

The Global Source
THE SILVER INSTITUTE

THE SILVER MARKET IN 2016

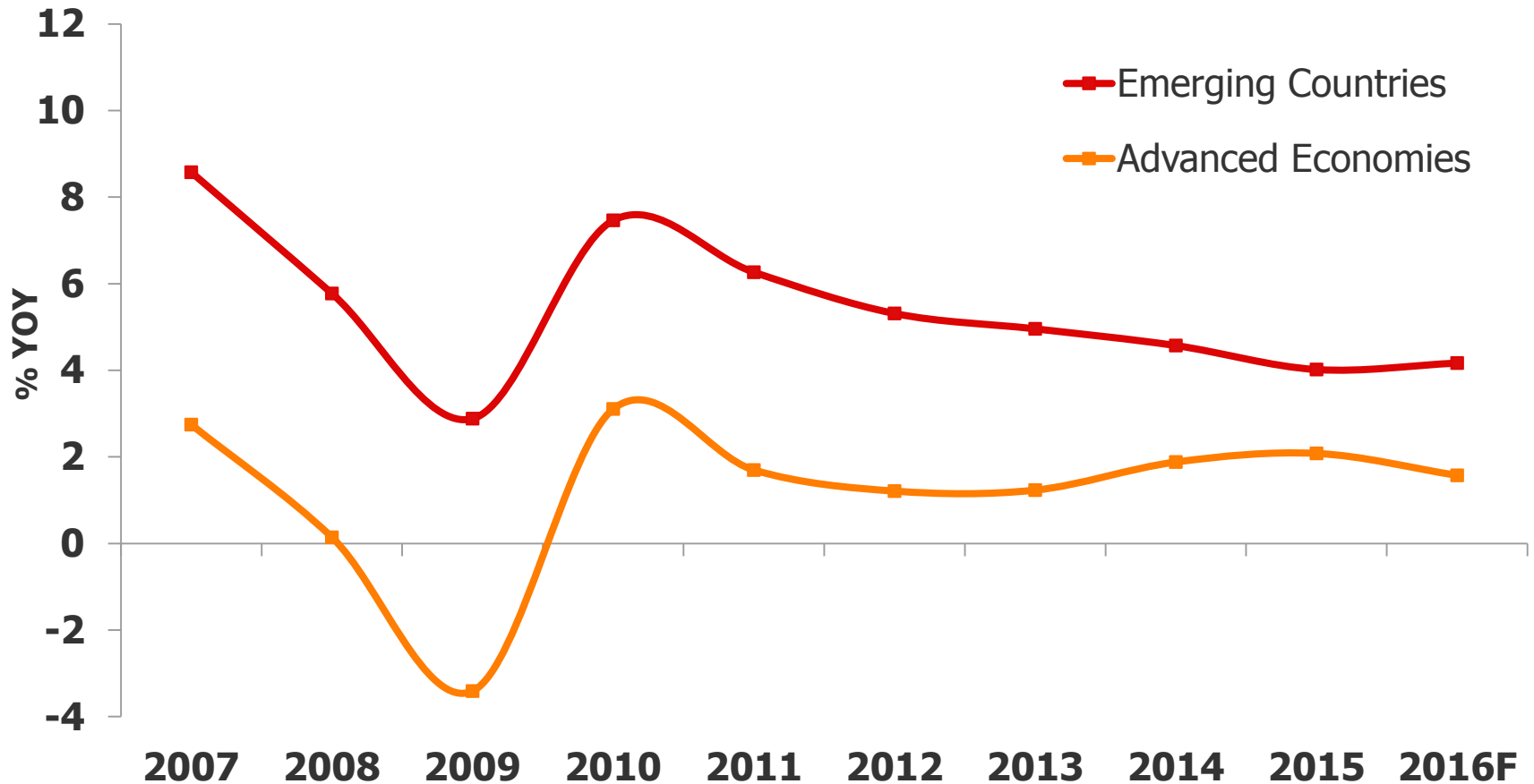
Johann Wiebe

Senior Analyst, Precious Metals Demand

The Silver Institute - 2016 Interim Report

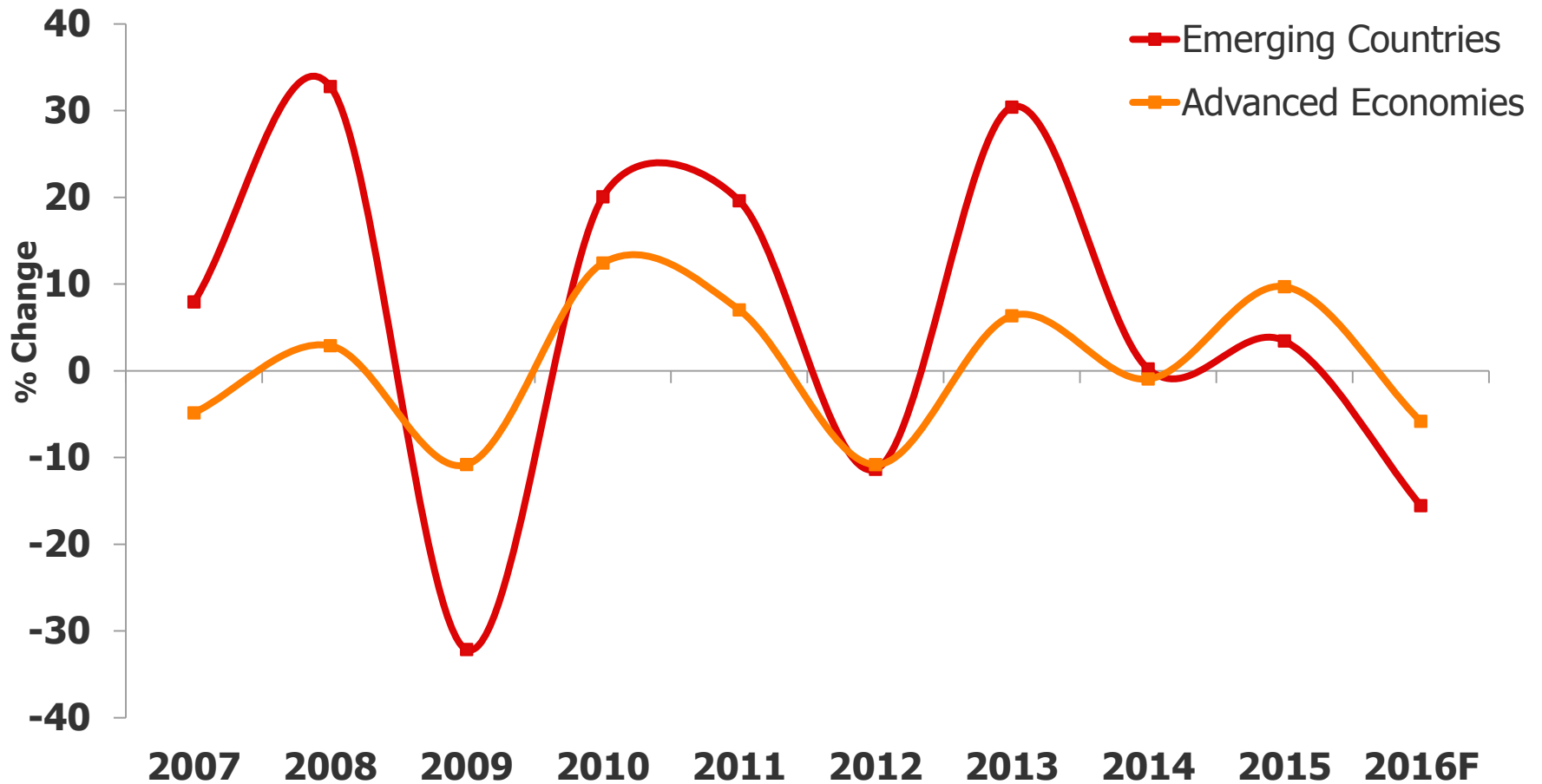
November 16, 2016

REAL GDP GROWTH



Source: IMF WEO

GROWTH IN PHYSICAL SILVER DEMAND



Source: GFMS, Thomson Reuters

WORLD SILVER SUPPLY AND DEMAND

Moz	2012	2013	2014	2015	2016f	% Δ - 2015	% Δ - 2012
Mine Production	790.8	823.7	868.0	893.0	887.4	-0.6%	12.2%
Total Supply	1,006.6	988.9	1,053.0	1,046.4	1,012.4	-3.2%	0.6%
Jewelry & Silverware	229.1	276.6	284.7	289.1	257.6	-10.9%	12.4%
Coins & Bars	159.6	241.9	236.5	292.4	222.0	-24.1%	39.1%
Industrial Fabrication	615.0	619.1	611.2	588.9	585.1	-0.6%	-4.9%
Physical Demand	1,003.7	1,137.6	1,132.4	1,170.3	1,064.6	-9.0%	6.1%
Physical Surplus/Deficit	2.9	- 148.7	- 79.3	- 124.0	- 52.2	na	na
Annual Average Silver Price \$/oz	31.15	23.79	19.08	15.68	17.15	9.4%	-44.9%

Source: GFMS, Thomson Reuters

THE SILVER MARKET IN 2016

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

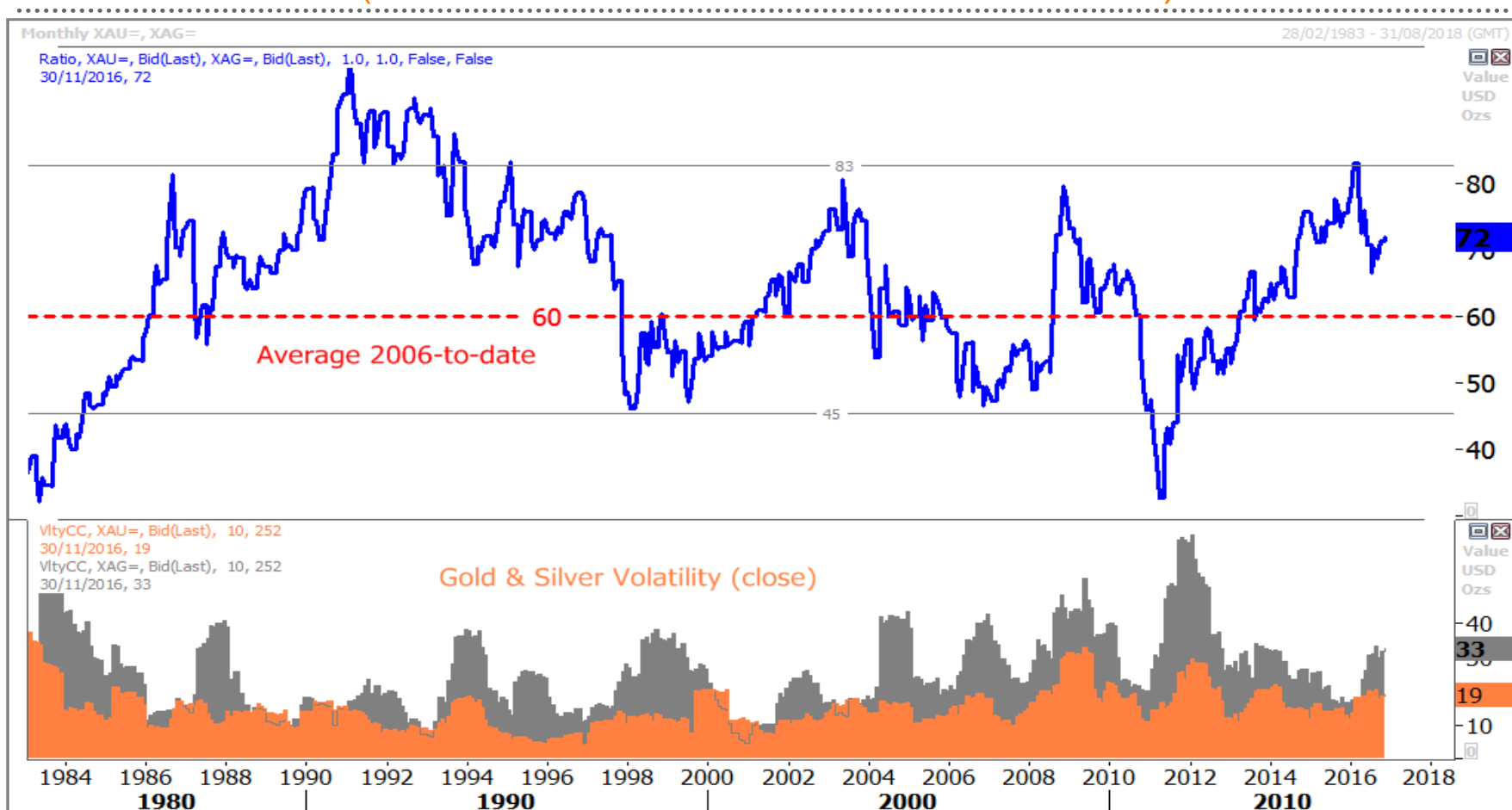
US DOLLAR SILVER PRICES (As of 15th Nov)



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

Source: Thomson Reuters Eikon

LONG TERM GOLD/SILVER RATIO (BASIS MONTHLY AVERAGE PRICES)



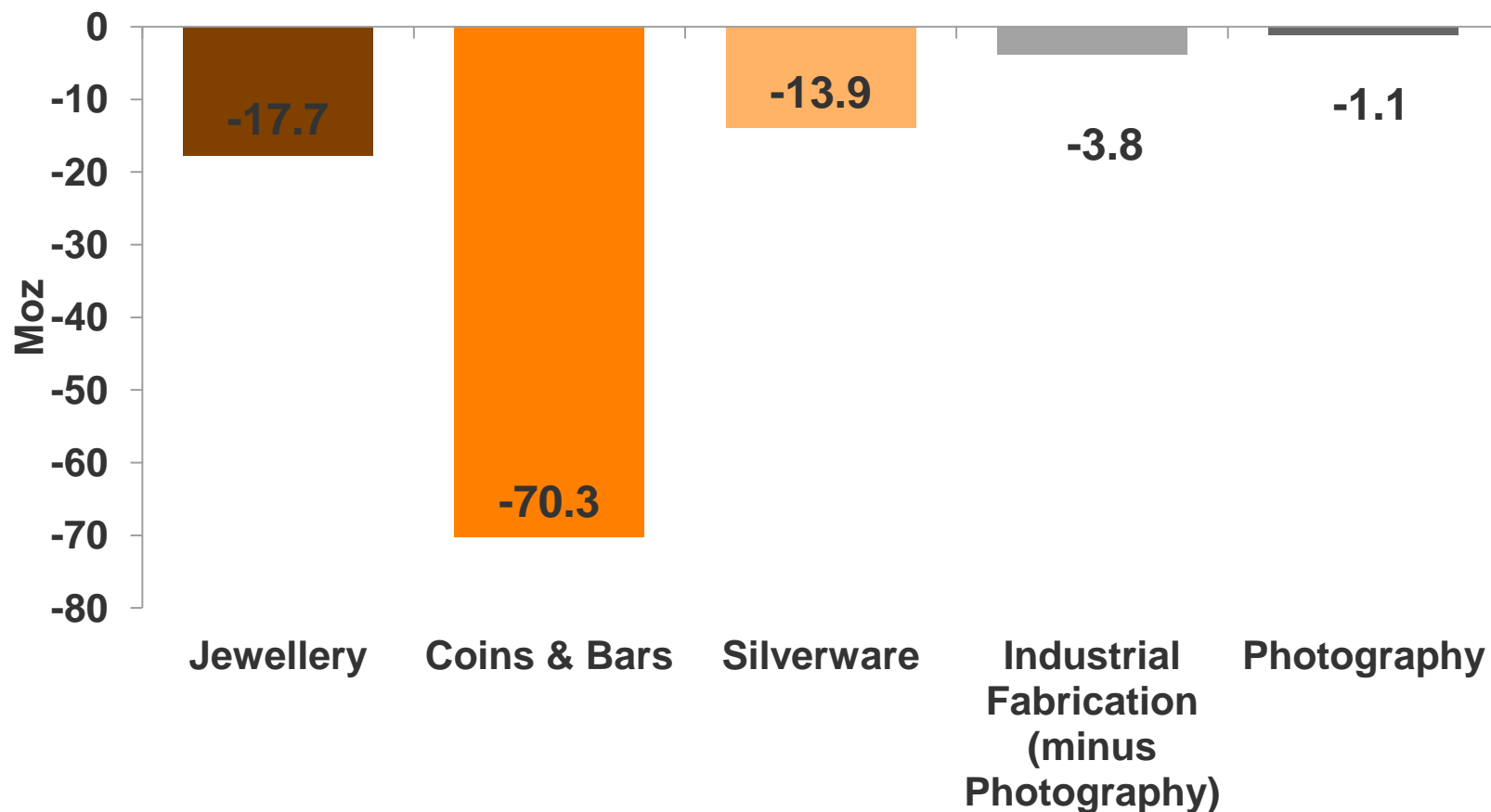
Source: Thomson Reuters Eikon

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WORLD PHYSICAL SILVER DEMAND

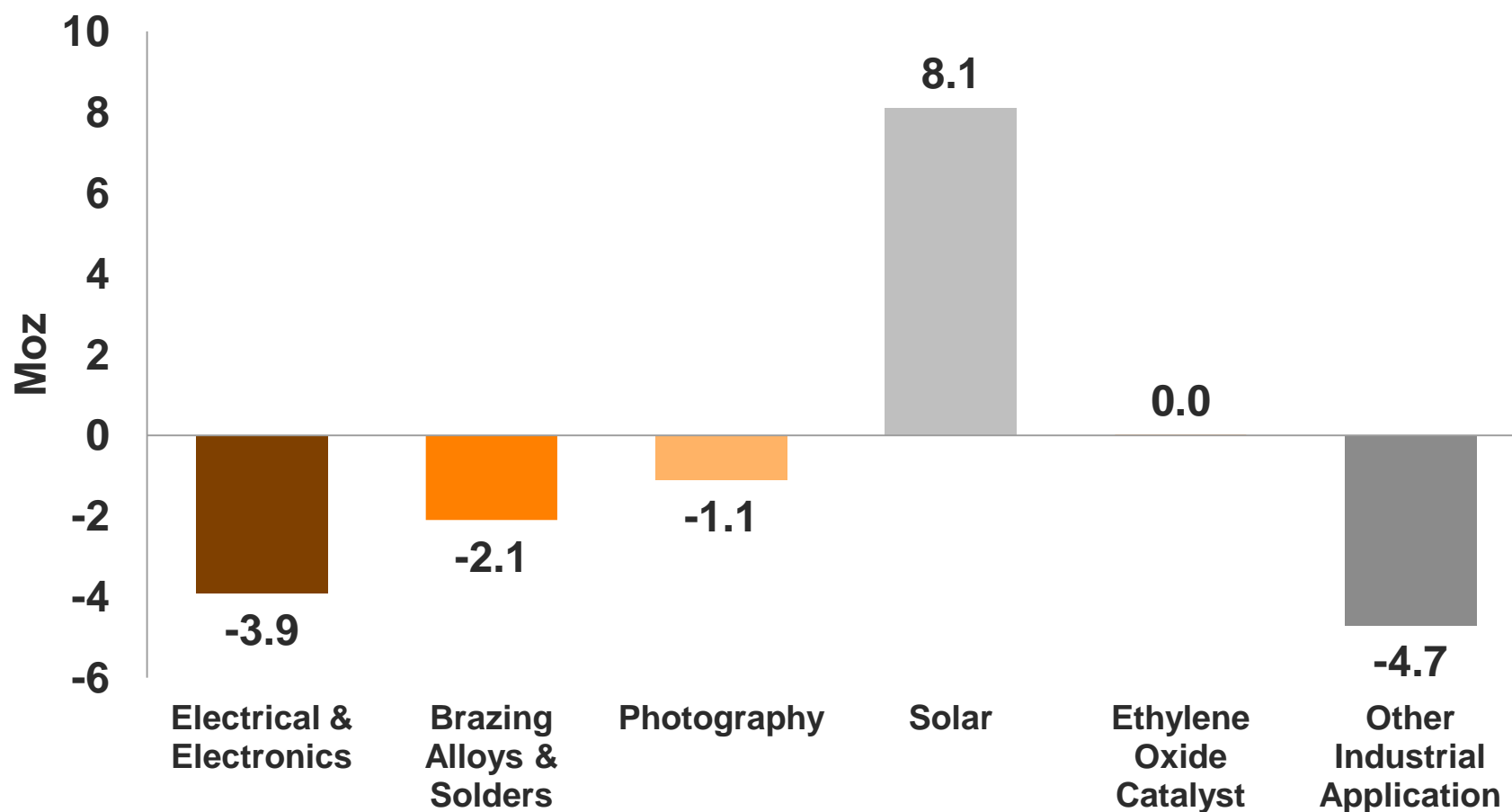
FORECAST ANNUAL CHANGES: 2016F LESS 2015 (Moz)



Source: GFMS, Thomson Reuters

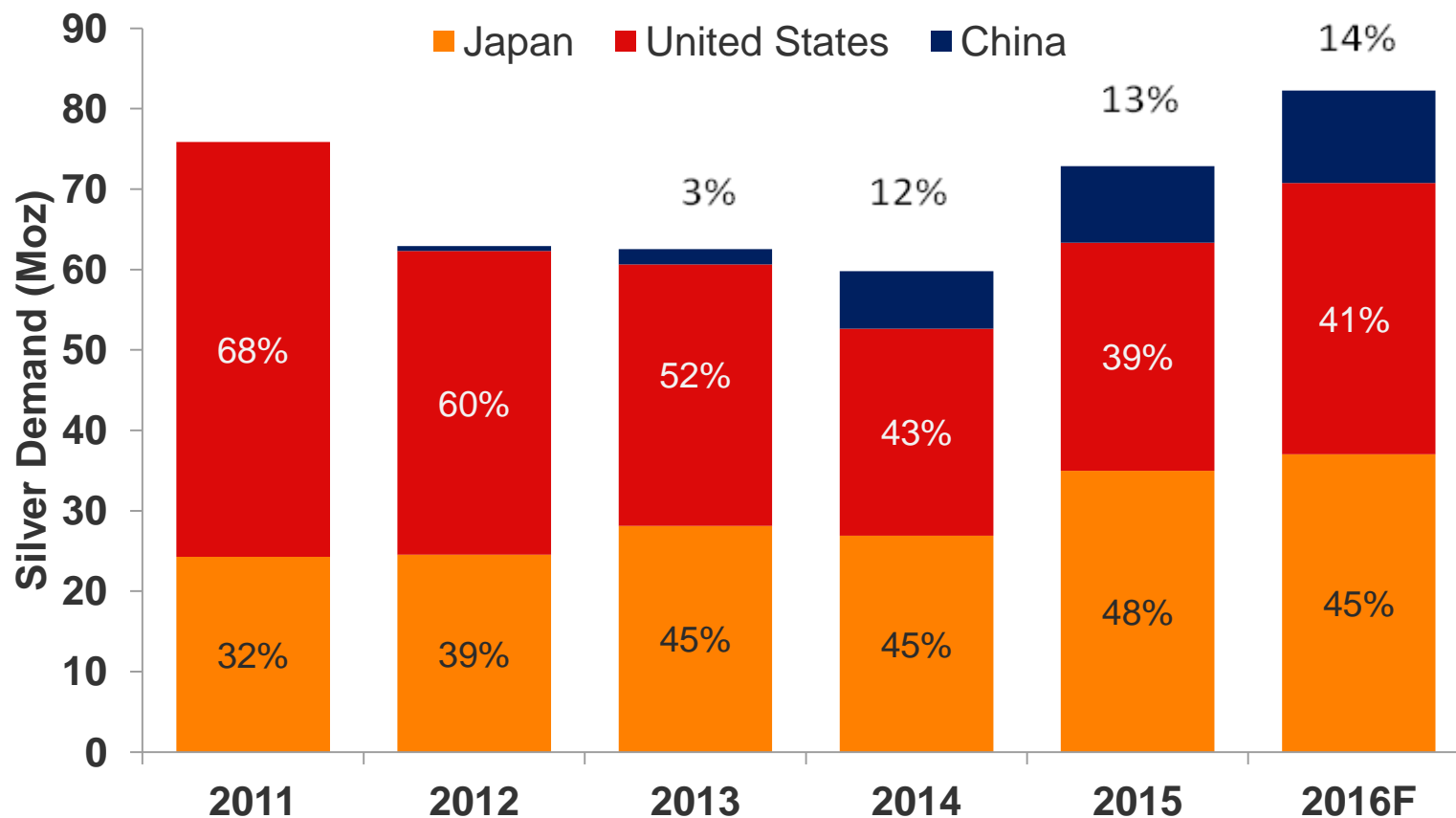
INDUSTRIAL FABRICATION FORECAST ANNUAL

CHANGES: 2016F LESS 2015 (Moz)



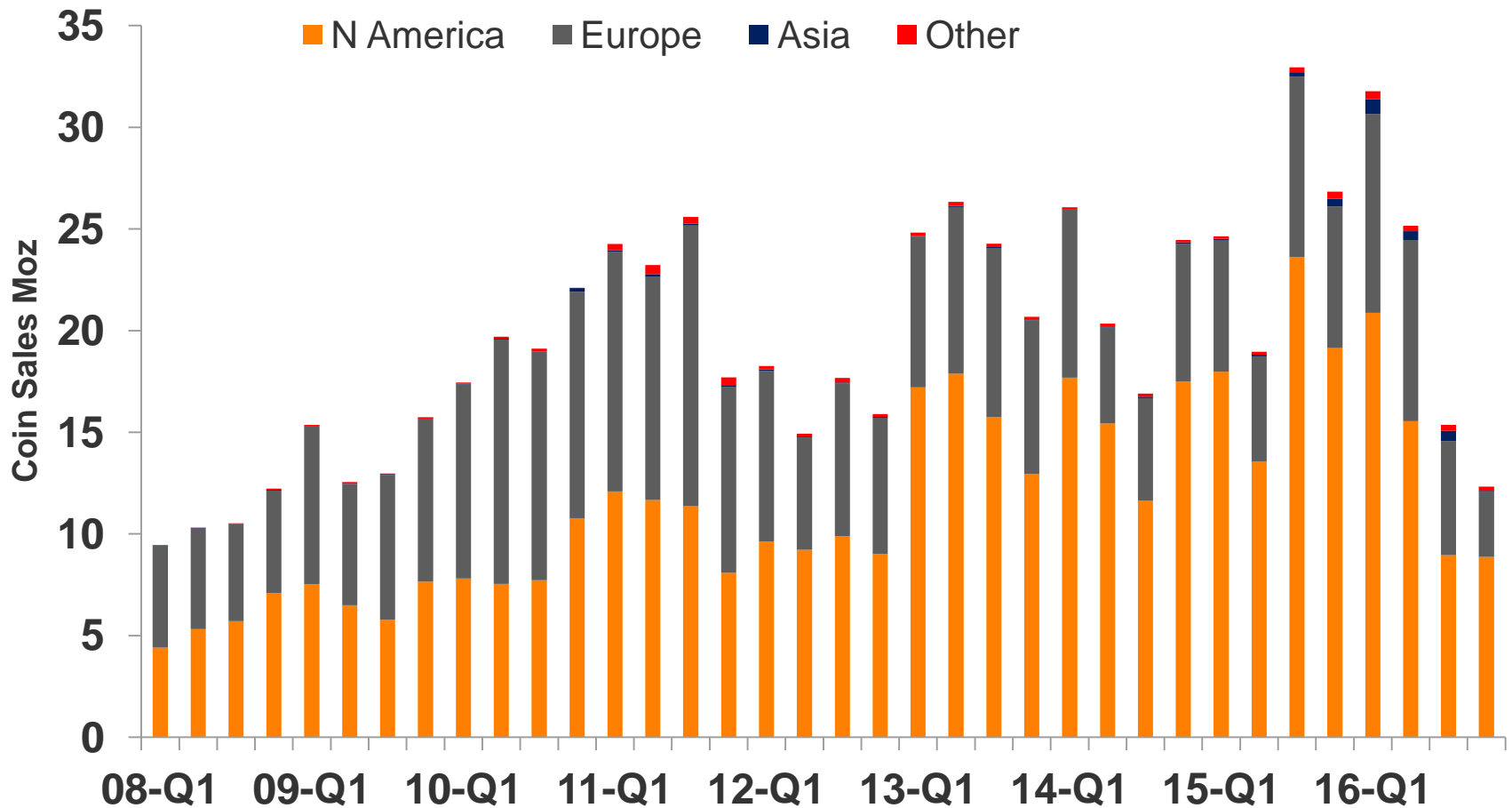
Source: GFMS, Thomson Reuters

SOLAR DEMAND - SILVER POWDER PRODUCTION



Source: GFMS, Thomson Reuters

GLOBAL COIN SALES

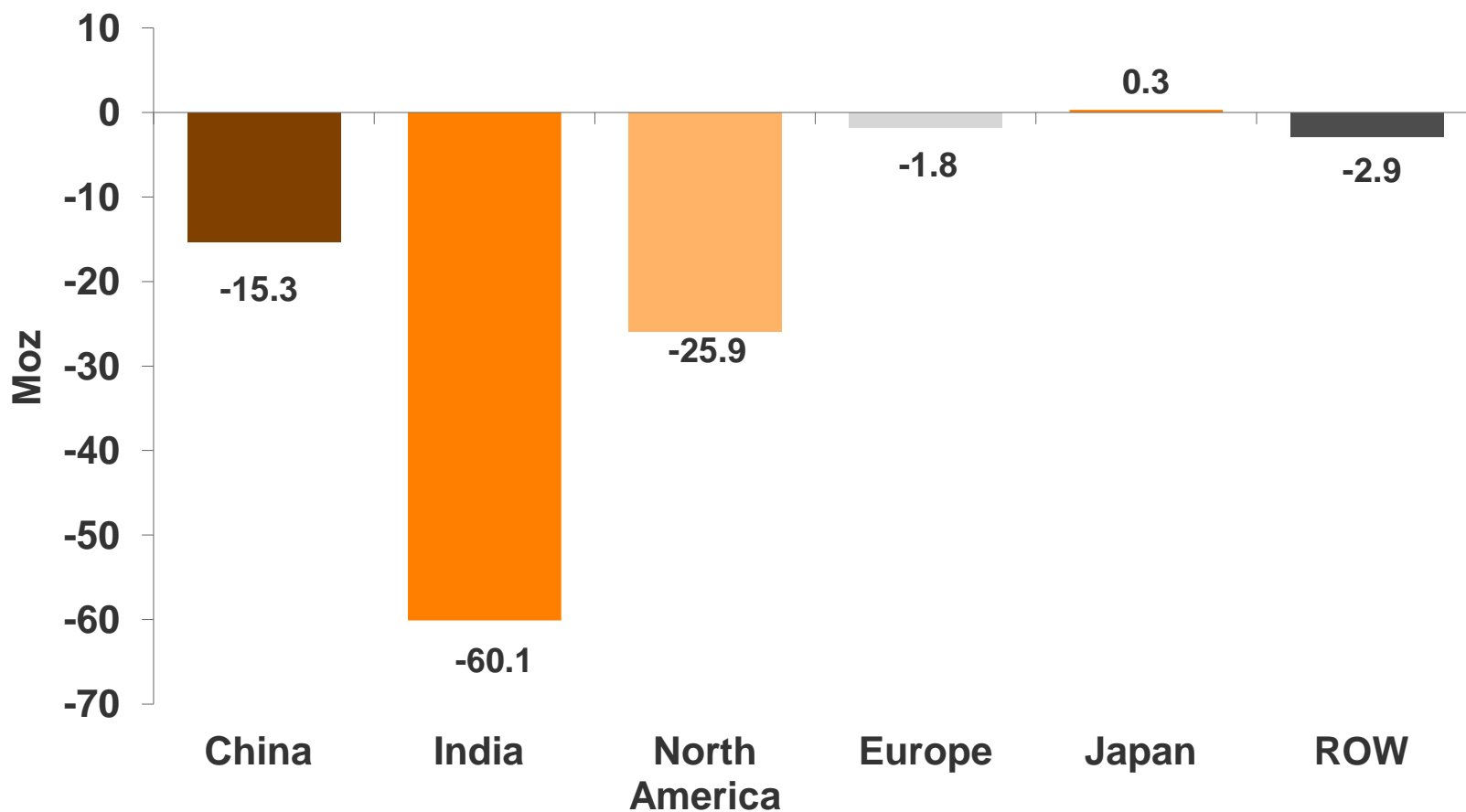


*Excludes Commemorative and China Mint coins

Source: GFMS, Thomson Reuters – Quarterly Coin Sales Survey

WORLD PHYSICAL SILVER DEMAND

FORECAST ANNUAL CHANGES: 2016F LESS 2015 (Moz)



Source: GFMS, Thomson Reuters

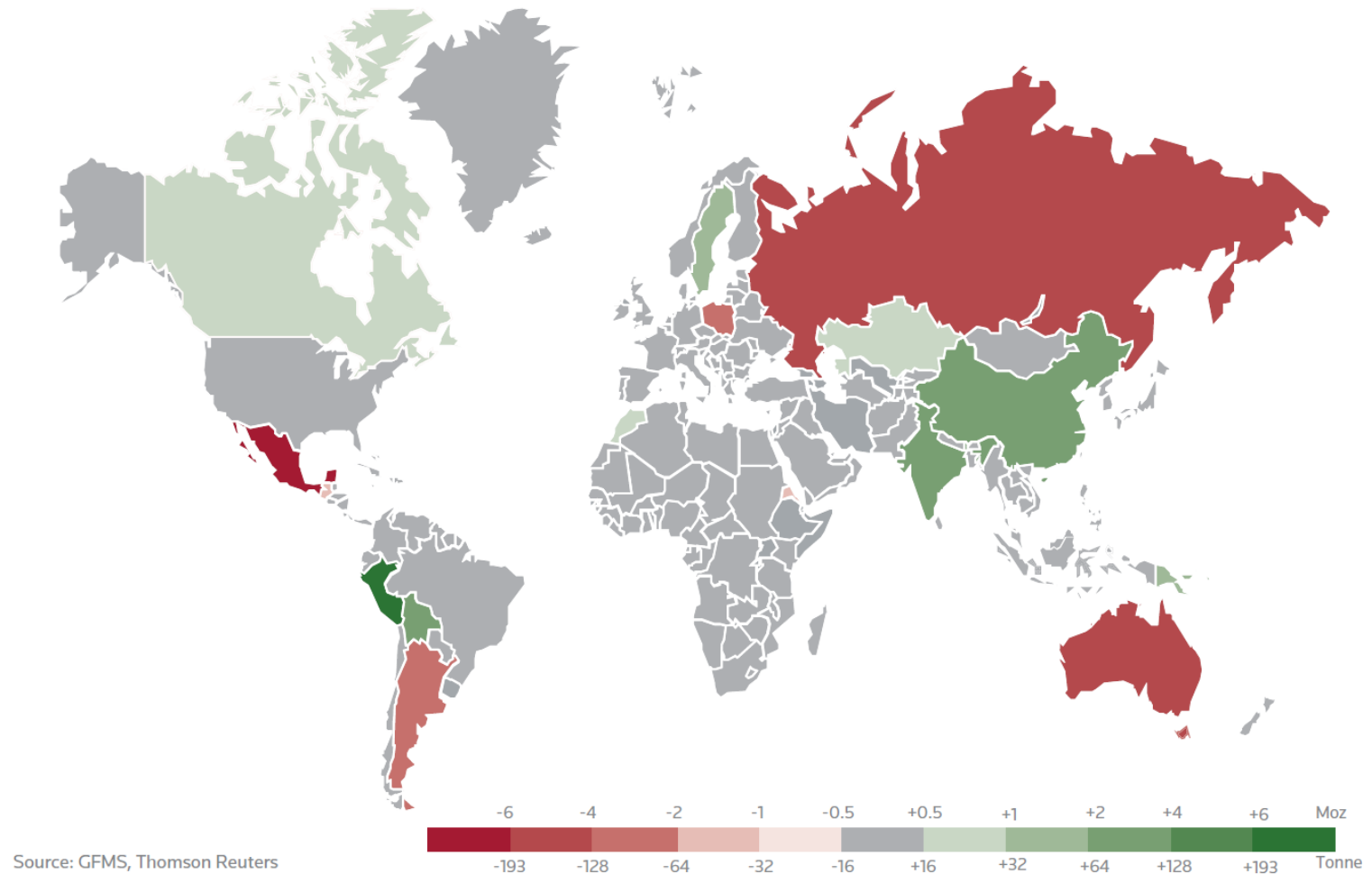
DEMAND SUMMARY

- Strong decline in physical bar and coin demand following last years' stellar growth
- Jewelry fabrication struggling to recover with weak demand out of Asia and a looming stock overhang
- Solar demand positive outlier this year driven in large by capacity expansions in China
- The continued shift toward smaller mobile devices and away from larger desktop computers will remain intact, weighing on electronics demand growth

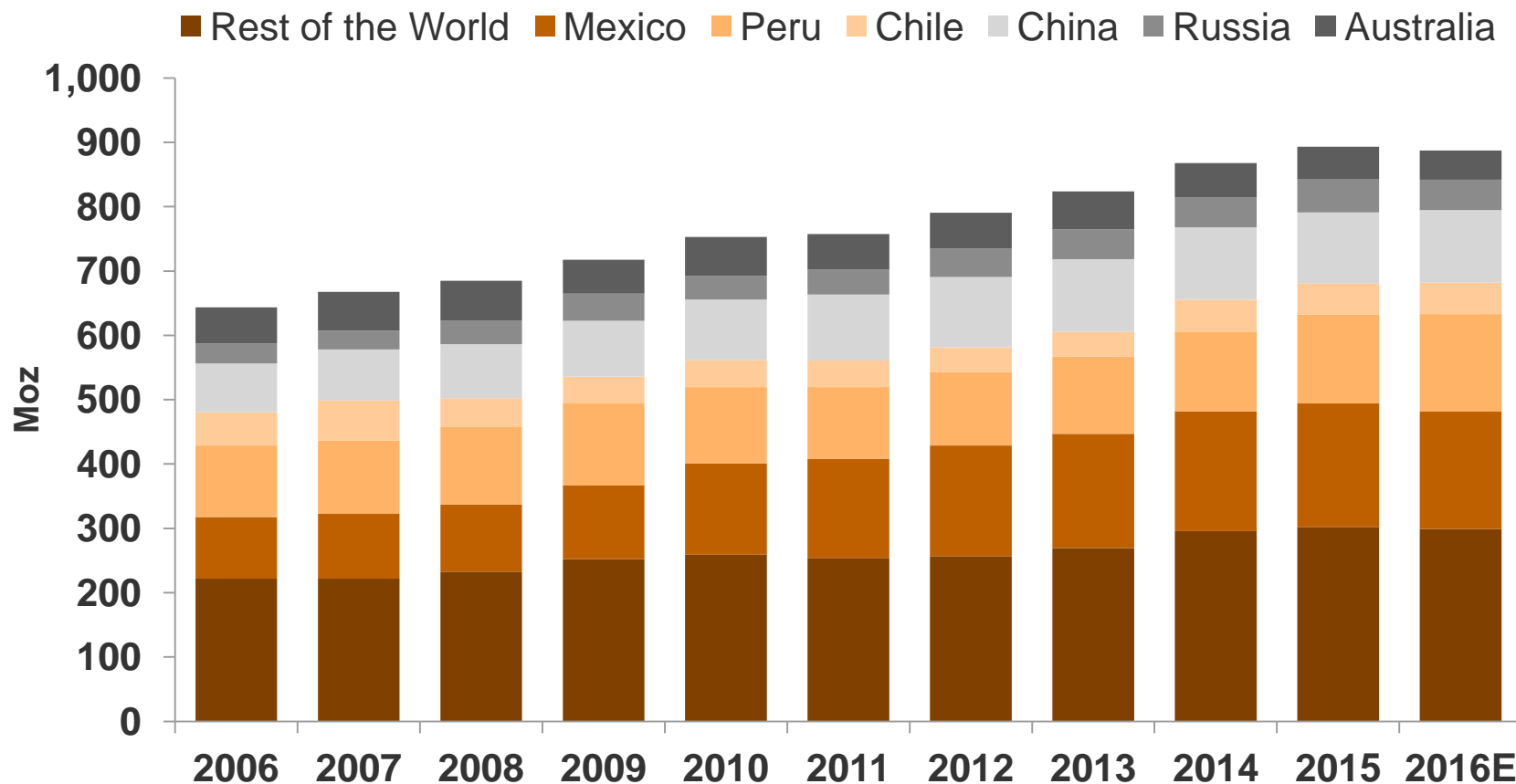
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MINE PRODUCTION WINNERS AND LOSERS H1 2015 VERSUS H1 2016

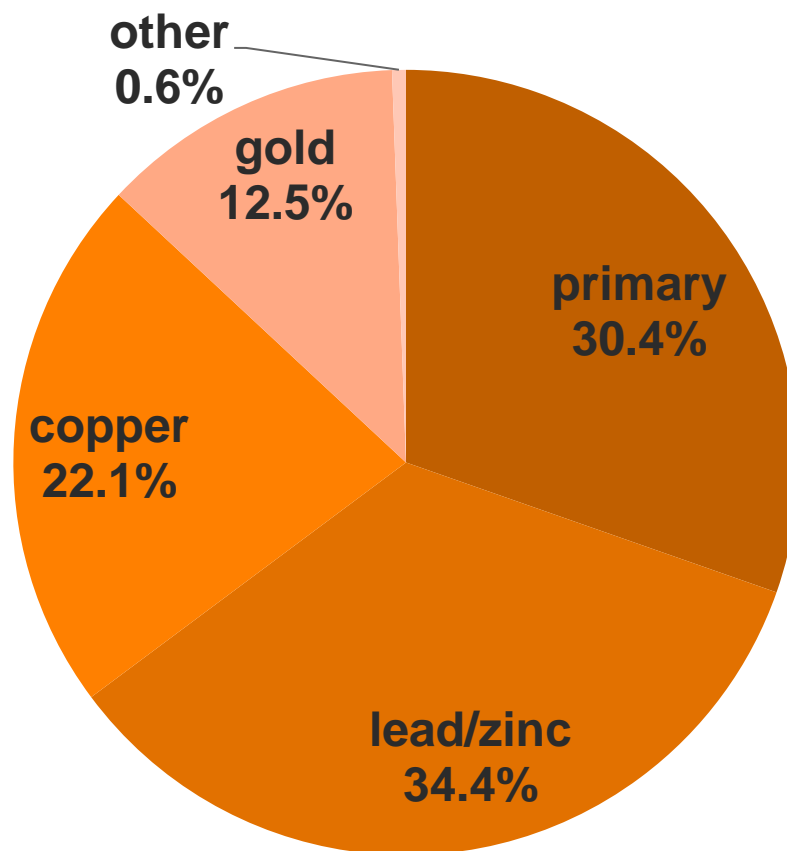


SILVER MINE PRODUCTION BY REGION



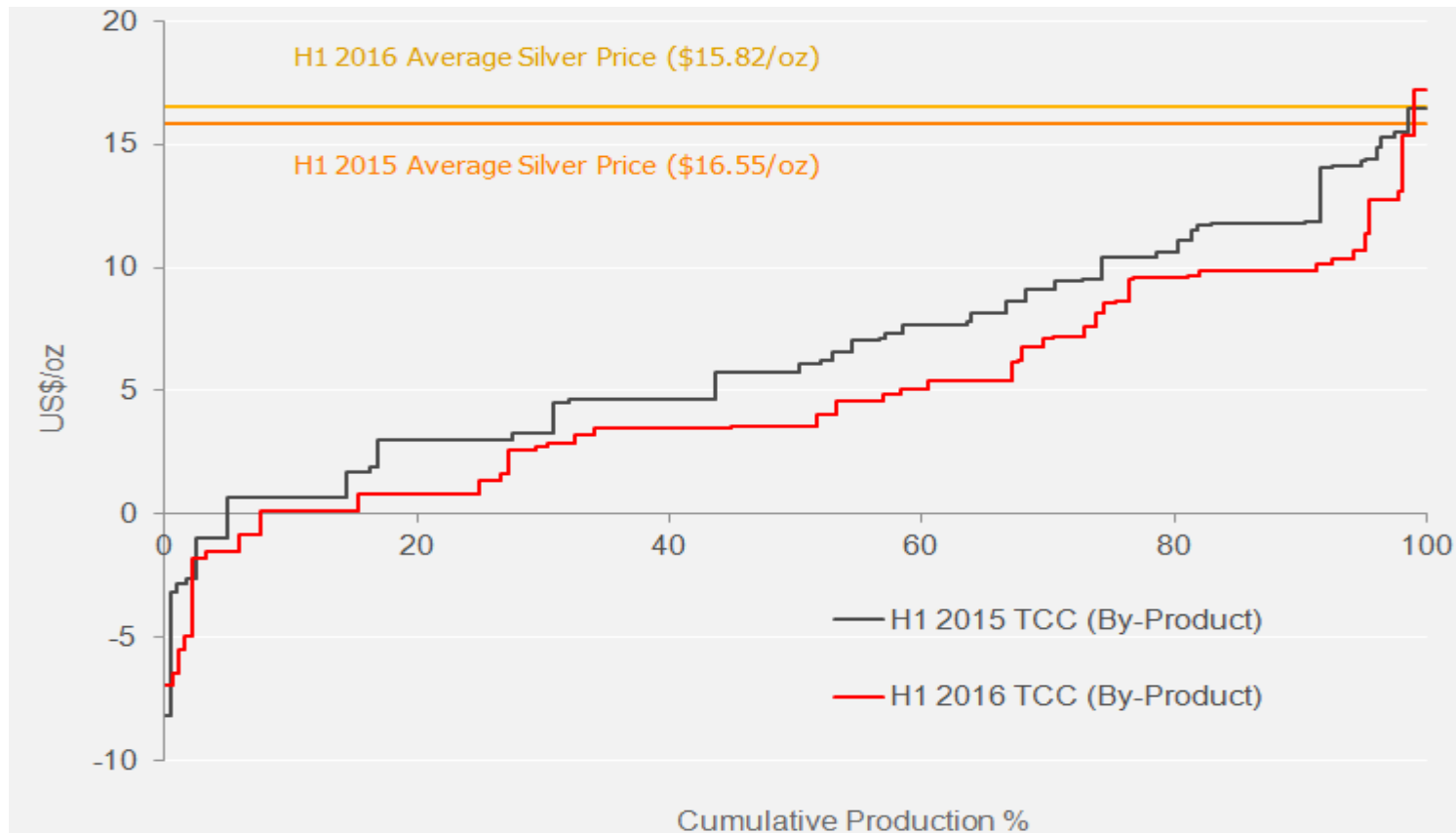
Source: GFMS, Thomson Reuters

SILVER MINE PRODUCTION BY SOURCE METAL



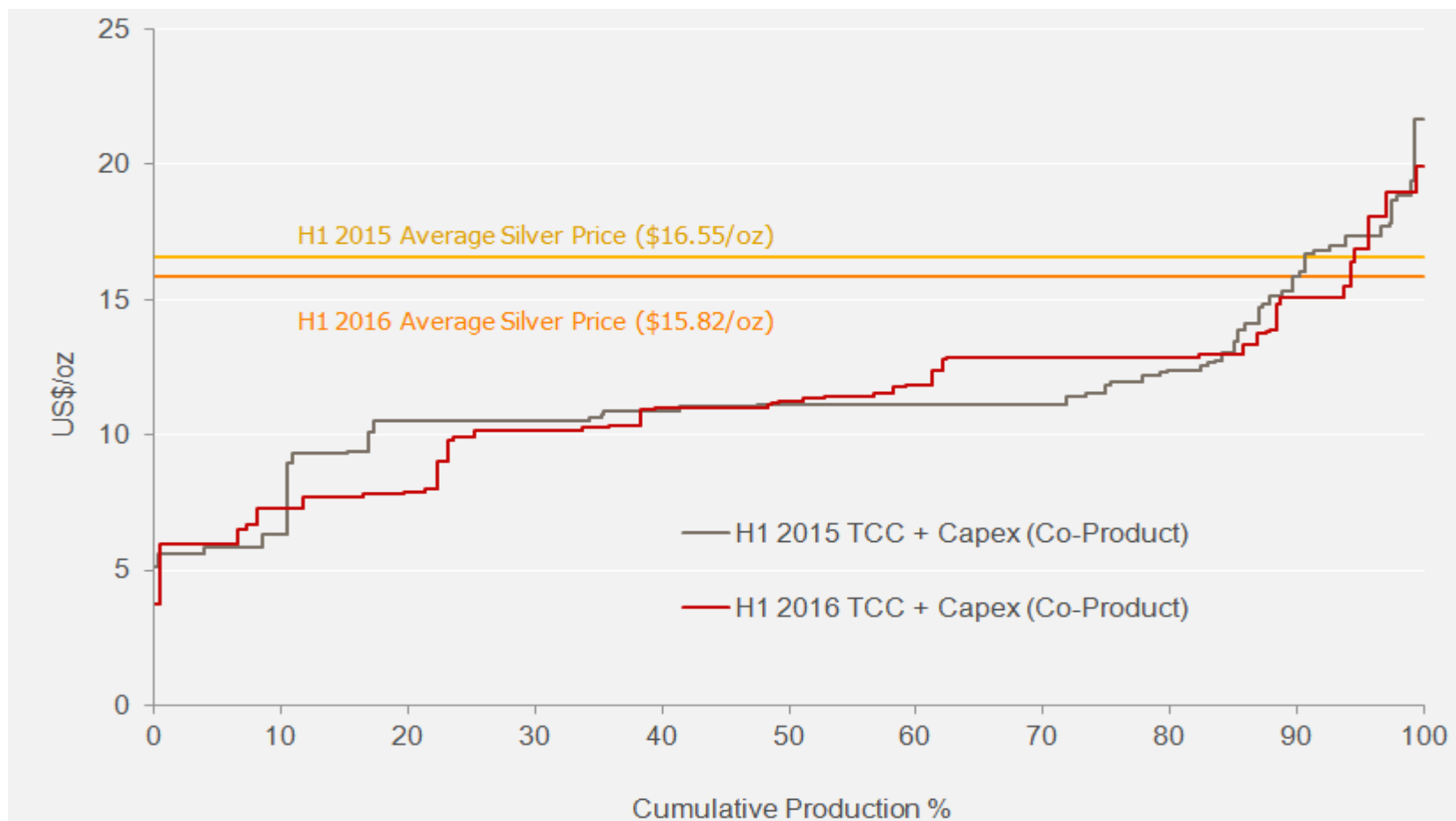
Source: GFMS, Thomson Reuters

TOTAL CASH COSTS NET OF BYPRODUCTS



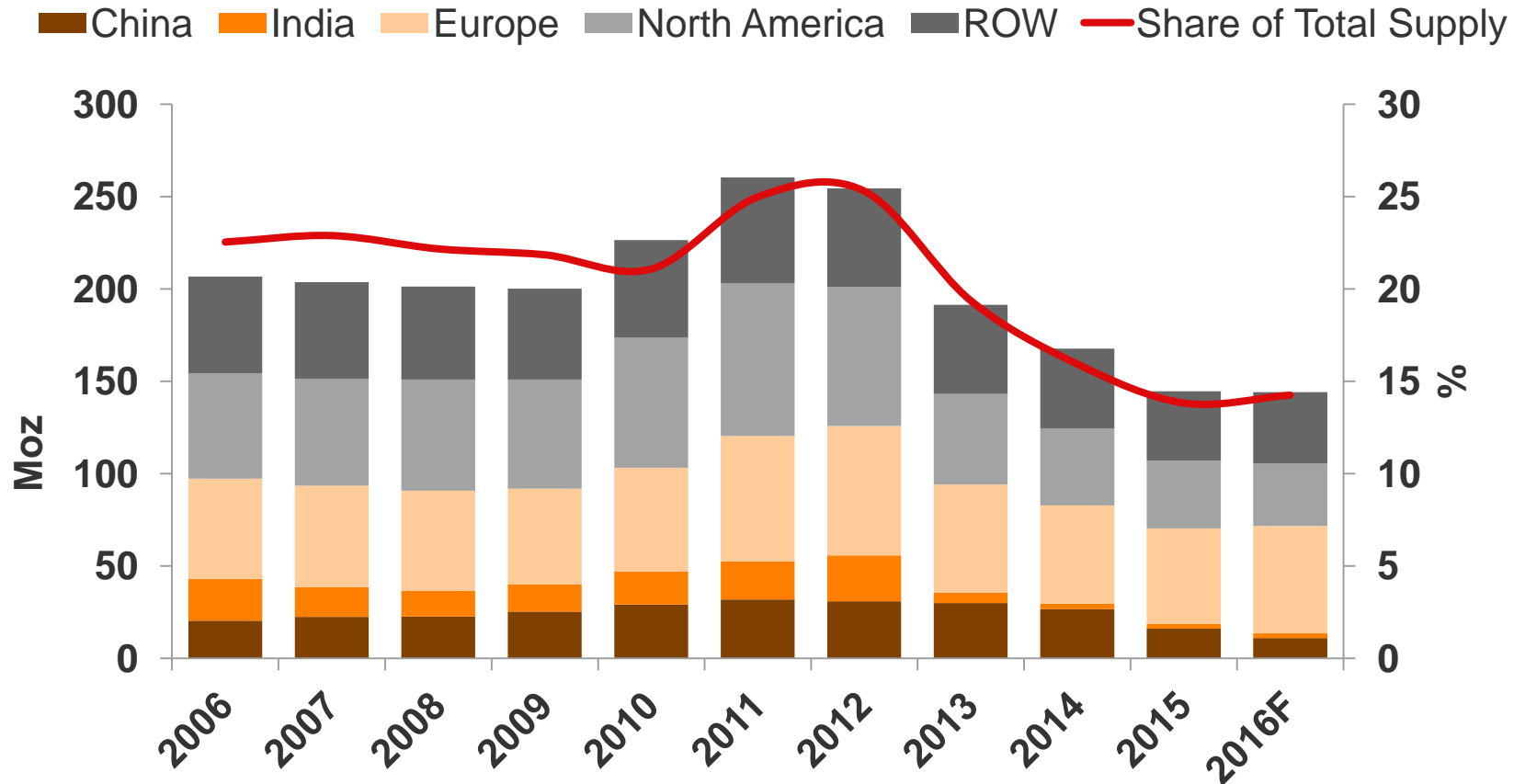
Source: GFMS, Thomson Reuters

TOTAL CASH COST ON A COPRODUCT BASIS + CAPEX



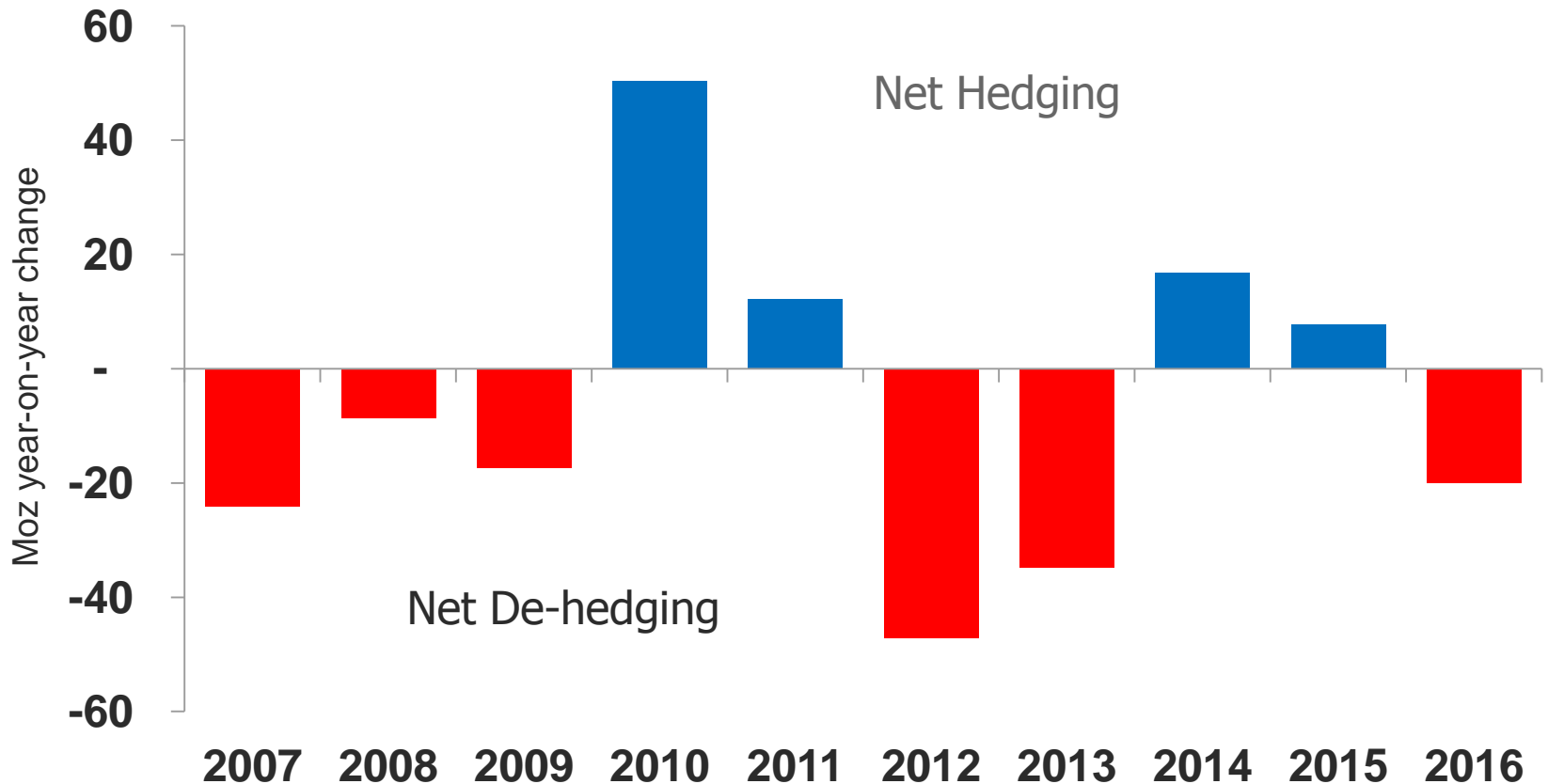
Source: GFMS, Thomson Reuters

WORLD SILVER SCRAP SUPPLY



Source: GFMS, Thomson Reuters

OUTSTANDING DELTA ADJUSTED PRODUCERS HEDGE POSITION



Source: GFMS, Thomson Reuters

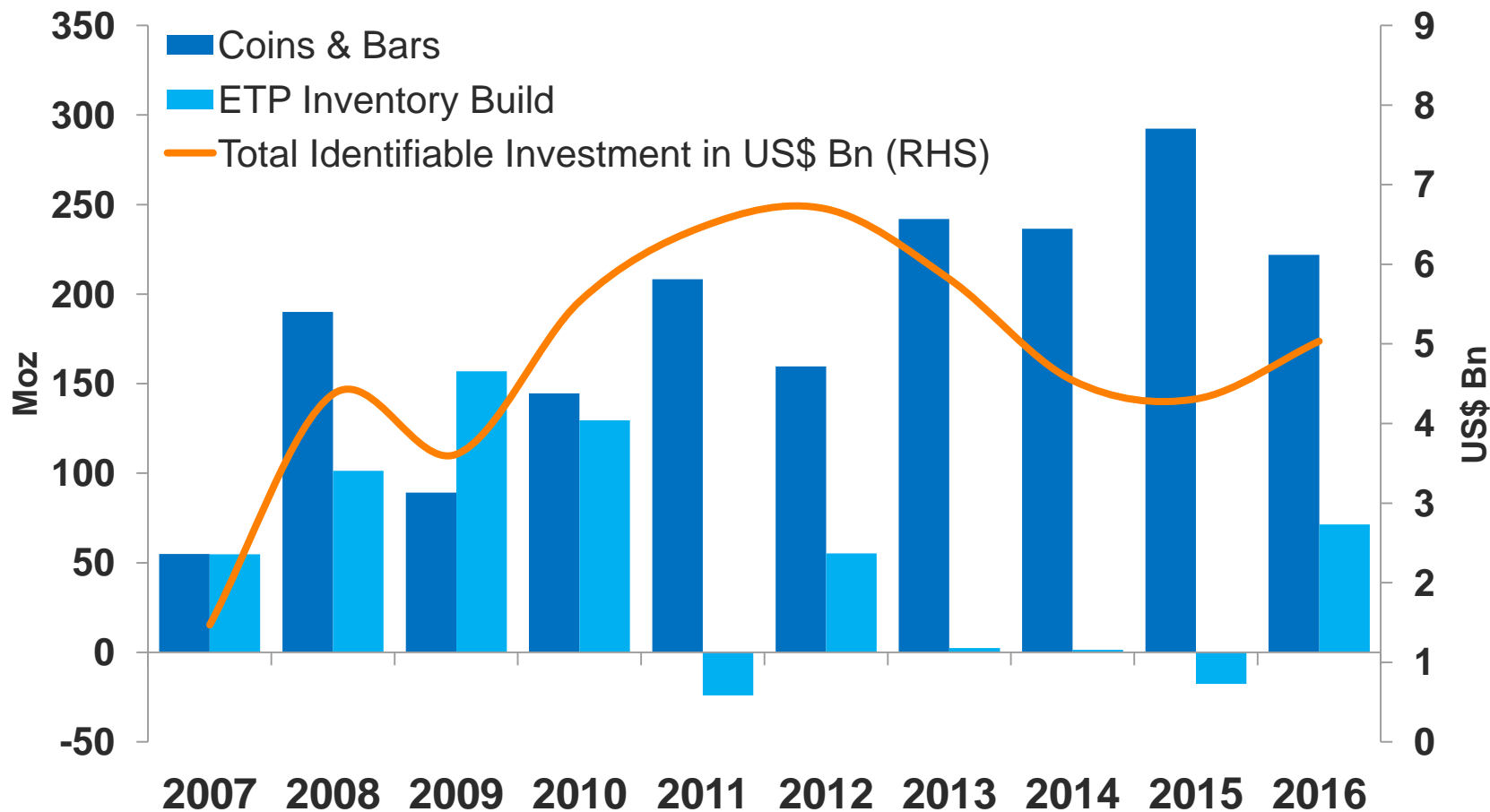
SUPPLY SUMMARY

- We estimate that mine supply peaked in 2015 and will trend lower in the foreseeable future.
- Supply from scrap is expected to stabilize around 2016 levels in the medium term.
- The hedge book remains at low levels and hedging is not forecast to return to the market in strength.
- Government sales are not expected to be a feature of the market in the years ahead .
- Declining total supply is expected to be a key driver of annual deficits in the silver market going forward.

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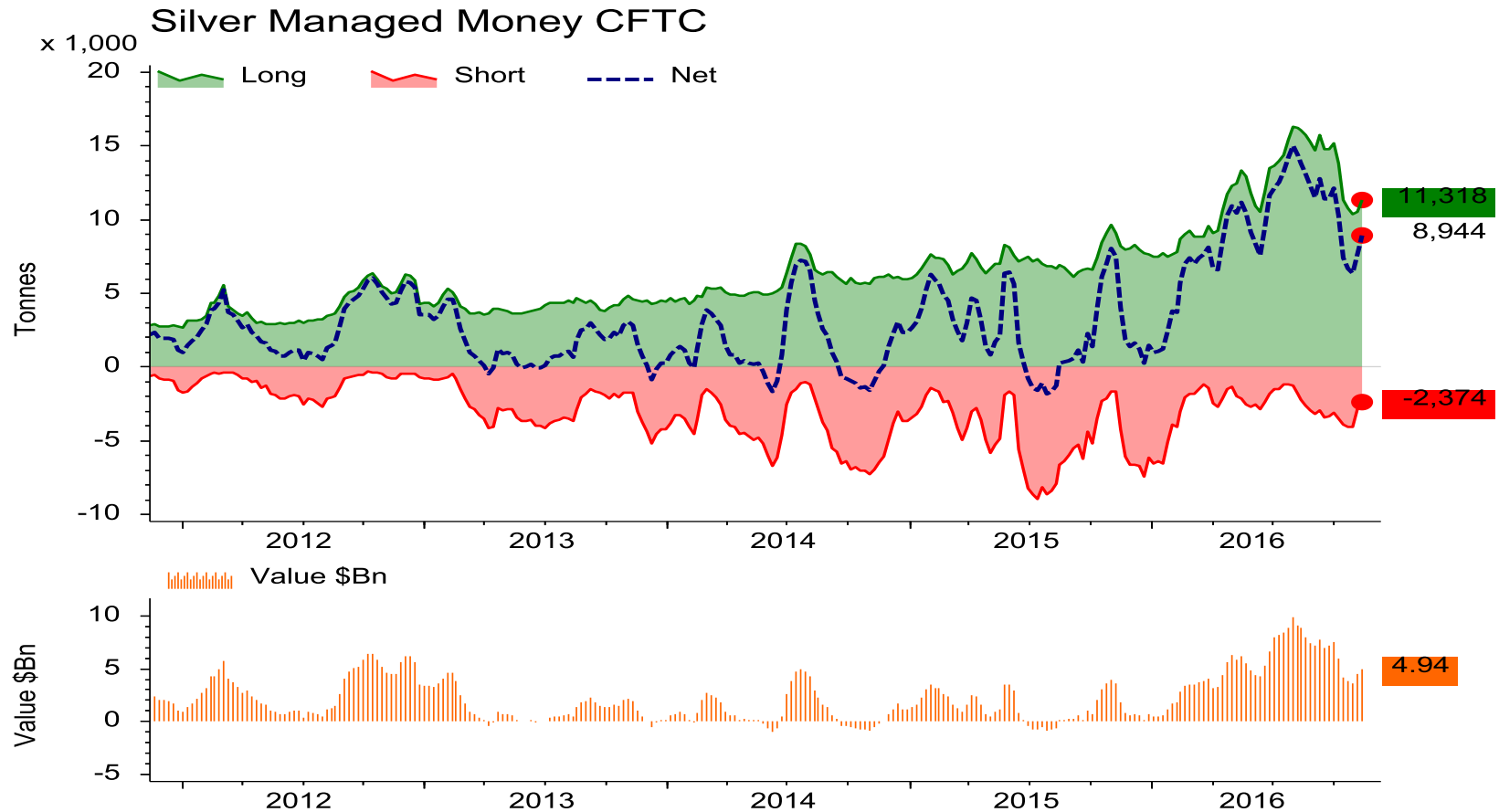
WORLD SILVER IDENTIFIABLE INVESTMENT VOLUME AND VALUE



Identifiable Investment is the sum of bars, coins and ETPs.

Source: GFMS, Thomson Reuters

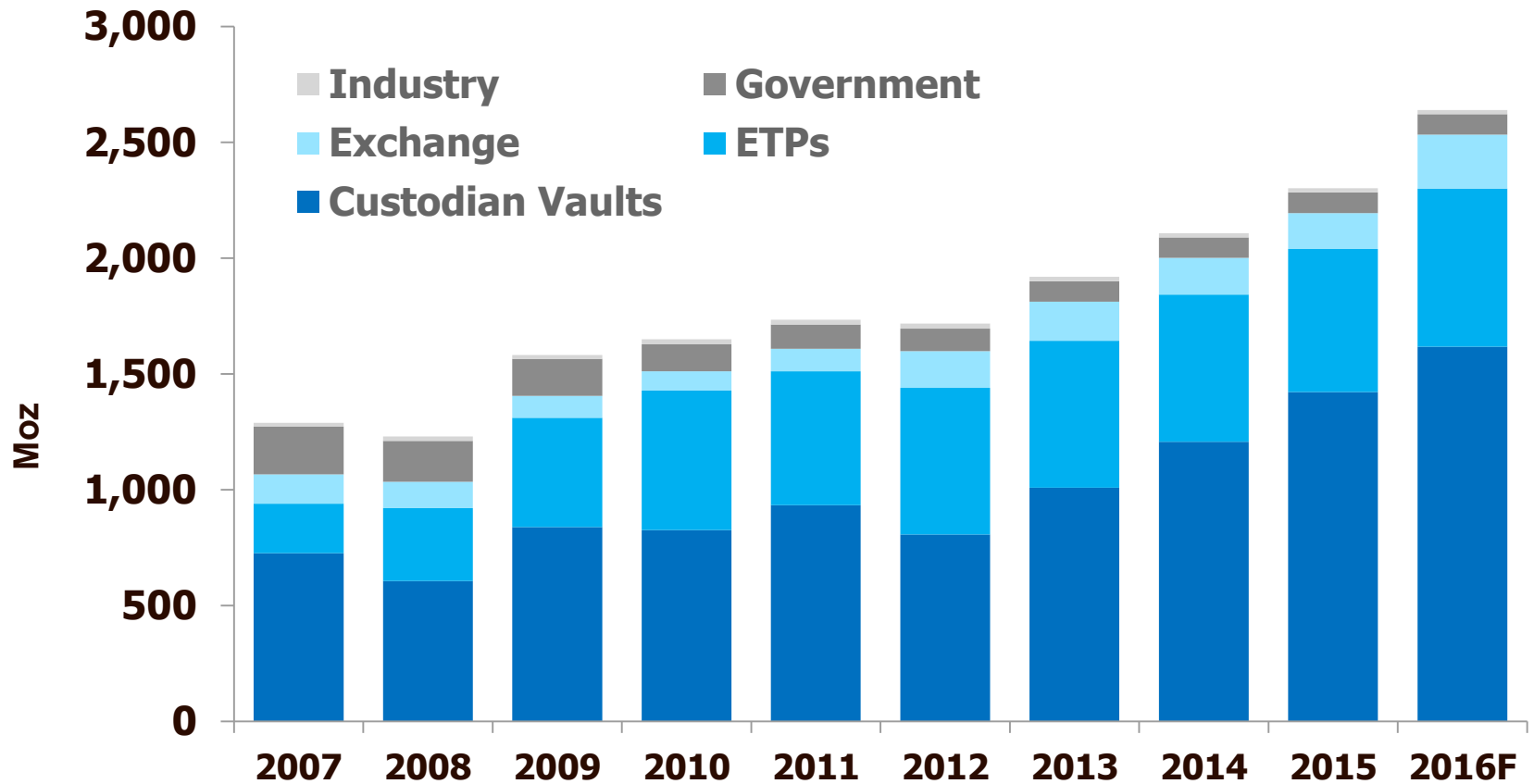
INVESTORS' POSITIONS IN COMEX SILVER FUTURES & OPTIONS



As of 15th November

Thomson Reuters Datastream

ABOVE GROUND STOCKS



As of end-Q3. Custodian vault figures exclude ETF holdings

Source: GFMS, Thomson Reuters

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OUTLOOK

- The sluggish sentiment in Asia has had a significant impact on silver offtake in 2016, a theme expected to persist in 2017, albeit to a lesser extent.
- Physical demand is expected to pick up again (Europe) supported by short term falling prices.
- PV demand in the solar sector is expected to continue to be the star performer of industrial offtake.
- Mine supply is expected to decline in the long run and we believe that 2016 was the beginning of this protracted decline. Meanwhile, scrap levels are expected to stabilize.
- Above ground stocks are expected to flat line going forward amid a chronic shortfall of supply against physical demand. This will provide support to prices in the long run

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