Investor positioning turns negative

Source: CFTC, net managed money positions
2022 – contrasting messages

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2022 – contrasting messages

Source: Metals Focus; CFTC
Global exchange stocks falling, by ~400Moz this ytd to 1.3bn oz

Source: LBMA, Bloomberg
2022 – helps explain a rising gold:silver ratio

Source: CFTC, Bloomberg
Silver’s under performance during H2.22

Intra year:
Gold -2%; Silver -6%; LMEX -12%

Source: Bloomberg
2021, the start of a new phase of deficits, -48Moz

Source: Metals Focus
Mined silver production to rise by 9Moz y/y in 2022

This year global output is expected to rise by 1% y/y to 830Moz as significant growth in production from Mexico and Chile surpasses falling output from major producers such as Peru, China and Russia.

Source: Metals Focus
Major new projects are driving growth in Mexico

Since 2020 four major new primary silver projects have commenced production in Mexico. These are bigger than new projects elsewhere in the world and are the main reason for growth in Mexican output.

Bubble size represents average LOM production.

Source: Metals Focus
Primary silver miners' costs lower year-on-year in H1.22

Average AISC for primary silver mines in H1.22 fell by 10% y/y to $9.72/oz due to a rise in by-product credits. However, this drop was surpassed by a 12% decline in the silver price over the same period which led to average margins falling by 13% y/y.

![Cumulative Silver Production - Market Share (%)](chart.png)

Source: Metals Focus – Silver Mine Cost Service
Rising energy costs negated by higher metal prices in H1.22

Gas and oil prices have risen in 2022 increasing fuel and energy costs for miners.

Rising metal prices led to an increase in by-product revenues for silver miners in H1.22.

Source: Bloomberg, Metals Focus
Rise in by-product revenues surpasses increase in costs

Input cost inflation pushed on-site costs and sustaining capex up by 10% and 16% respectively year-on-year. However, this was surpassed by higher by-product revenues with zinc by-product credits increasing by 40% over the same period.

Source: Metals Focus – Silver Mine Cost Service
Industrial demand, setting a new high (+5% to 539Moz)

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Source: Metals Focus
Most roads lead to India

Source: Indian Customs, Metals Focus
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Note: Oct 22 Imports are estimated

Note: Premium/Discount is calculated on the landed cost

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Source: Indian Customs, Metals Focus
Jewelry (+29% to 235Moz) & silverware also hit new highs

Source: Metals Focus
Jewelry (+29% to 235Moz) & silverware (+72% to 73Moz) to also hit new highs

Source: Metals Focus
Bar and coin investment (+18% to 329Moz) jumps to a new peak

Source: Metals Focus
Bar and coin investment (+18% to 329 Moz) jumps to a new peak

Source: Metals Focus
ETP holdings down ~120Moz this ytd, but remain historically high.

**Source:** Bloomberg, various ETF issuers
Global demand summary: +16%

Source: Metals Focus
Global supply summary: +2%
2022 generates a multi-decade high deficit of 194 Moz

Source: Metals Focus

Deficit to persist beyond 2022
Headline Inflation readings continue to be stubbornly high

Source: Bloomberg
Rising interest rate expectations and dollar’s rally to two-decade highs have been key to silver price weakness.

Source: Bloomberg
Both nominal and real yields have seen a notable rise
The most inverted US yield curve (10yr-2yr) since the 1980s signals intensifying recession fears.

Source: Bloomberg
Gold Forecast, 2022 average: $1,790, -1%

Source: Metals Focus
Silver Forecast, 2022 average: $21.00, -16%

Source: Metals Focus
For information about our products and services please contact;

Address
6th Floor, Abbey House,
74-76 St John Street
London EC1M 4DT
UK

Tel: +44 20 3301 6510
Email: info@metalsfocus.com
www.metalsfocus.com
Bloomberg Metals Focus
Launch Page: MTFO
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