

# The Silver Market in 2010

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# Silver: Presentation Outline

- Silver Prices
- Demand
- Supply
- Investment
- Price Outlook

# The Silver Price\* – US\$/oz



\*Weekly average prices Source: Thomson Reuters



# US Dollar and Euro Prices\*



\*Weekly average prices Source: Thomson Reuters

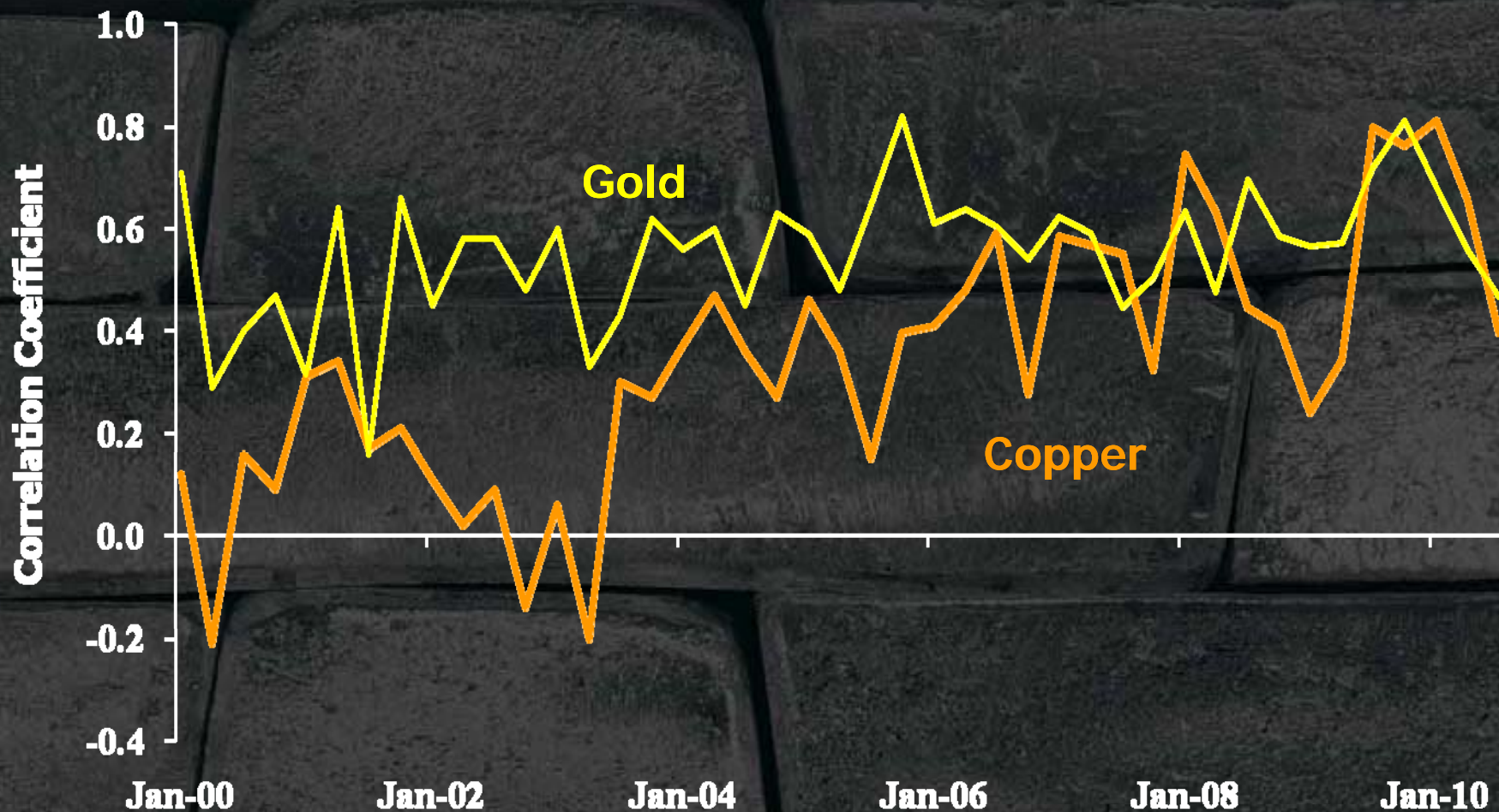
# Silver, Gold and Base Metals Prices



Source: GFMS Ltd.



# Quarterly Correlation of Daily Silver Price with Gold and Copper Prices



Source: GFMS Ltd.



# Gold / Silver Ratio 2001-2010 to-date (basis weekly average prices)



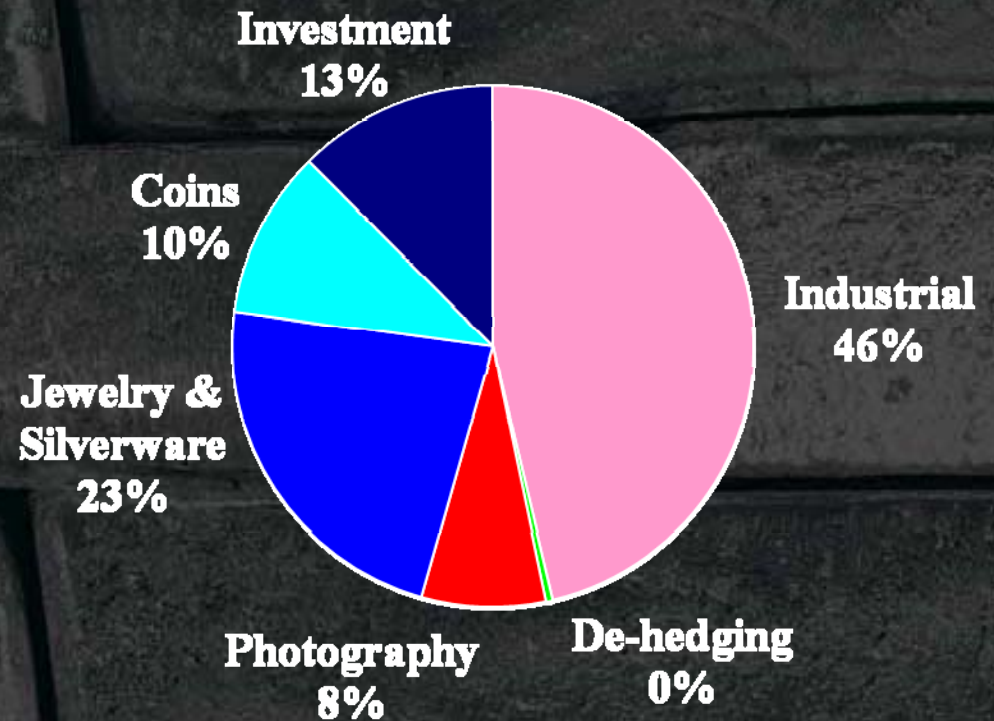
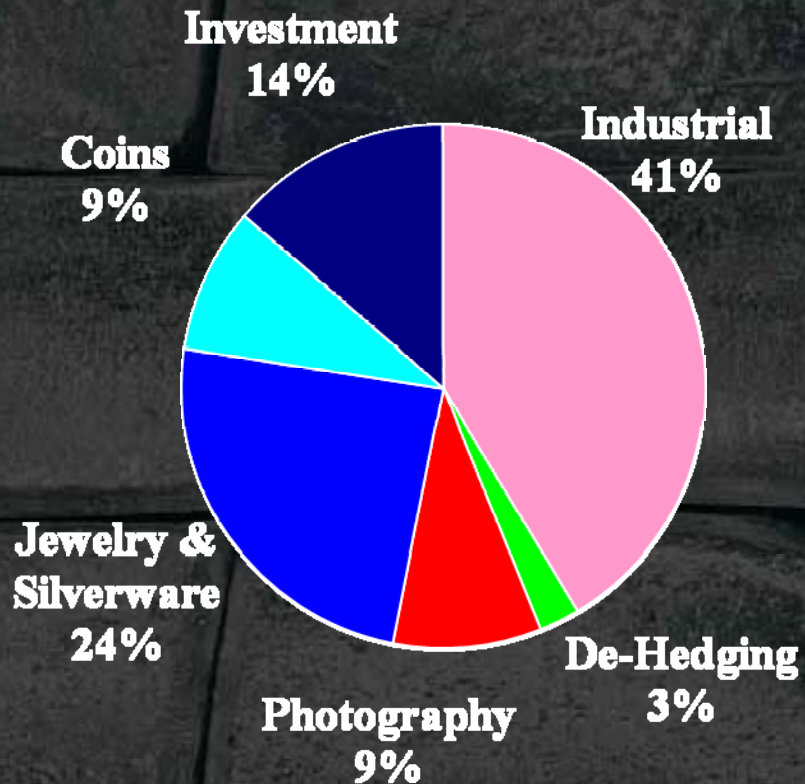
Source: GFMS Ltd.



# World Silver Demand

2009 Actual

2010 Forecast



Source: GFMS Ltd.



# World Silver Fabrication

Forecast Annual Changes: 2010 less 2009



Source: GFMS Ltd.

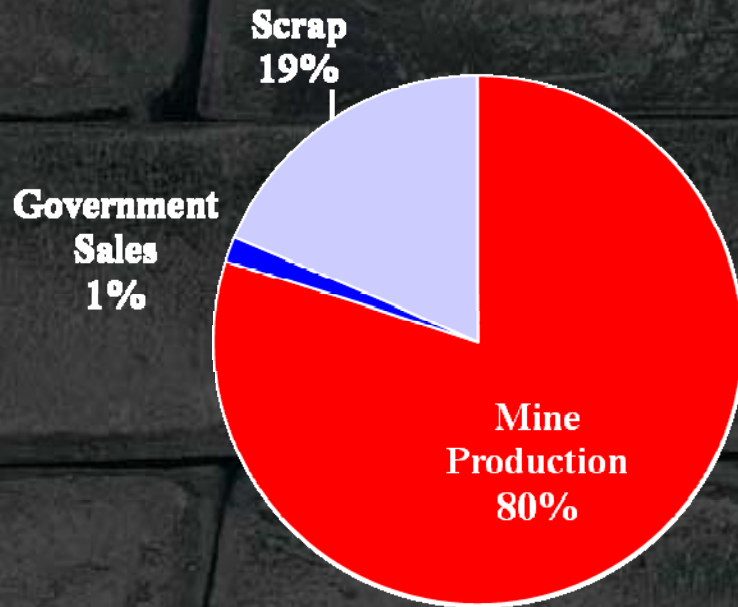


# Fabrication Demand Summary

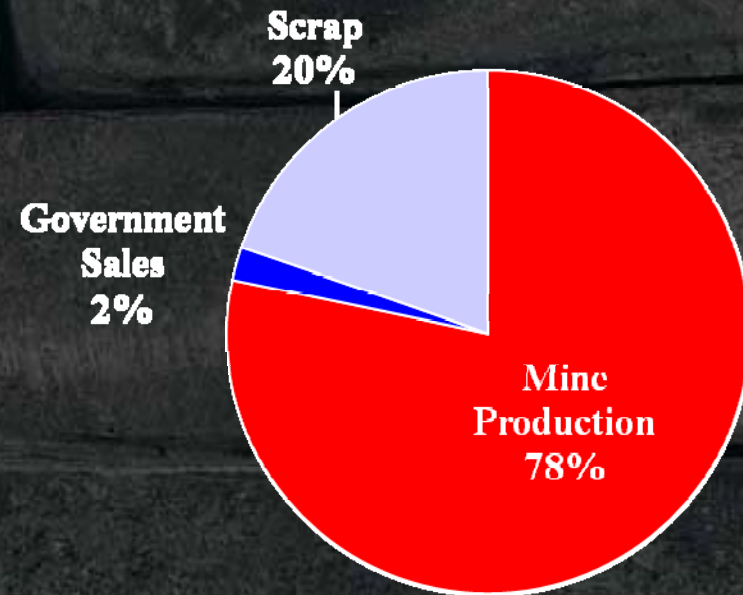
- Total fabrication demand forecast to be around 10% higher year-on-year in 2010.
- Industrial offtake expected to recover by more than 65 Moz for full year 2010, or 18%. Next year, however, growth is forecast to slow to around 4%.
- Photographic demand continues to contract, mainly due to ongoing substitution by digital technology.
- Jewelry & Silverware demand combined will decline marginally year-on-year. (Jewelry actually up a little basis substitution gains at gold's expense.)
- Coin demand continues to rise.

# World Silver Supply

2009 Actual



2010 Forecast



Source: GFMS Ltd.

# World Silver Supply

Forecast Annual Changes: 2010 less 2009



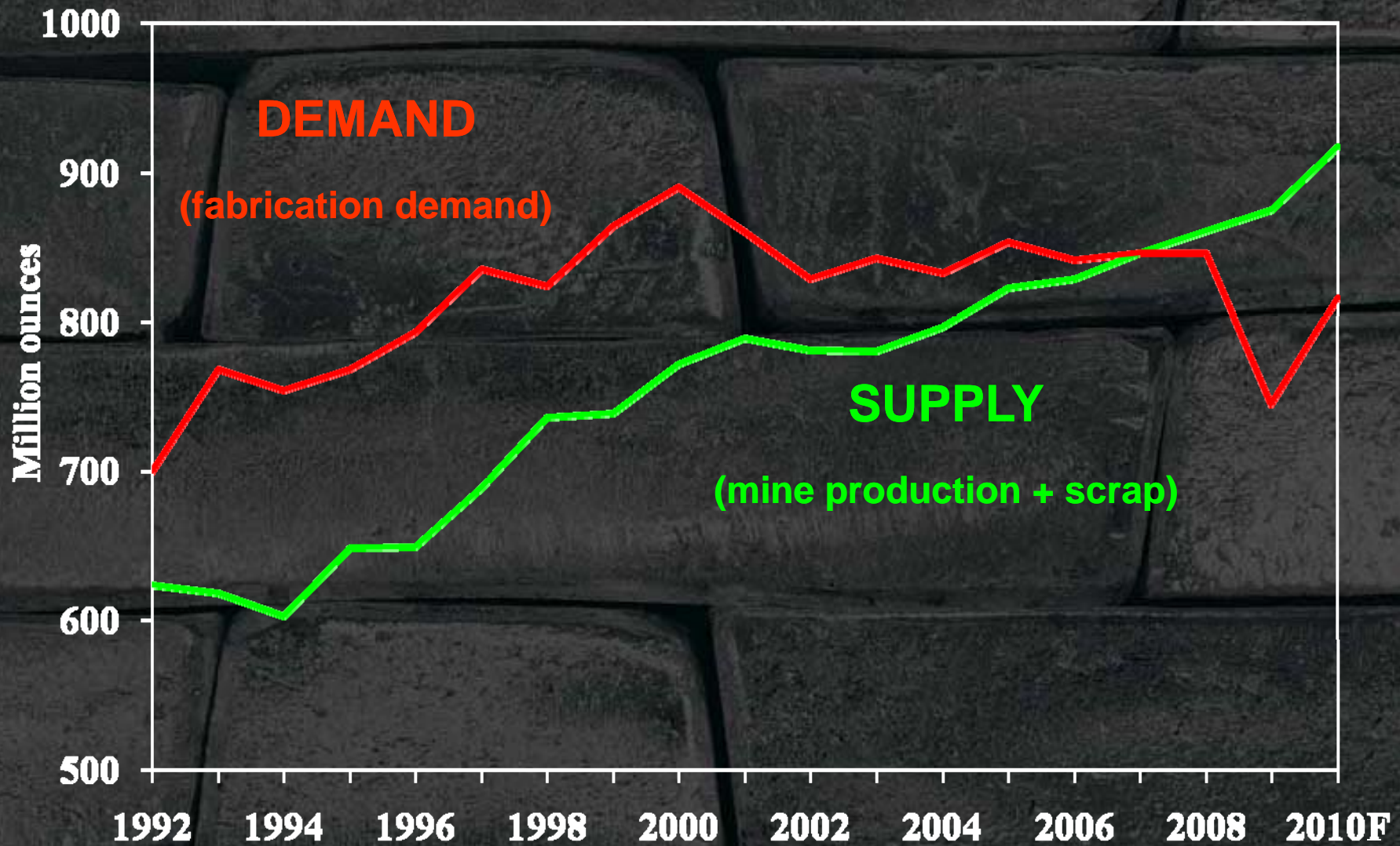
Source: GFMS Ltd.



# Supply Summary

- World silver mine production expected to rise by 3% y-o-y in 2010, lifted by strong output from gold by-product mines.
- Scrap supply forecast to rise by 11% in 2010, despite ongoing declines from the photographic sector. This is relatively price inelastic, as are the other two main sources of scrap recycling – industrial scrap and jewellery scrap.
- Government sales set to rise a little this year.
- Overall supply expected to increase by around 5% in 2010.

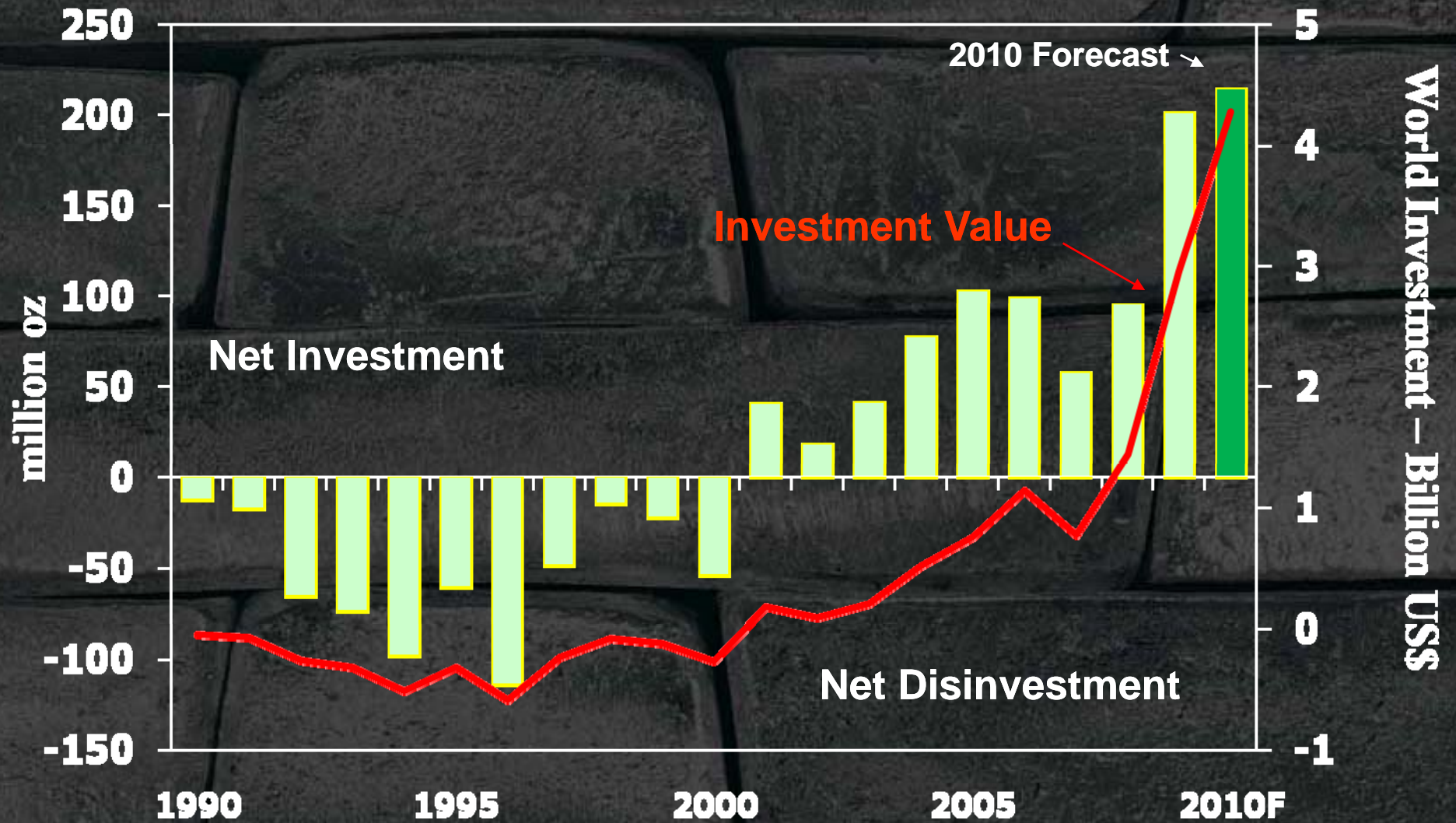
# From "Deficit" to "Surplus"



Source: GFMS Ltd.



# World Silver (Dis)Investment\* and Value



\*World Investment = the sum of Implied Investment and Coins & Medals

Source: GFMS Ltd.



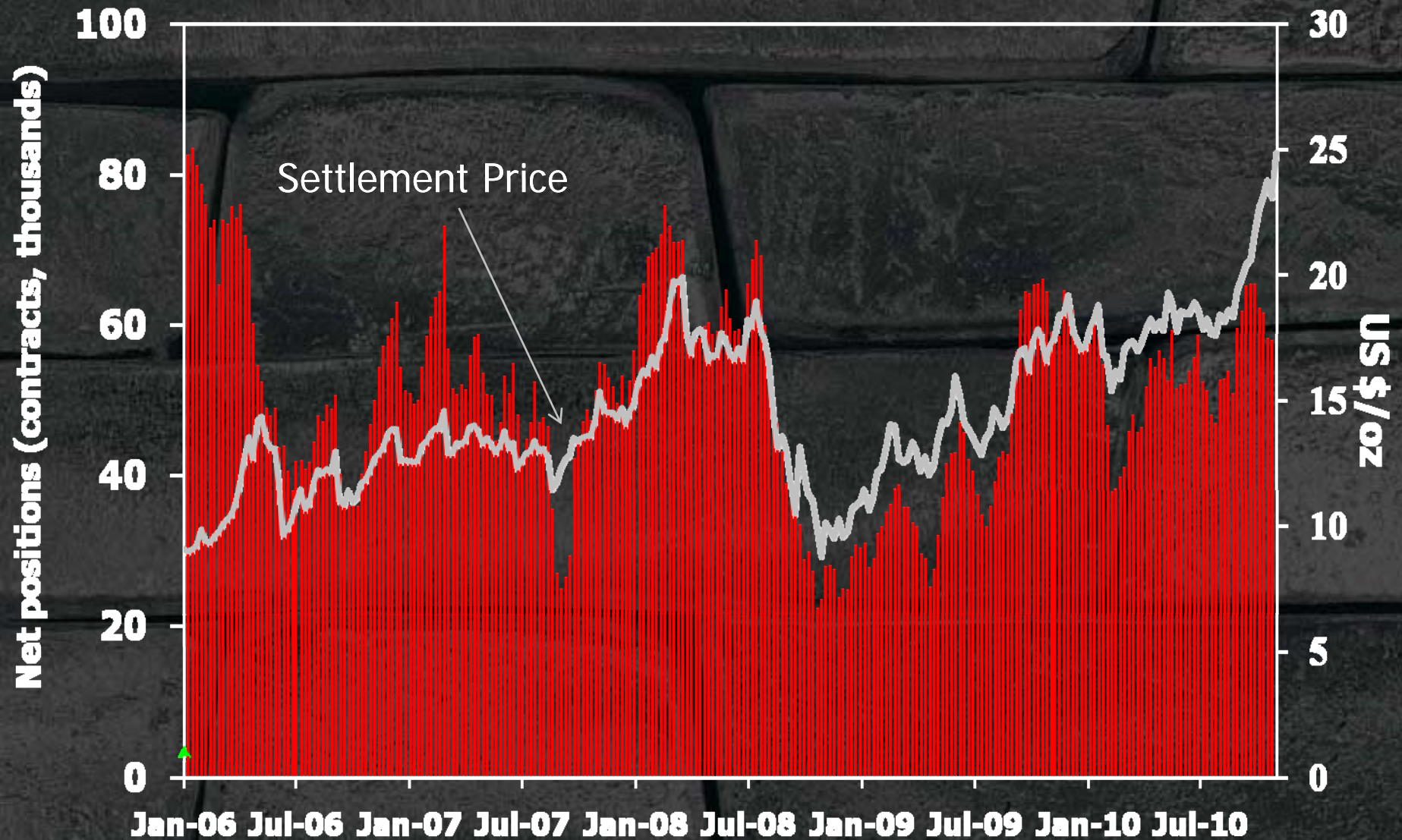
# ETF Silver Holdings

Total 2010 to-date = 490 Moz



Source: Respective ETF issuers

# Investors'\* Net Positions in Comex Silver Futures



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

Source: CFTC



# Investment - Summary

- Silver investment demand has seen the same support from events driving gold investment, namely: US\$ devaluation, the sovereign debt crisis in Europe, inflation fears, ultra-low interest rates and the further growth in commodities as an asset class.
- Copper an influence, with silver also regarded as an 'industrial metal' benefiting from economic recovery and fast growth in developing countries such as China.
- For some, silver is a more 'economical' alternative to gold (~55x lower unit price).
- Silver's greater volatility and trading range than gold makes it attractive to certain investors.
- Some investors eyeing all-time high of nearly \$50 per ounce.
- Small market size – value of total supply forecast at less than \$19bn in 2010 compared to \$170bn for gold – means silver price is very highly geared to growth in investor inflows.

# Price Outlook

## Negatives:

- Mine production continues to grow (+127 Moz in 2001-10).
- Ongoing secular decline in photography (though largely offset by lower photo scrap).
- Large market surplus and rising 'near market' bullion stocks (ETFs alone now at 490 Moz).

## Positives:

- Strong investment demand (in a small market), higher gold price.
- Ongoing recovery in industrial demand, plus price-insensitivity in the short run of most fabrication.
- No real potential threat to prices from higher scrap or government sales.

## Price Forecasts:

- GFMS forecast average price of \$19.94 in 2010 (a gain of 36% year-on-year).
- 2011 is likely to see silver trade higher than \$30/oz, in part basis the strong probability of gold peaking comfortably above \$1,500/oz.

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