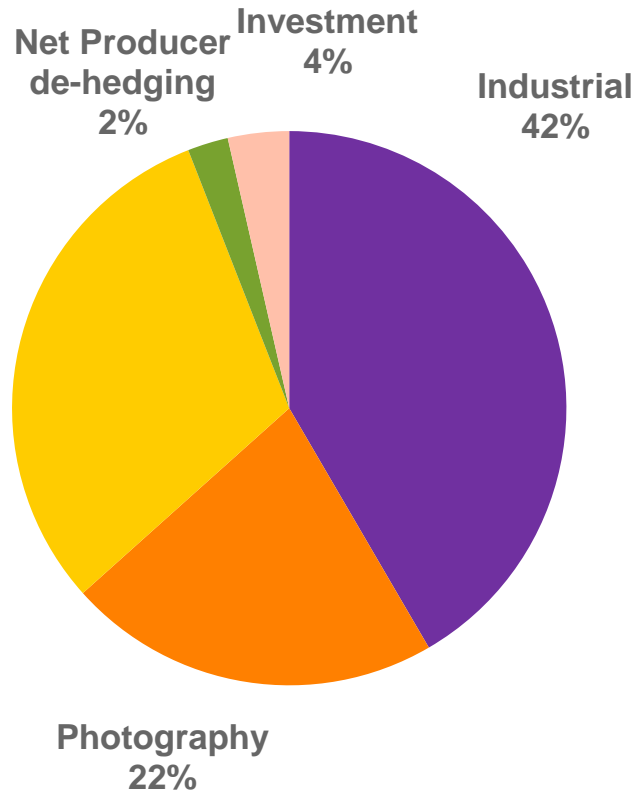
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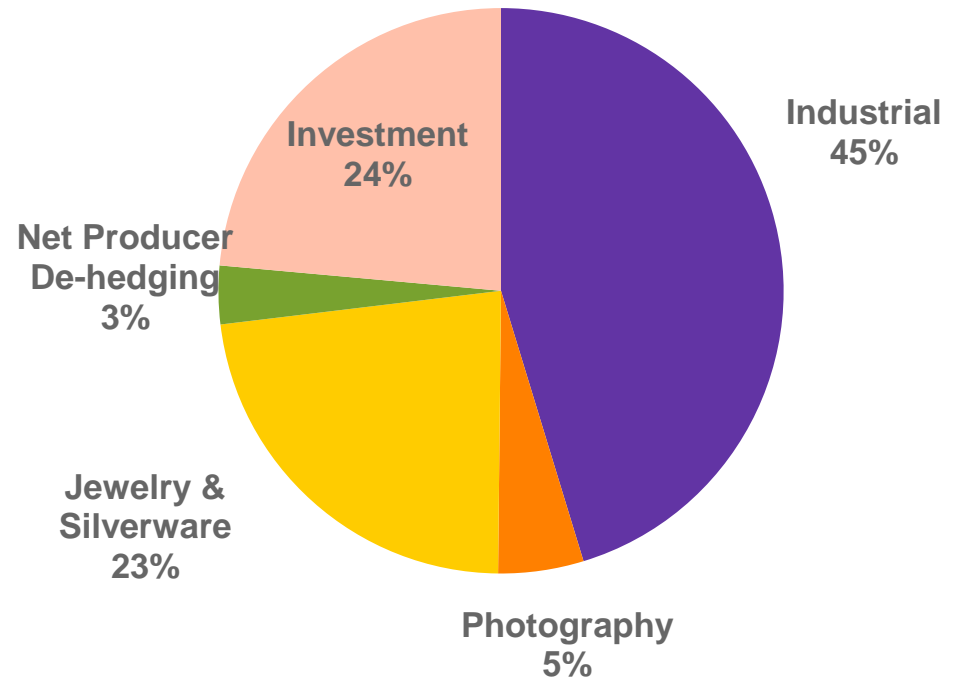


# WORLD SILVER DEMAND

## 2003 Actual



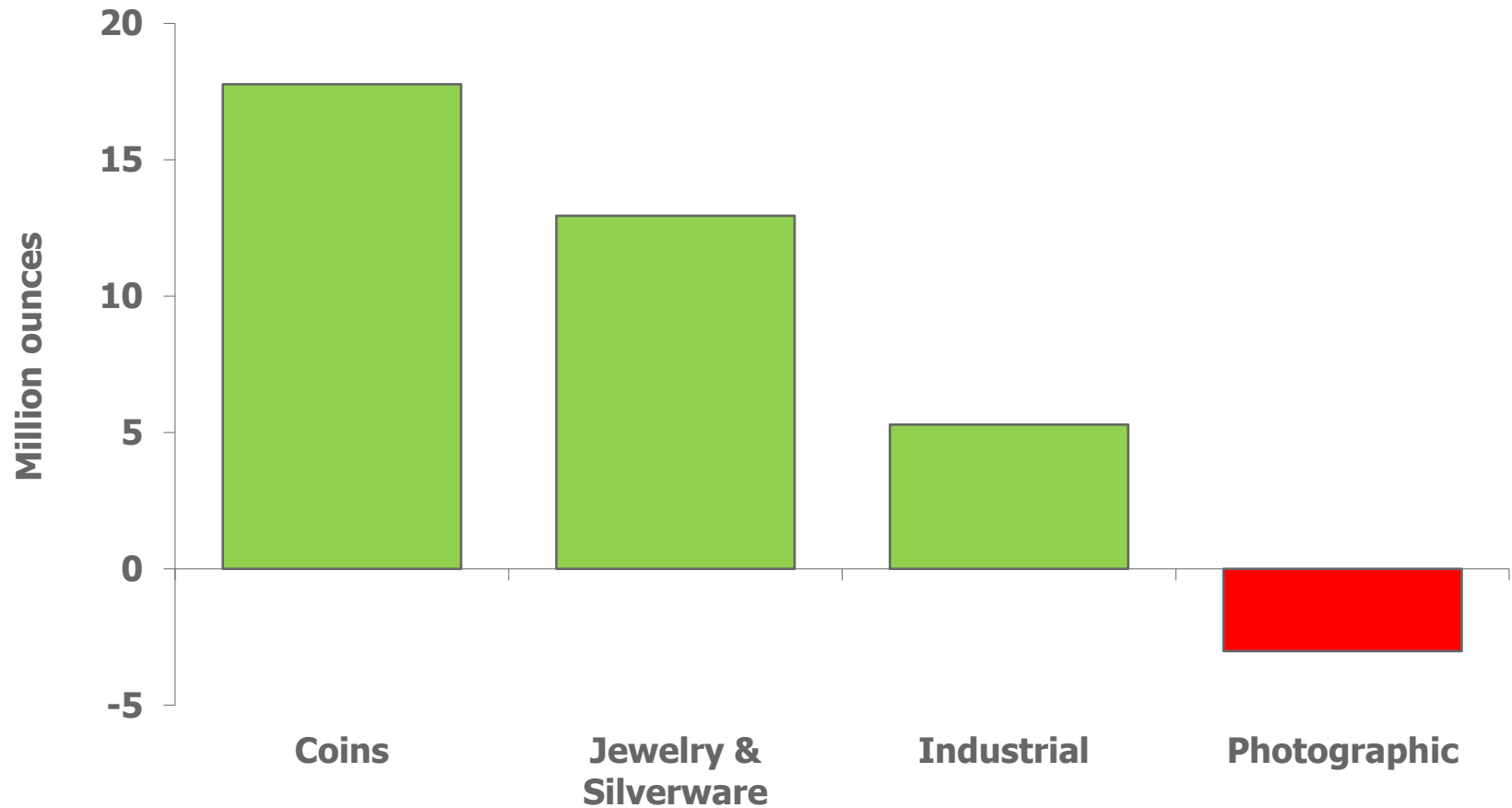
## 2013 Forecast



Source: Thomson Reuters GFMS

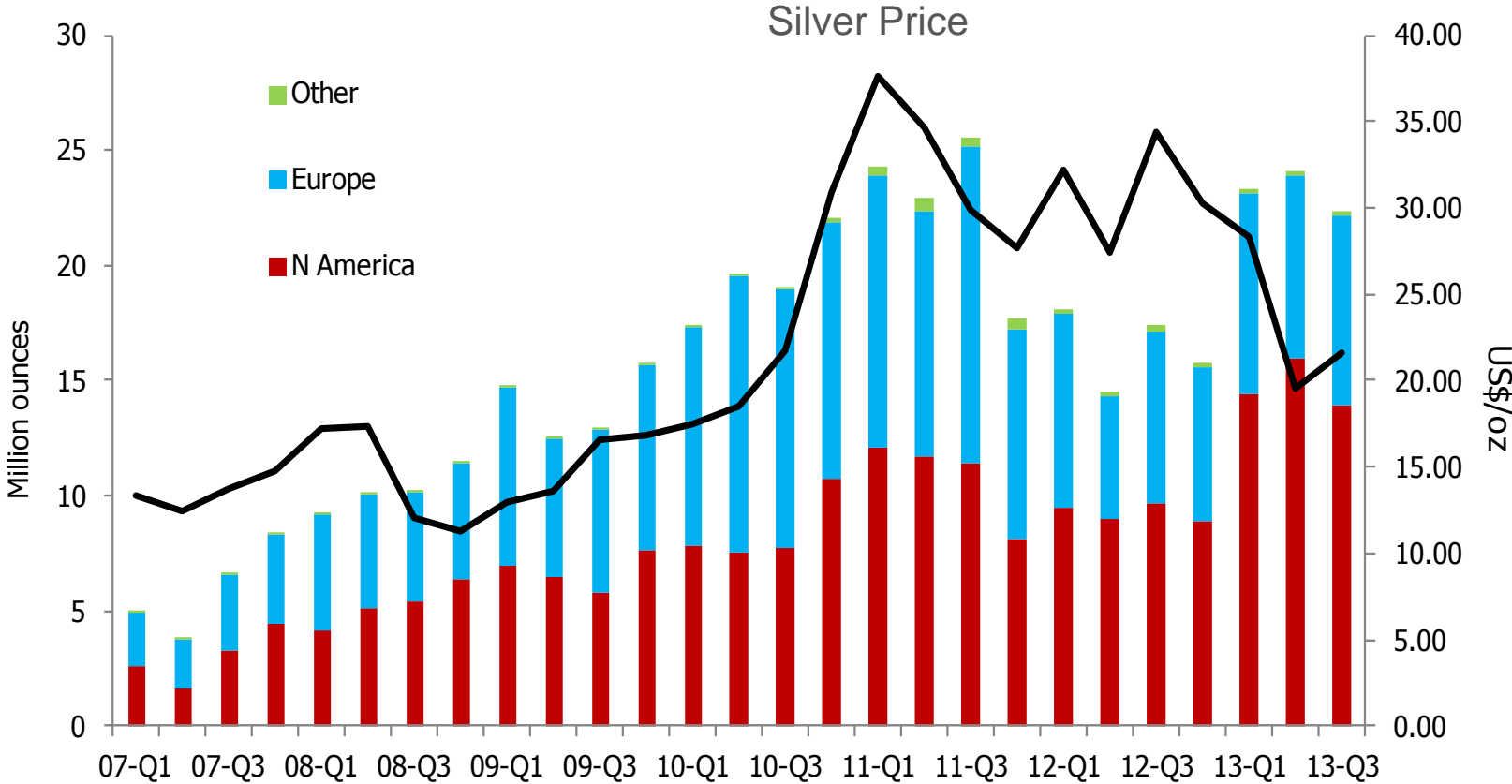
# WORLD SILVER FABRICATION

FORECAST ANNUAL CHANGES: 2013 LESS 2012



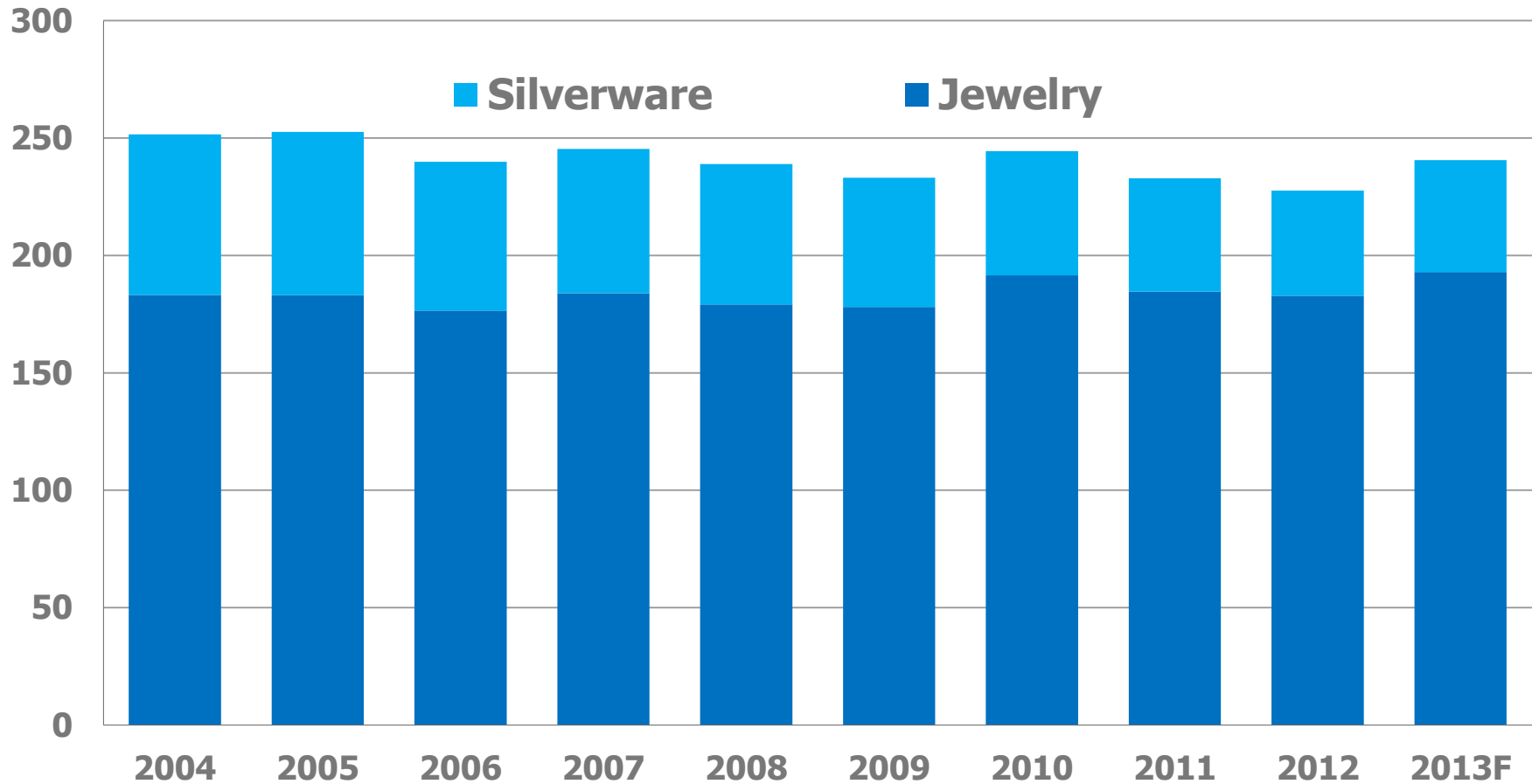
Source: Thomson Reuters GFMS

# SILVER BULLION COIN SALES



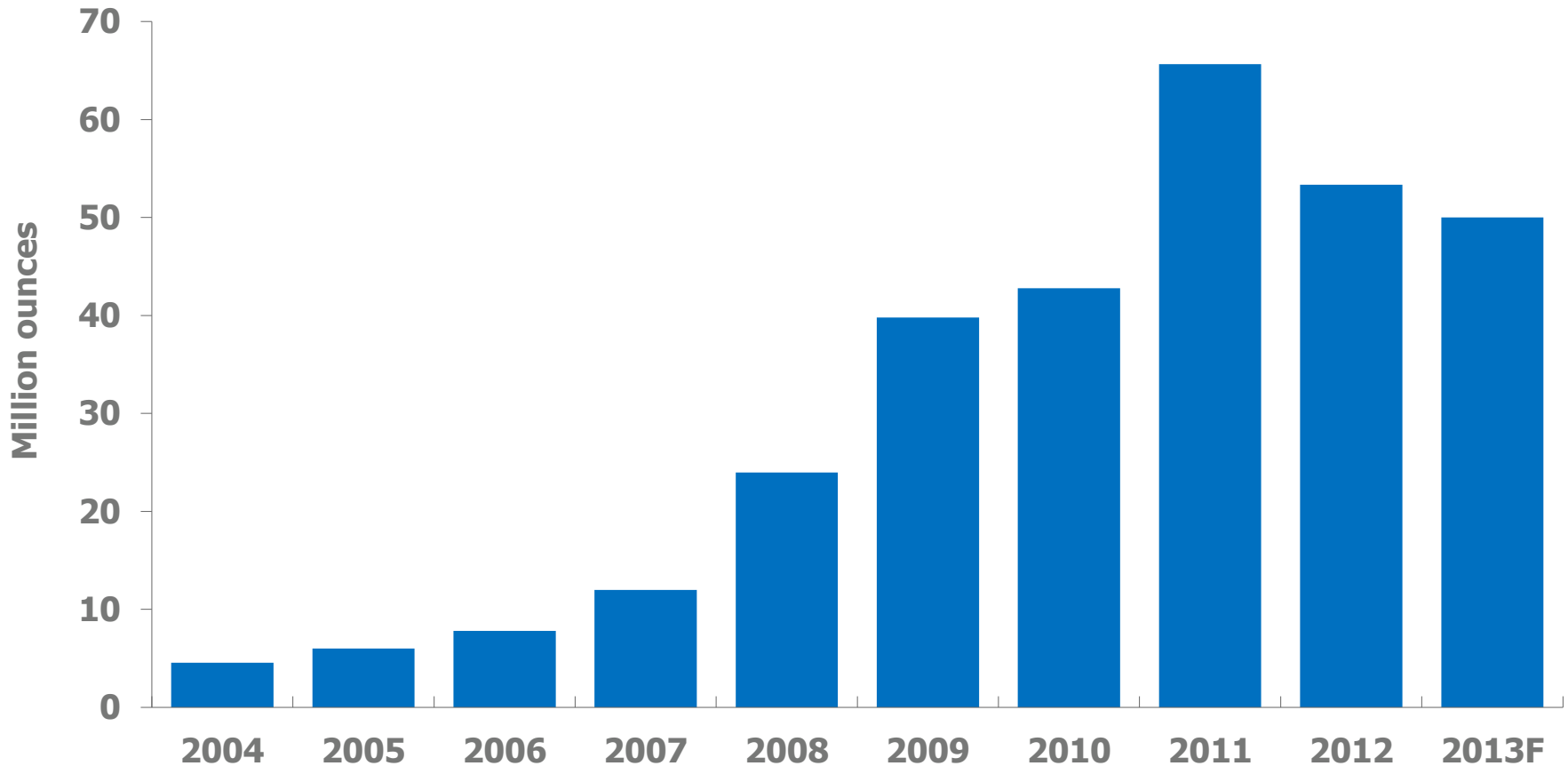
Source: Thomson Reuters GFMS Quarterly Bullion Coin Survey

# JEWELRY AND SILVERWARE DEMAND



Source: Thomson Reuters GFMS

# PHOTOVOLTAIC SILVER DEMAND



Source: Thomson Reuters GFMS

## DEMAND SUMMARY

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- Total fabrication demand forecast to rise by 4% in 2013
- After two years of contraction, we expect industrial offtake to rise by 1% this year on the back of improved global economic activity
- Demand for jewelry and silverware is expected to post robust growth of 6% in 2013 as strong growth in emerging markets and the US offset demand contraction in Europe
- In contrast, photographic demand for silver continues to decline as part of its secular trend as consumers switch towards digital technology
- After a record 2011 and a dip in 2012, demand for coins has bounced back this year, and we forecast a y-o-y growth of 19%

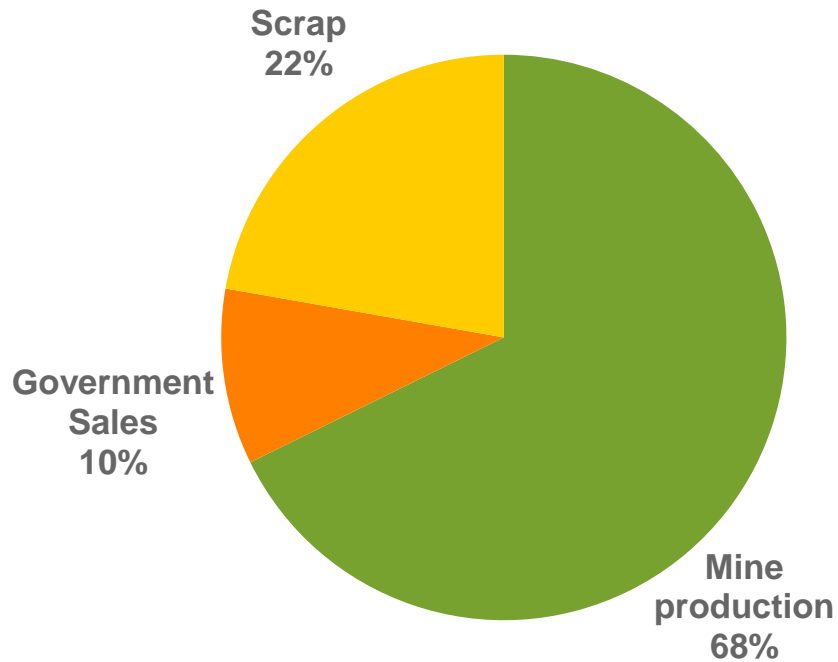
# THE SILVER MARKET IN 2013

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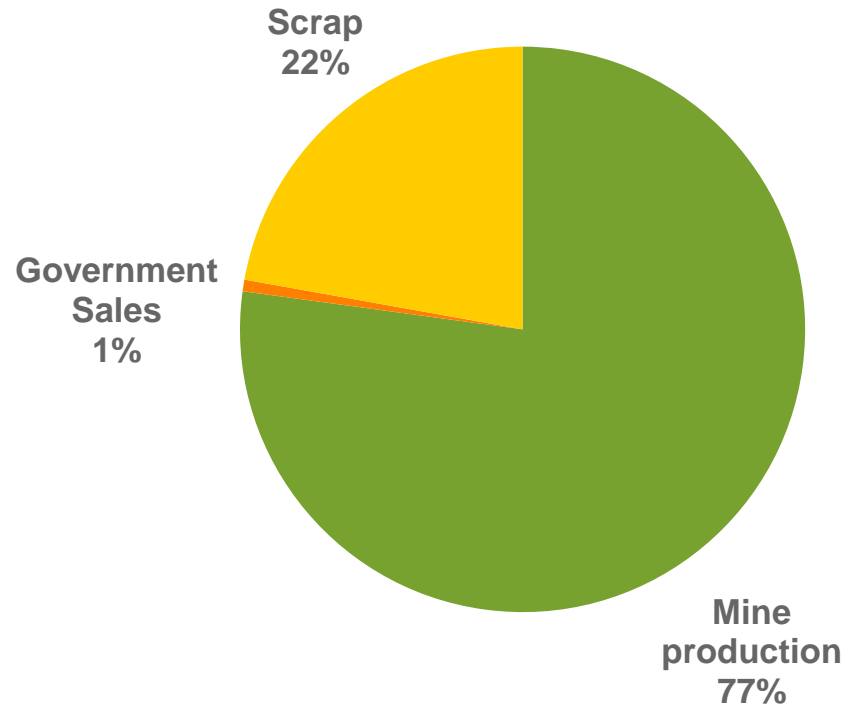
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# WORLD SILVER SUPPLY

2003 Actual



2013 Forecast

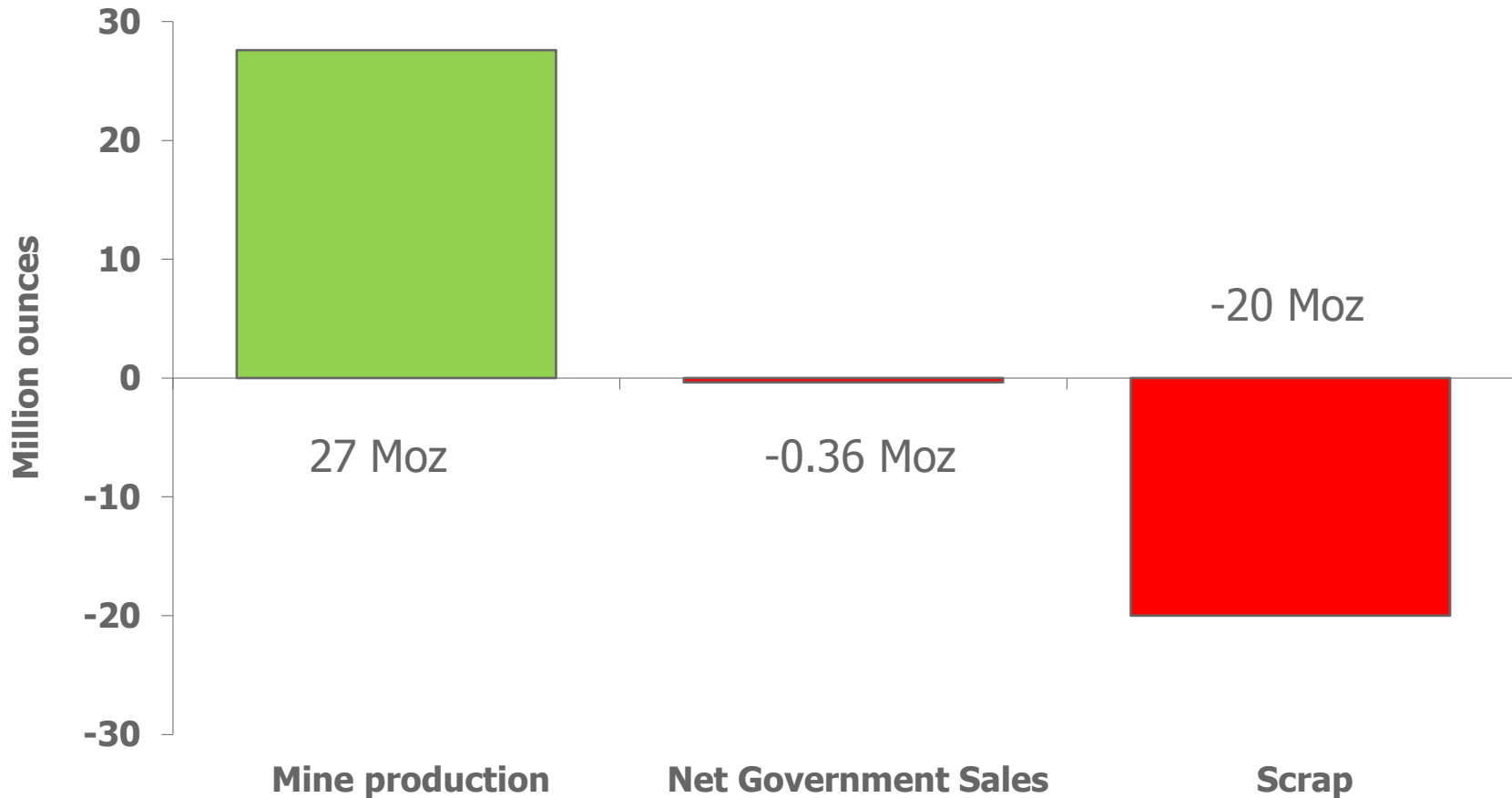


Source: Thomson Reuters GFMS



# WORLD SILVER SUPPLY

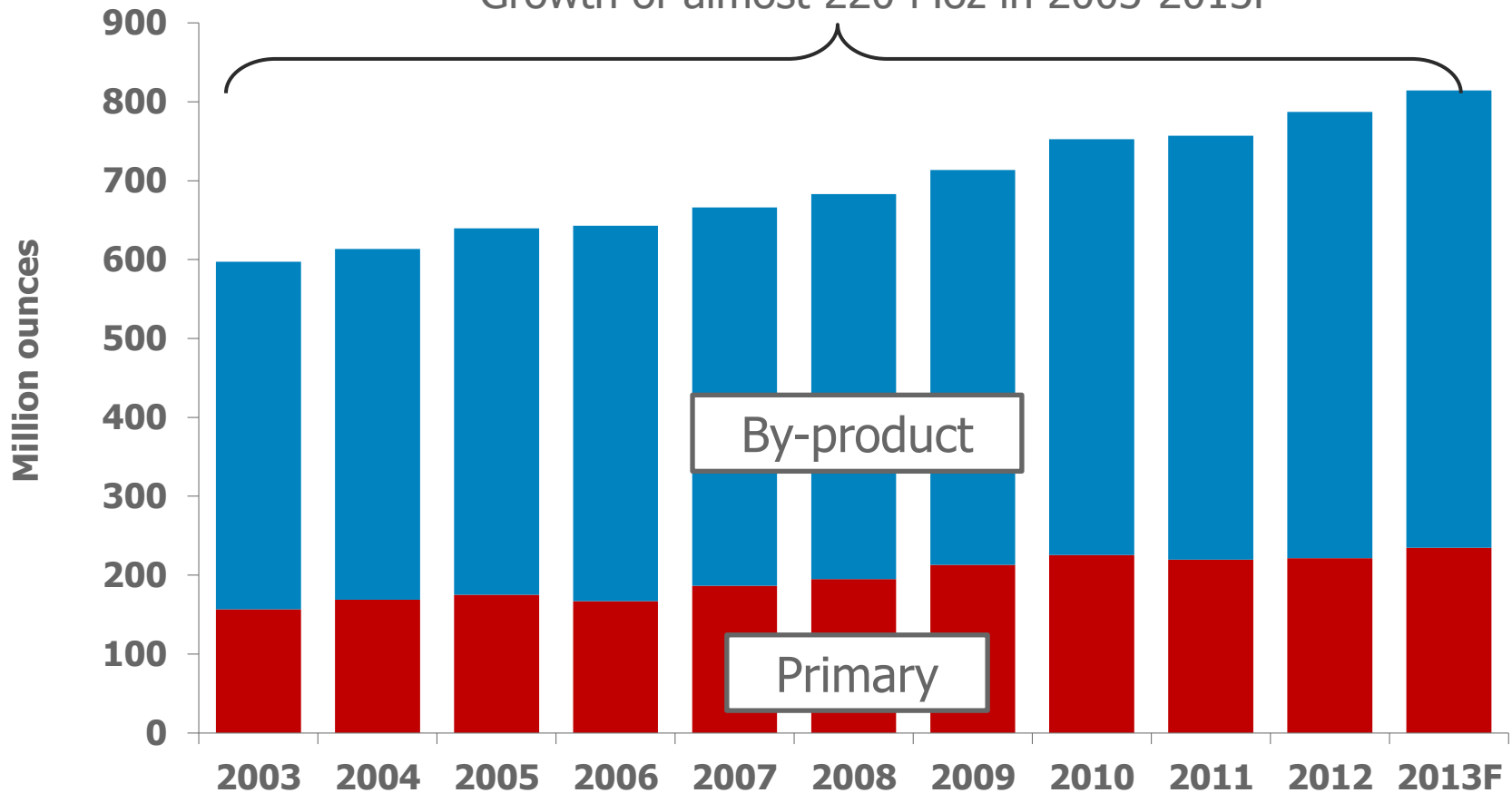
FORECAST ANNUAL CHANGES: 2013 LESS 2012



Source: Thomson Reuters GFMS

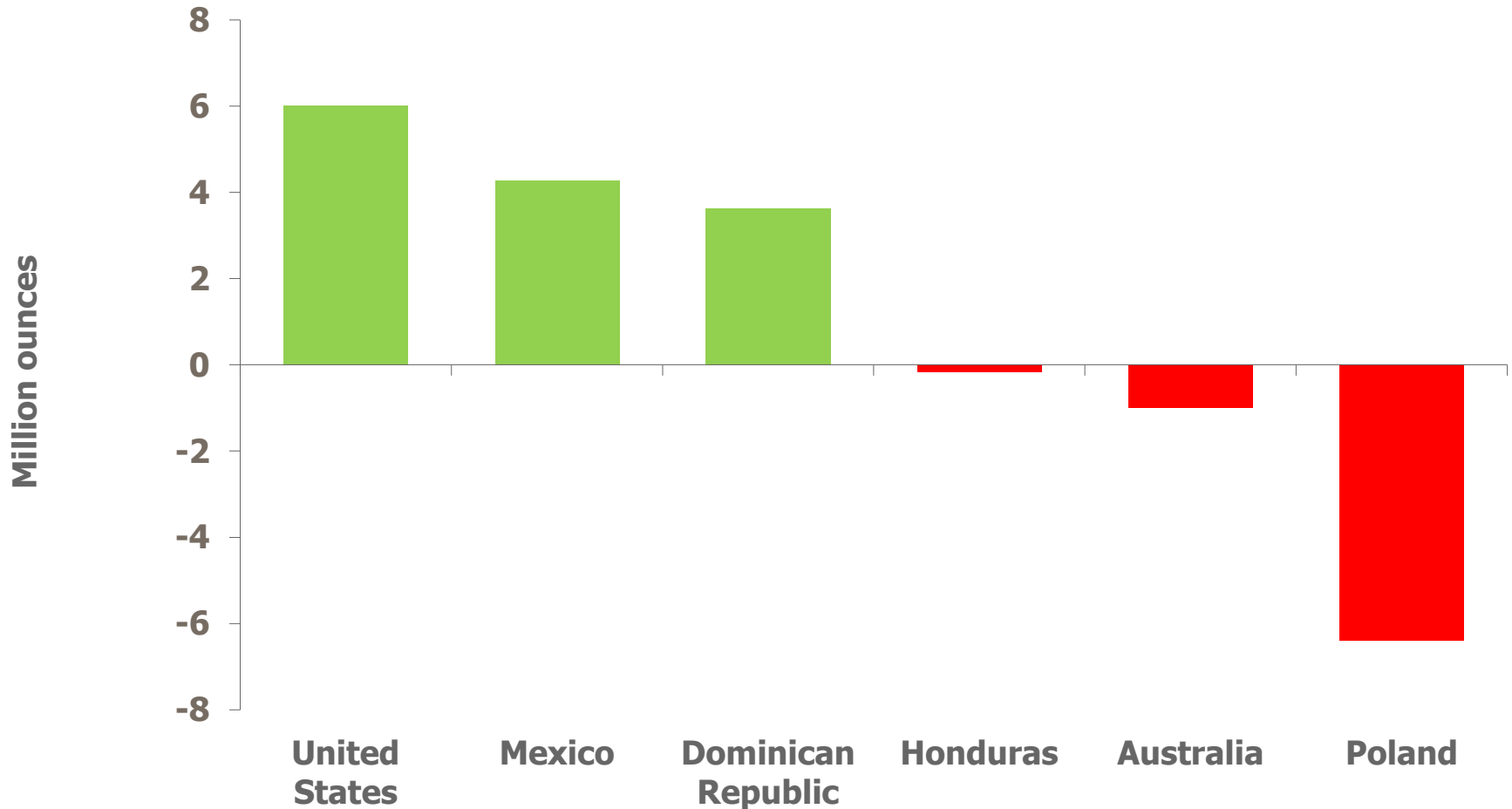
# WORLD SILVER MINE PRODUCTION

Growth of almost 220 Moz in 2003-2013F



Source: Thomson Reuters GFMS

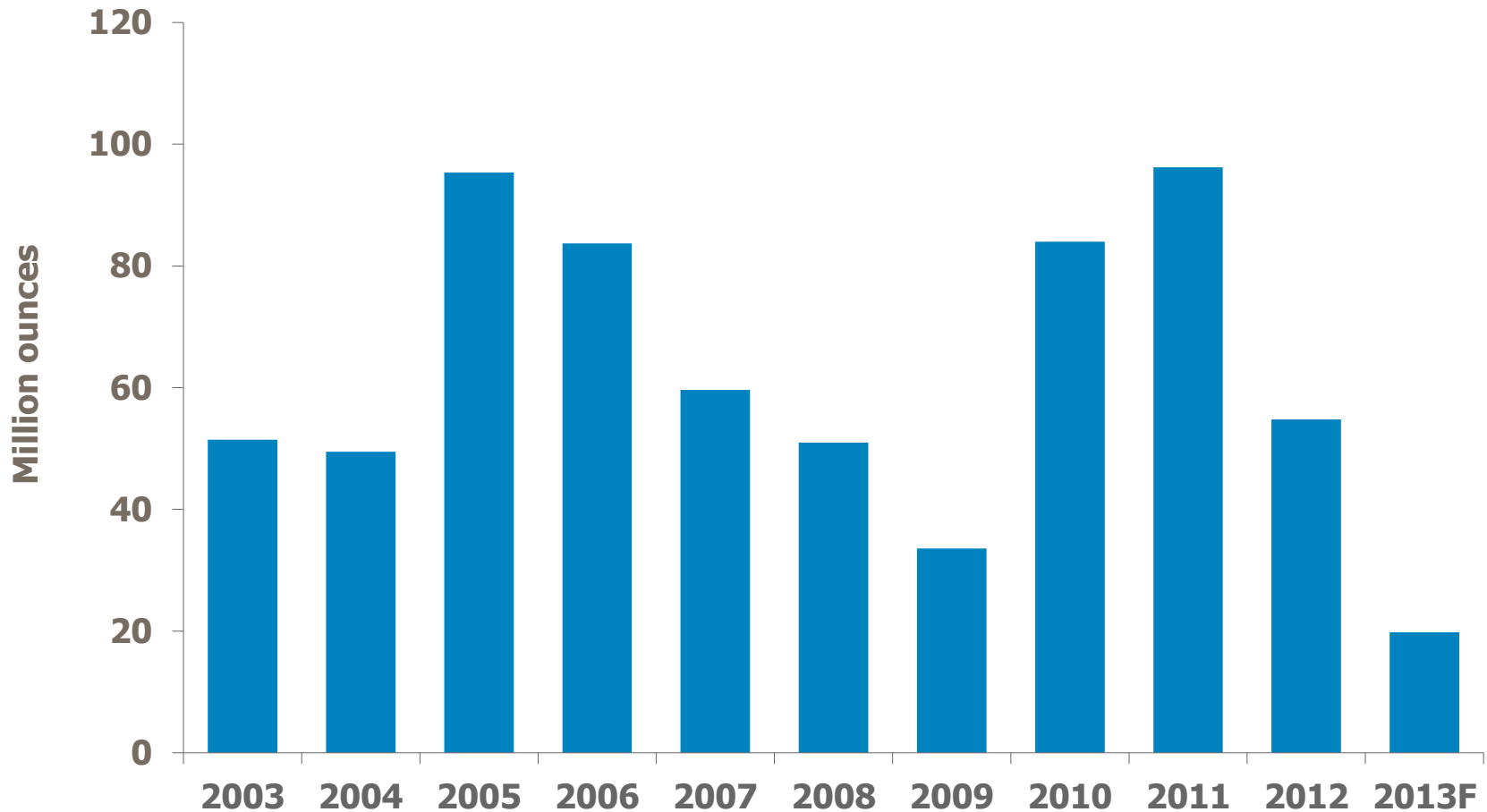
# MINE PRODUCTION WINNERS AND LOSERS IN 2013\*



\* Figures represent year-on-year change, i.e. 2013 less 2012

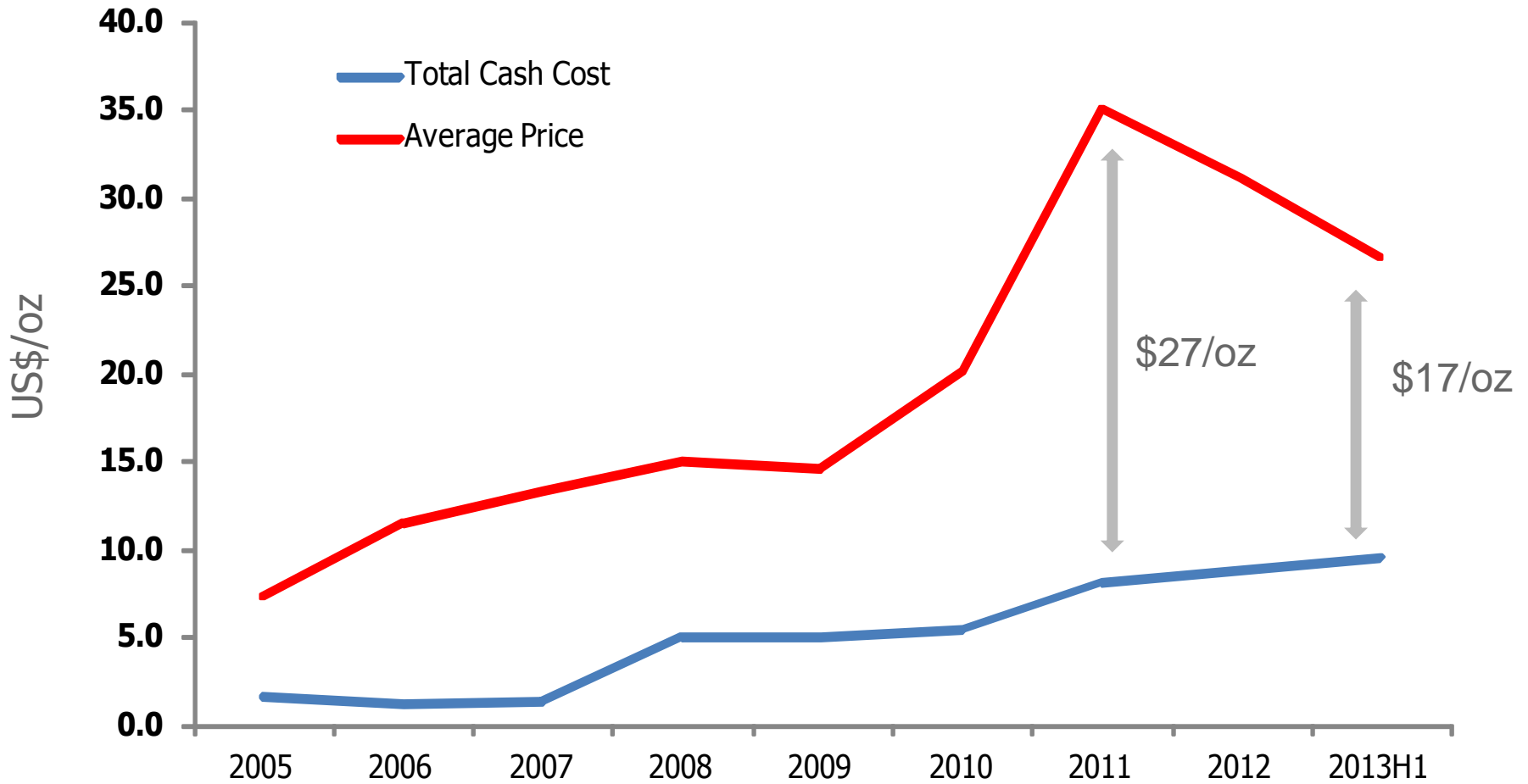
Source: Thomson Reuters GFMS

# OUTSTANDING DELTA ADJUSTED PRODUCERS HEDGE POSITION



Source: Thomson Reuters GFMS

# CASH COST VS. SILVER PRICE



Source: Thomson Reuters GFMS

# SUPPLY SUMMARY

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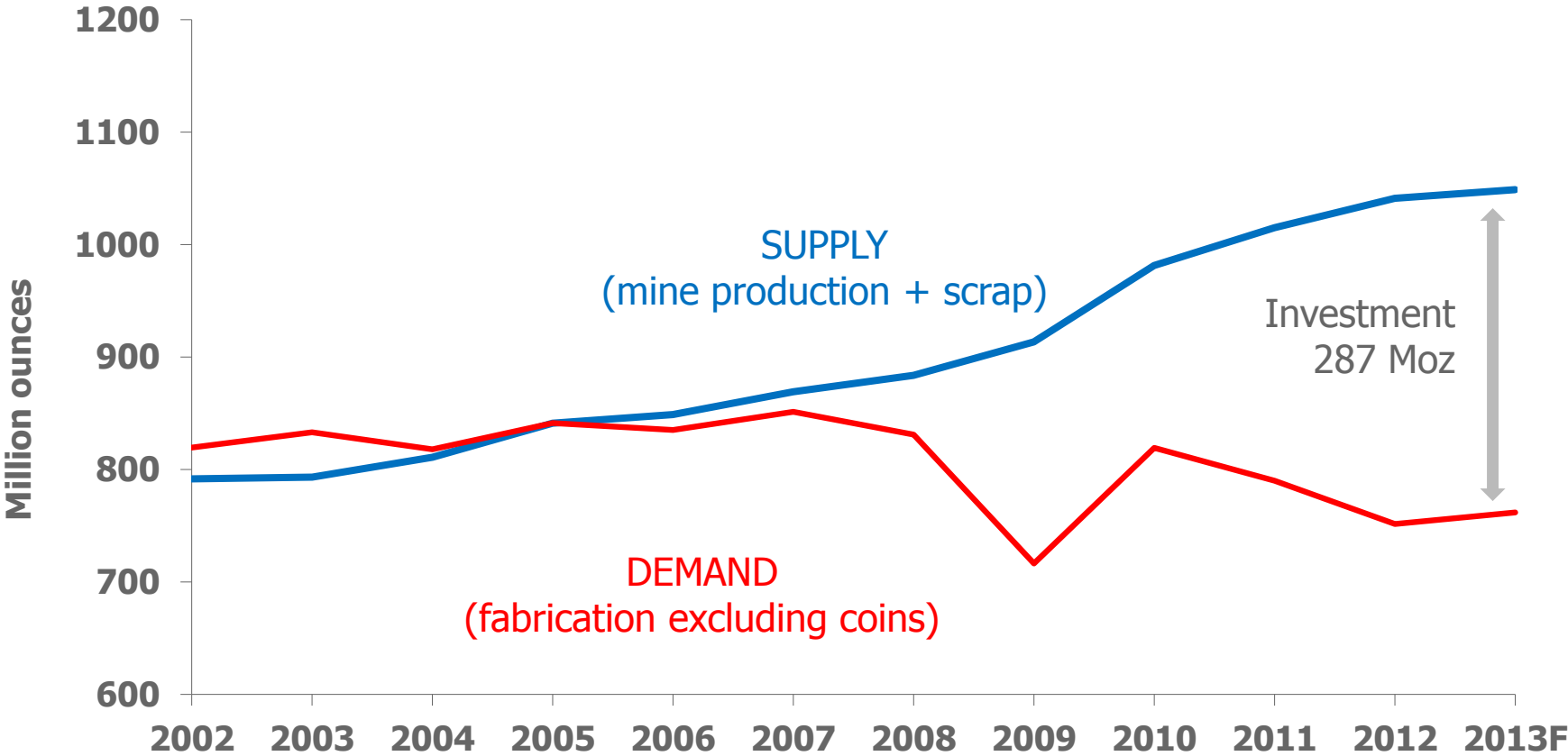
- Total supply forecast to be marginally higher (+0.7%) year-on-year
- Mine production expected to rise by 28 Moz or 4% in 2013, driven by increased supply from both the primary and by-product sectors
- We estimate producer de-hedging of 35 Moz during 2013 as producers continue to deliver into outstanding positions or take advantage of lower prices to close out existing 'in-the-money' contracts
- Scrap supply is set to contract by 8% in 2013 due to lower prices and a decline in the availability of 'close to market' stocks
- Government sales largely unpredictable but GFMS expect levels will be the same as 2012 around 7 Moz

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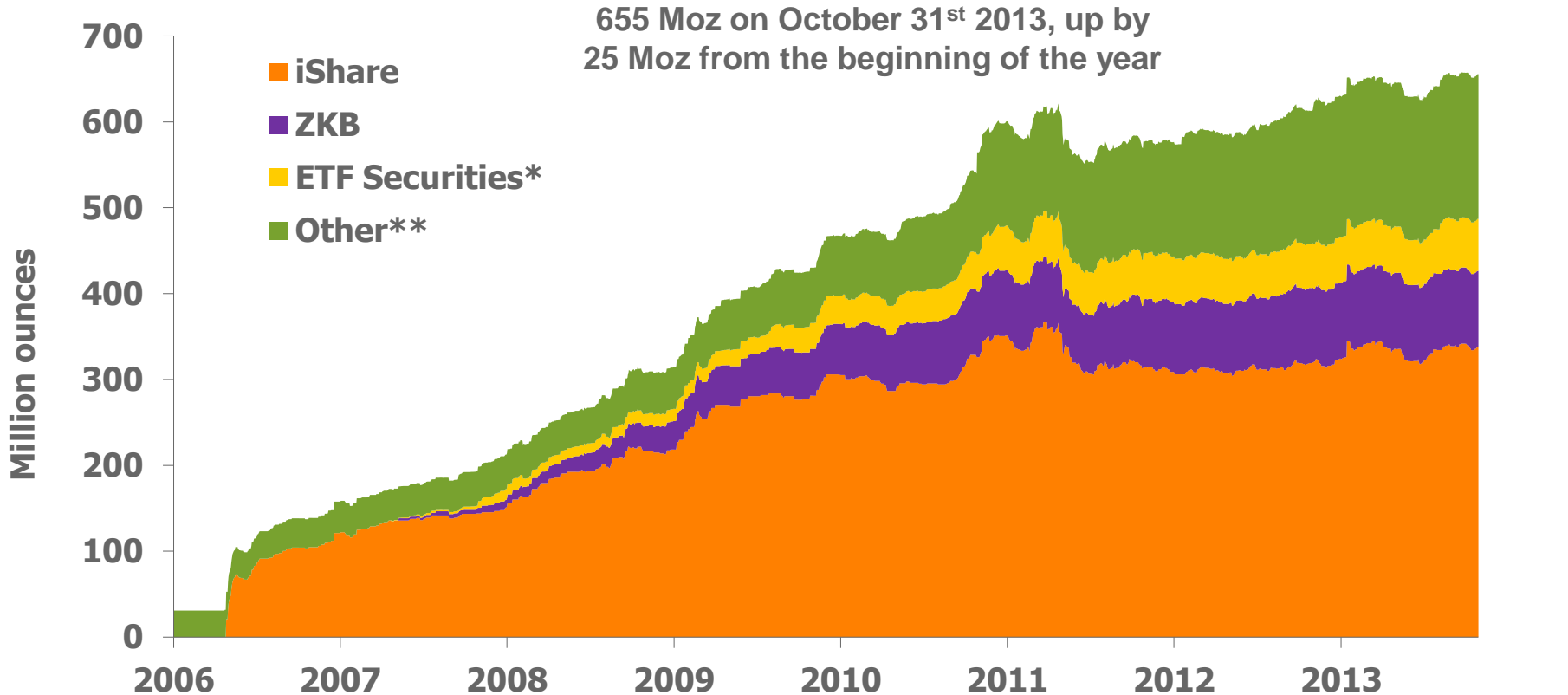
# Investment and Coins Remain Key



Source: Thomson Reuters GFMS



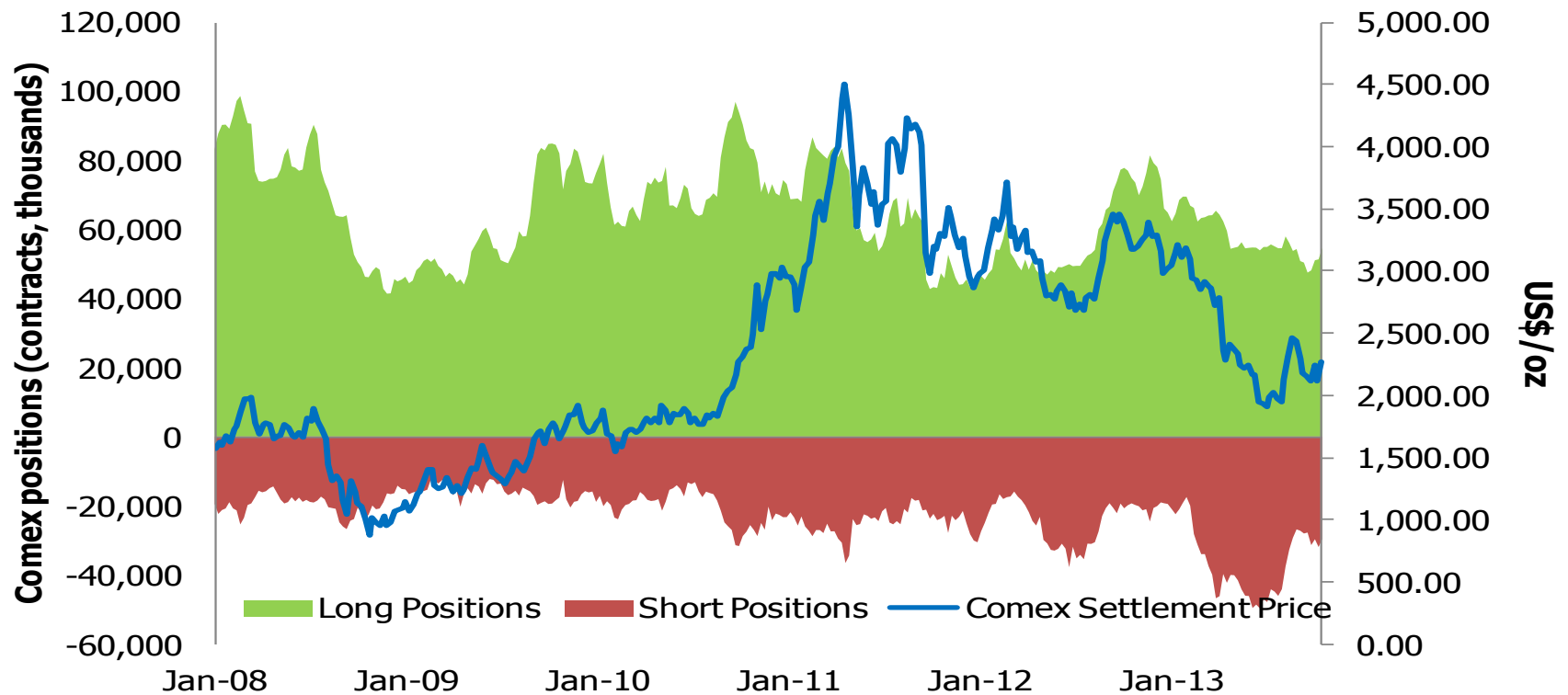
# SILVER ETF HOLDINGS



\*Includes ETFS London, Australia, NYSE, Glitter and WITE \*\* Includes Julius Baer, Mitsubishi, Sprott, Central Fund of Canada, Silver Bullion Trust, BlackRock Silver Bullion, DB Physical Silver, DB Euro Hedged, DB GBP Hedged, iShares ETC, Source Physical Silver, Royal Canadian Mint ETR

Source: Respective issuers

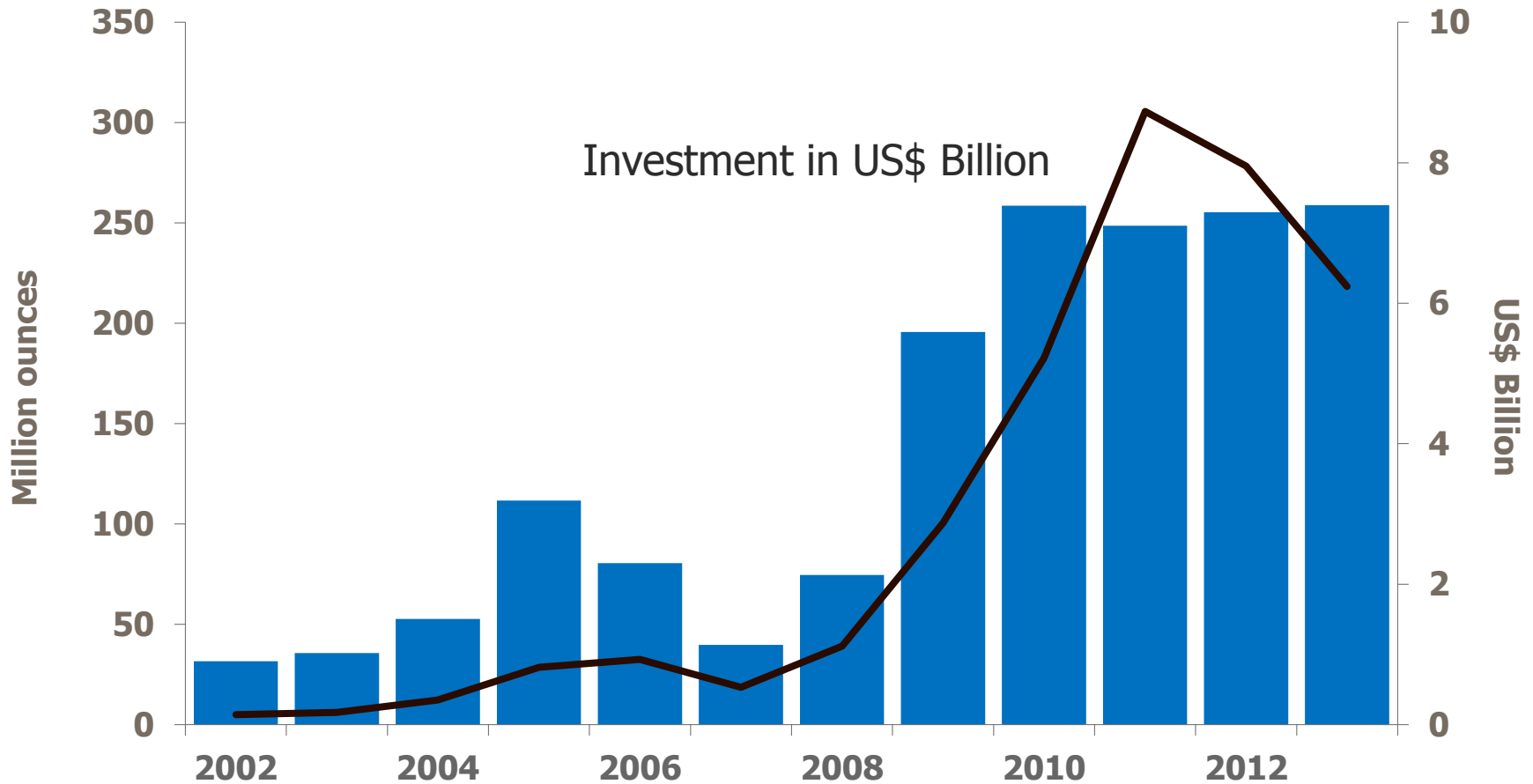
# INVESTORS'\* POSITIONS IN COMEX SILVER FUTURES



\* non-commercial & non-reportable net positions in futures taken as proxy for investors' positions

Source: CFTC

# WORLD SILVER INVESTMENT\* VOLUME AND VALUE



\*World Investment is the sum of implied net investment and coins & medals

Source: Thomson Reuters GFMS

# INVESTMENT SUMMARY

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- Silver, having a greater volatility and trading range than gold markets, saw a sharper decline in price compared to gold this year
- Primary driver behind the fall in silver and gold prices – talks of QE tapering, improved economic outlook, more attractive returns in other asset classes
- In contrast to gold ETFs, where holdings declined to a 3 year low, silver ETF holdings rose throughout the year to a record high of 650 Moz
- Improved global economic outlook may offer a cushion of support to prices as silver's properties as an 'industrial metal' benefits from higher off take
- For some, silver is a more 'economical' alternative to gold (~60 x lower unit price). Silver's greater volatility and trading range than gold makes it attractive to certain investors

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# PRICE OUTLOOK

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## Negatives:

- Mine production rising (2013 forecast: 815 Moz)
- Market in a residual surplus (287 Moz forecast for 2013)
- Global economic recovery may curtail the need for expansionary monetary policy, reducing investors requirement for safe havens
- Ongoing secular decline in photography (though mainly offset by lower photo scrap)

## Positives:

- Improved global economic outlook may offer cushion support to price as silver's properties as an 'industrial metal' benefits from higher off take
- Gold:Silver ratio currently at 60, lower than the average level of 55 in the past 3 years, potential opportunity for outperformance?
- Strong physical demand in India as consumers switch towards other precious metals amid draconian measures to curb gold imports. Buoyant demand for silver coins globally

## Price forecasts:

- We now forecast an average price of \$24.24 in 2013 (1<sup>st</sup> Jan – 31<sup>st</sup> Oct average \$24.51)  
Our short-term forecast is that through to year-end silver will trade between \$20.20 - \$23.70

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