

The Global Source

THE SILVER INSTITUTE

# THE SILVER MARKET IN 2015

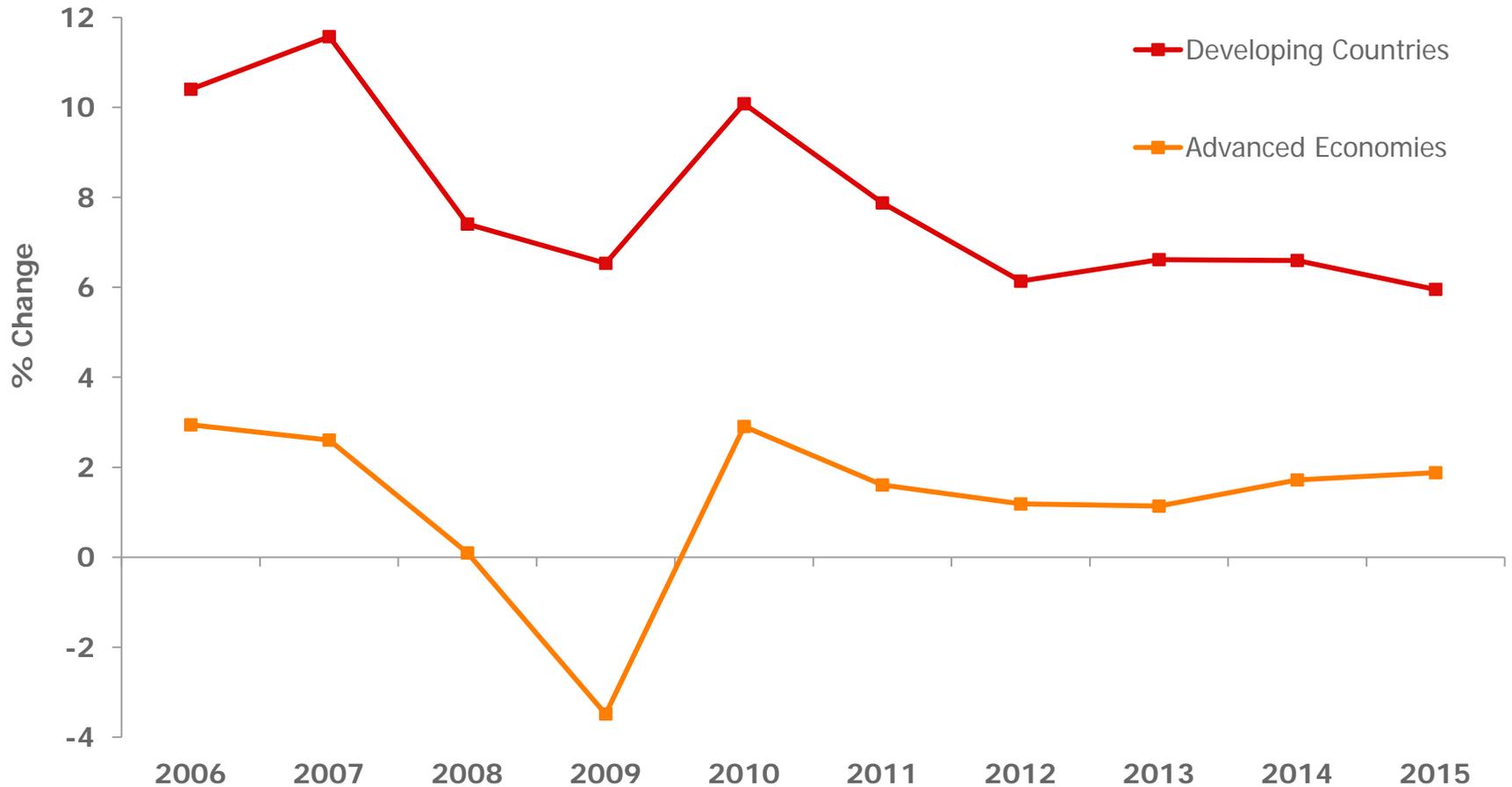
Erica Rannestad

Senior Analyst, Precious Metals Demand

*The Silver Institute - 2015 Interim Report*

*November 17, 2015*

# GLOBAL GDP GROWTH



Source: Oxford Economics, IMF

# GROWTH IN PHYSICAL SILVER DEMAND



Source: GMFS, Thomson Reuters

# WORLD SILVER SUPPLY AND DEMAND

Moz	2011	2012	2013	2014	2015f	% Δ - 2014	% Δ - 2011
Mine Production	755.9	787.5	832.0	865.0	867.2	0.3%	14.7%
<b>Total Supply</b>	<b>1,041.7</b>	<b>1,003.3</b>	<b>996.5</b>	<b>1,049.1</b>	<b>1,014.4</b>	<b>-3.3%</b>	<b>-2.6%</b>
Jewelry & Silverware	235.2	229.2	276.8	285.2	280.0	-1.8%	19.0%
Coins & Bars	216.0	141.7	226.4	203.5	206.5	1.5%	-4.4%
Industrial Fabrication	628.3	596.9	601.7	595.2	570.7	-4.1%	-9.2%
<b>Physical Demand</b>	<b>1,079.5</b>	<b>967.8</b>	<b>1,104.8</b>	<b>1,083.9</b>	<b>1,057.1</b>	<b>-2.5%</b>	<b>-2.1%</b>
<b>Physical Surplus/Deficit</b>	<b>-37.9</b>	<b>35.5</b>	<b>-108.3</b>	<b>-34.8</b>	<b>-42.7</b>	<b>na</b>	<b>na</b>
<b>Annual Average Silver Price \$/oz</b>	<b>35.12</b>	<b>31.15</b>	<b>23.79</b>	<b>19.08</b>	<b>15.51</b>	<b>-18.7%</b>	<b>-55.8%</b>

Source: GFMS, Thomson Reuters

# THE SILVER MARKET IN 2015

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

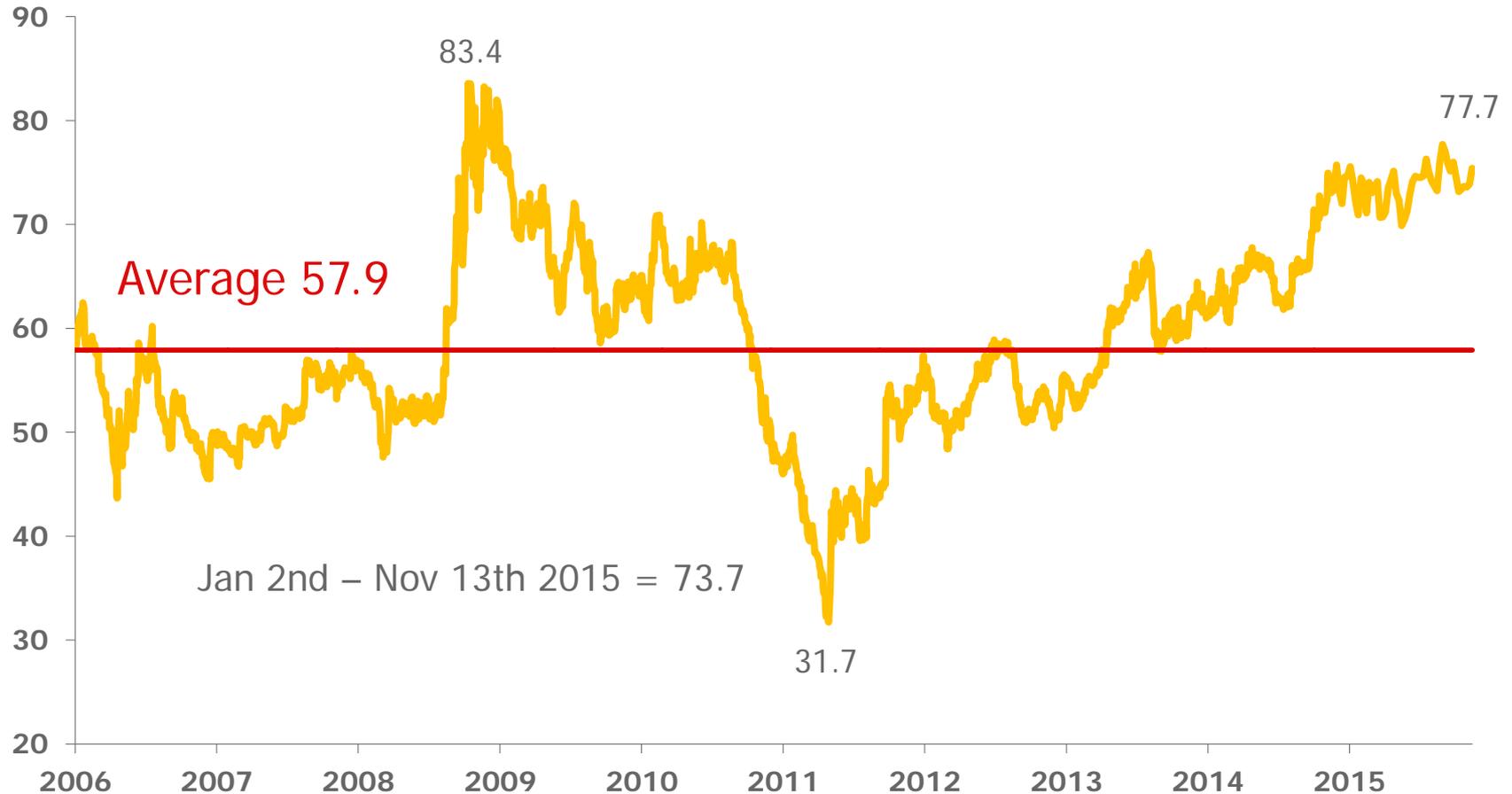
# US DOLLAR SILVER PRICES



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

Source: Thomson Reuters Eikon

# GOLD/SILVER RATIO, 2004 – 2015 TO-DATE (BASIS WEEKLY AVERAGE PRICES)



Source: Thomson Reuters Eikon

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# WORLD PHYSICAL SILVER DEMAND

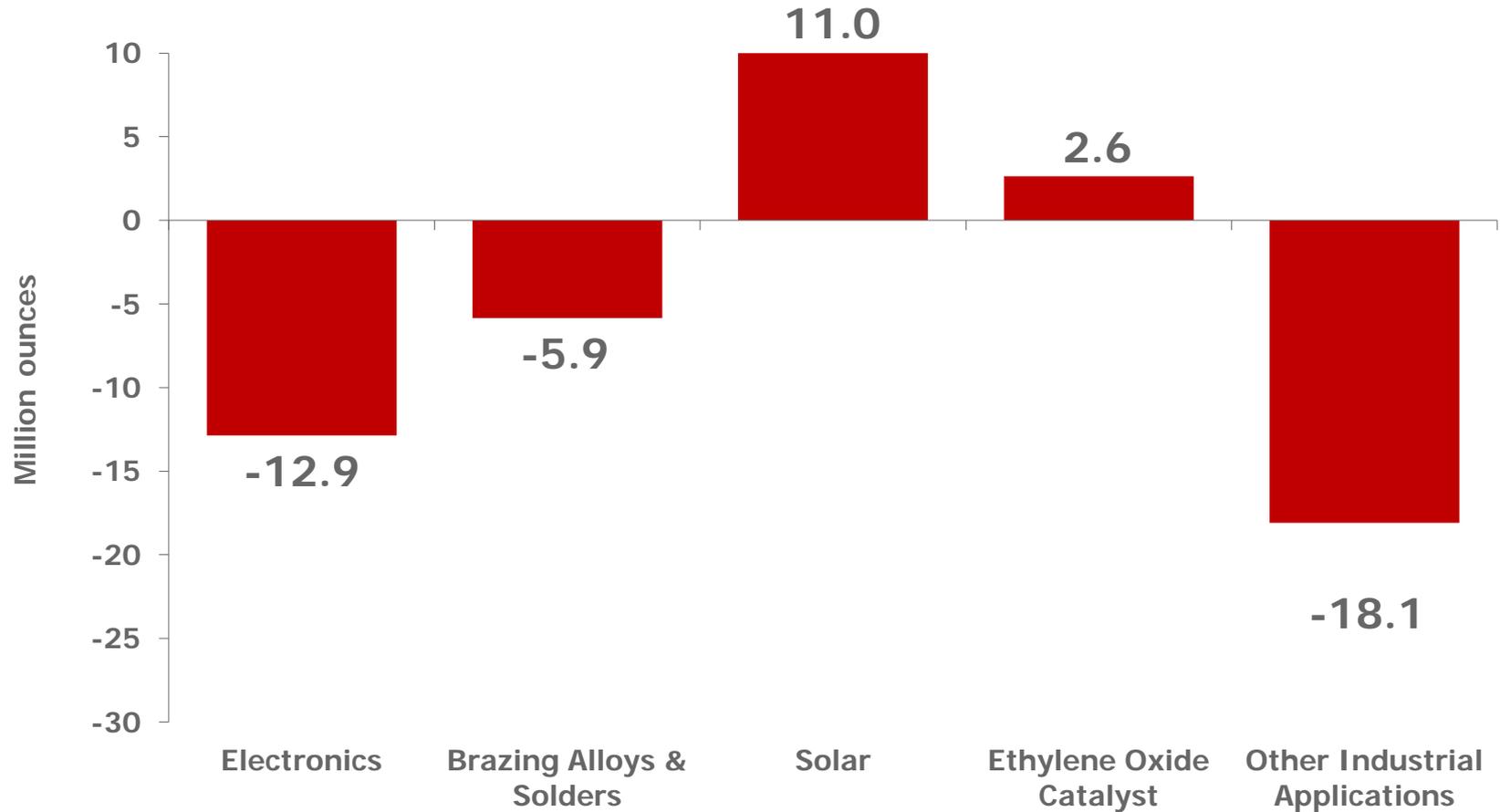
## FORECAST ANNUAL CHANGES: 2015F LESS 2014 (Moz)



Source: GFMS, Thomson Reuters

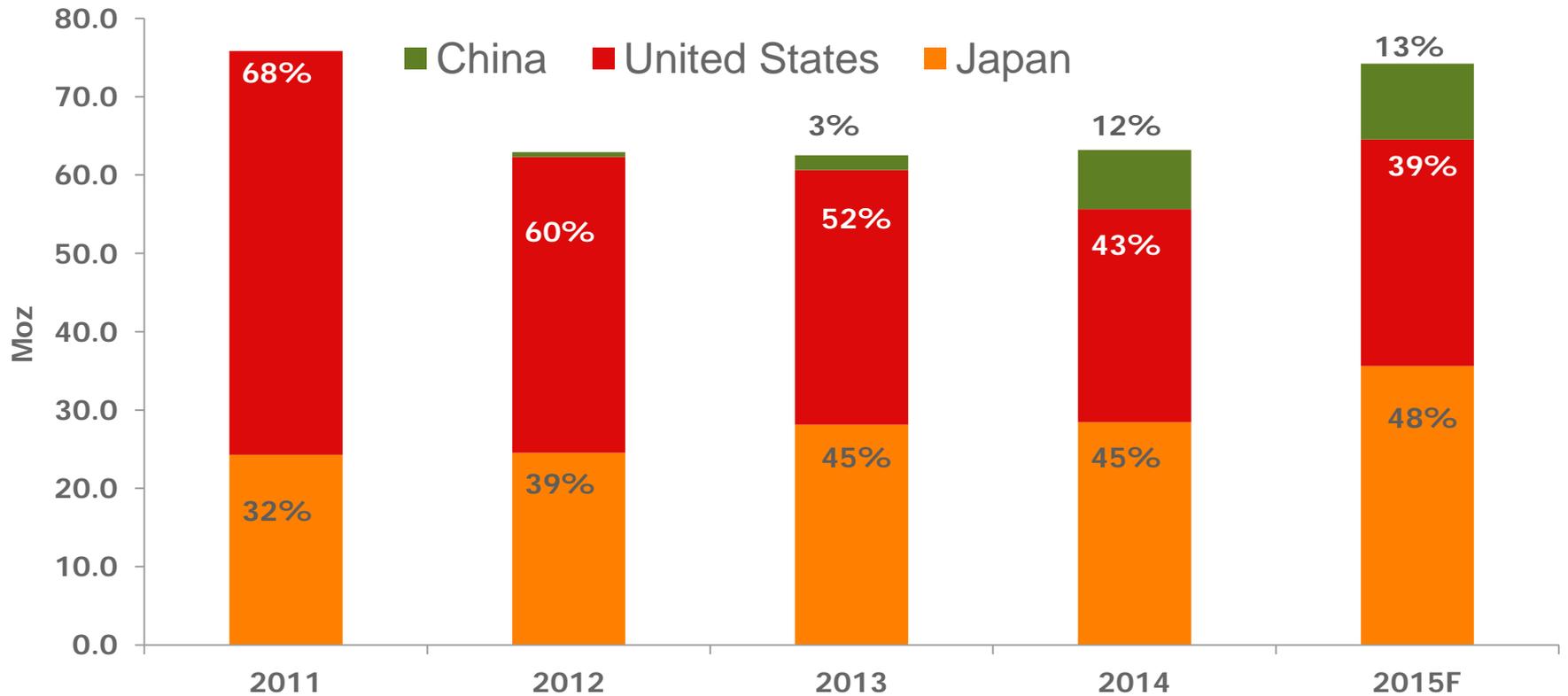
# INDUSTRIAL FABRICATION

## FORECAST ANNUAL CHANGES: 2015F LESS 2014 (Moz)



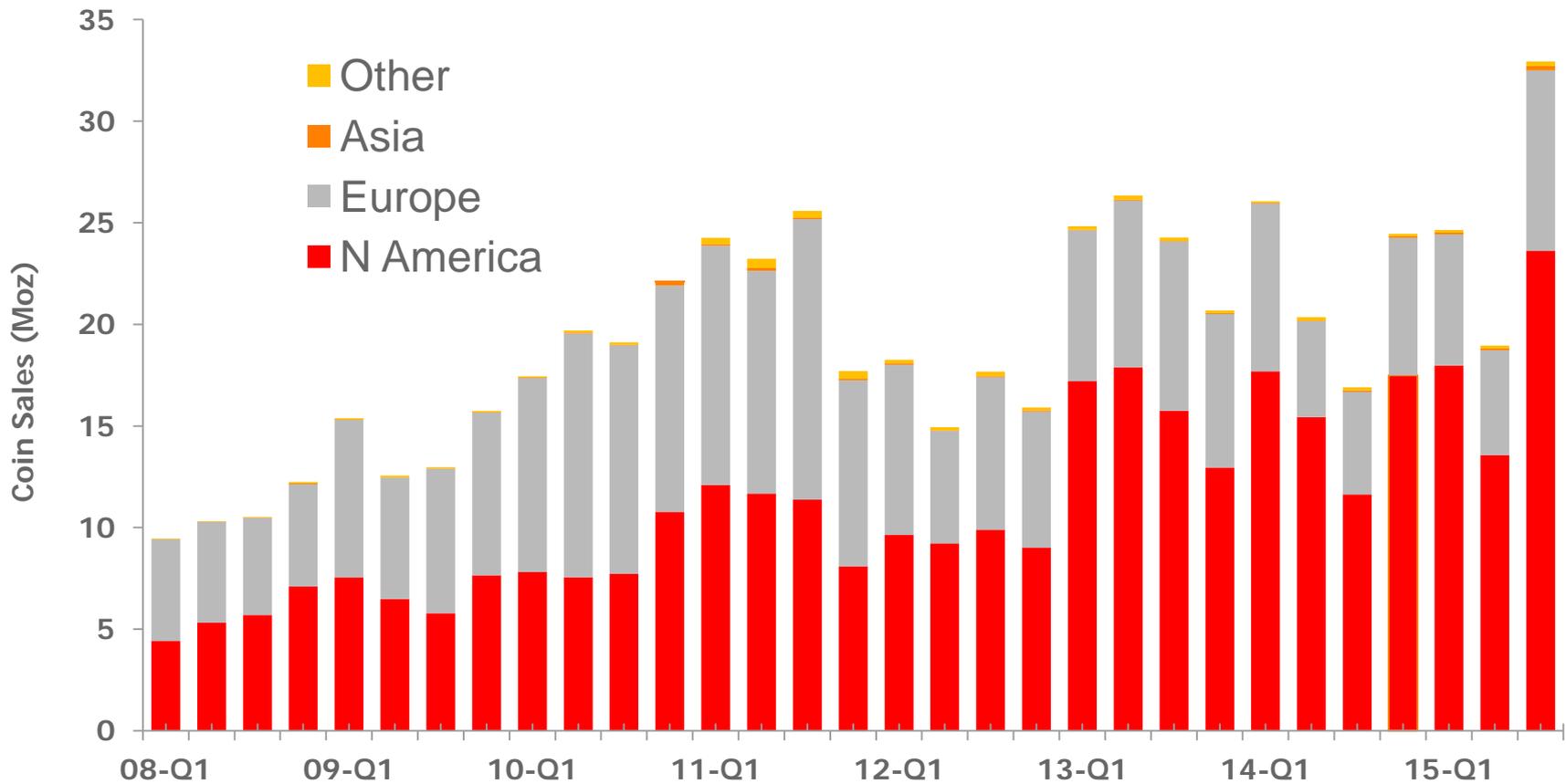
Source: GFMS, Thomson Reuters

# SOLAR DEMAND - SILVER POWDER PRODUCTION



Source: GFMS, Thomson Reuters

# GLOBAL COIN SALES HIT RECORD QUARTERLY HIGH IN Q3



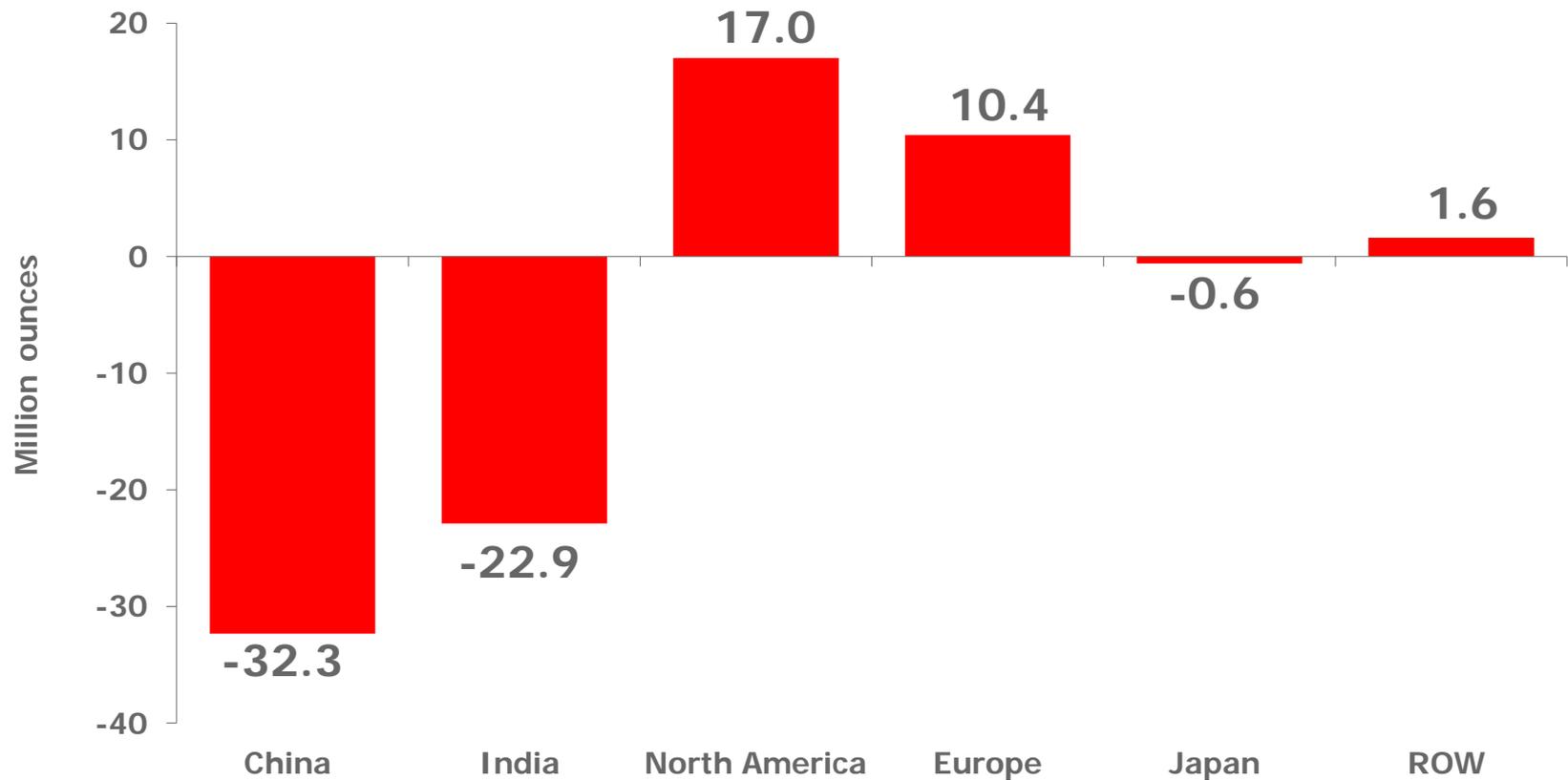
\*Excludes Commemorative and China Mint coins

Source: GFMS, Thomson Reuters – Quarterly Coin Sales Survey

# WORLD PHYSICAL SILVER DEMAND

## FORECAST ANNUAL CHANGES: 2015F LESS 2014 (Moz)

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Source: GFMS, Thomson Reuters

# DEMAND SUMMARY

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- Weakening growth in China will continue to weigh on physical demand
- The growth seen in coin demand is not expected to repeat, at least to the extent seen in 2015, next year
- Jewelry fabrication is expected to recover, but will largely hinge on consumption in China
- The continued shift toward smaller mobile devices and away from larger desktop computers will remain intact, weighing on electronics demand growth in the medium term

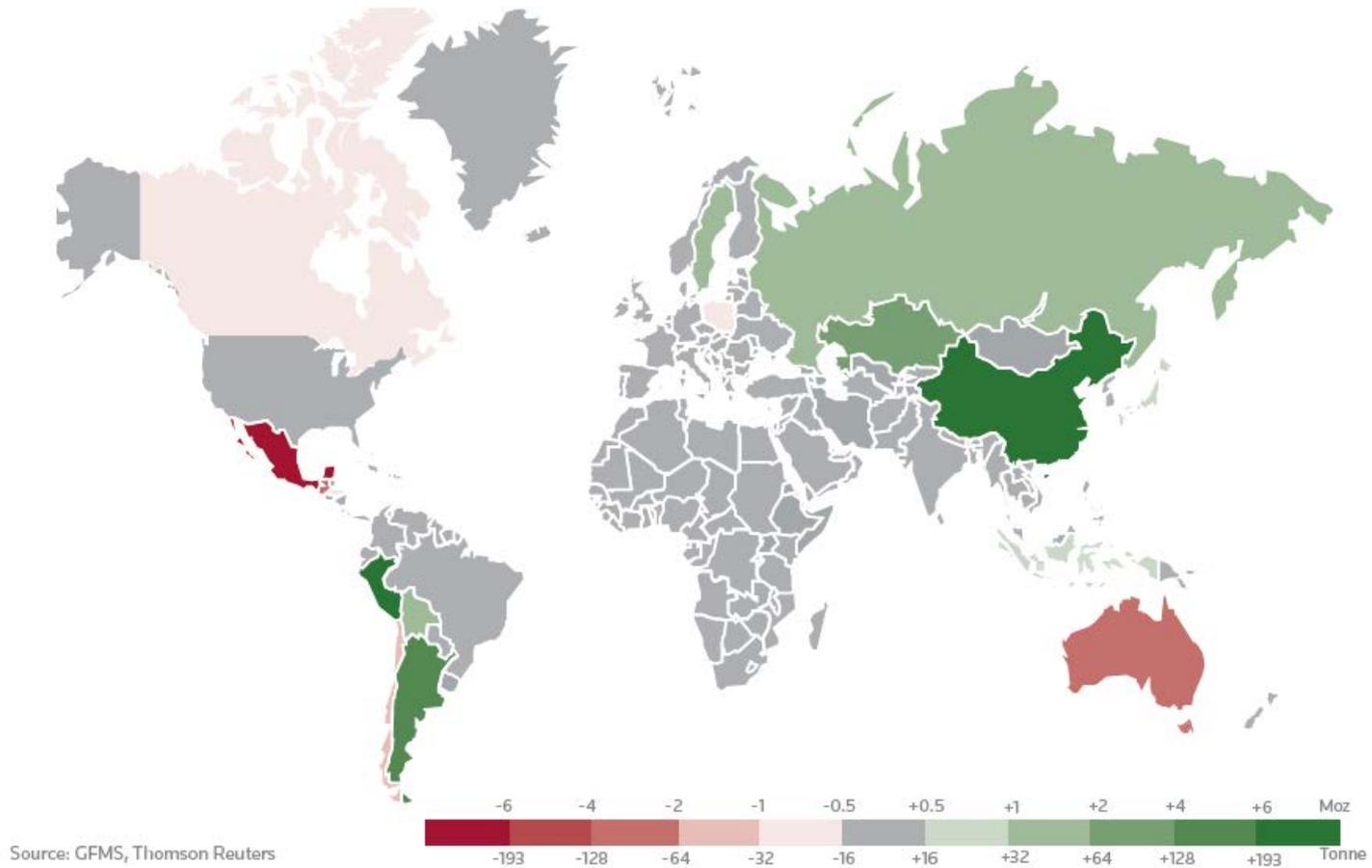
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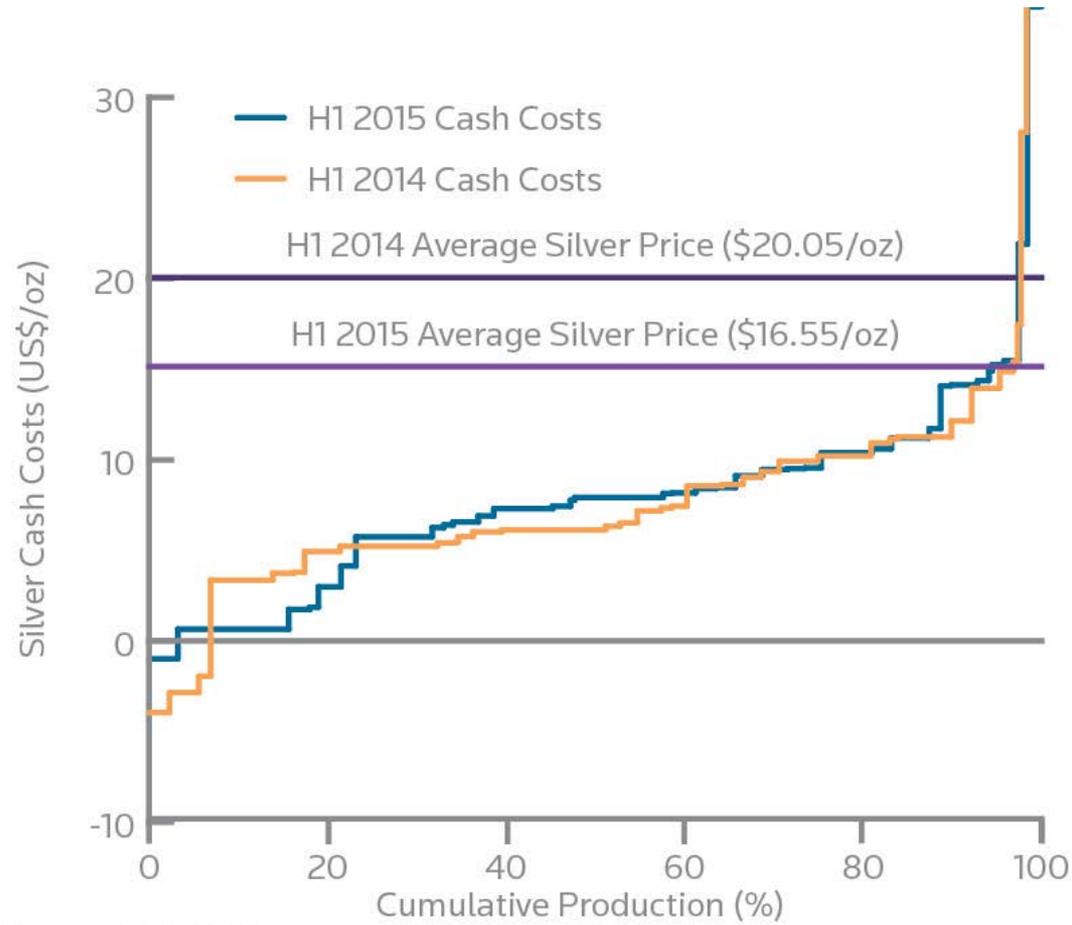
- PRICES
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# MINE PRODUCTION WINNERS AND LOSERS, 2015F VERSUS 2014

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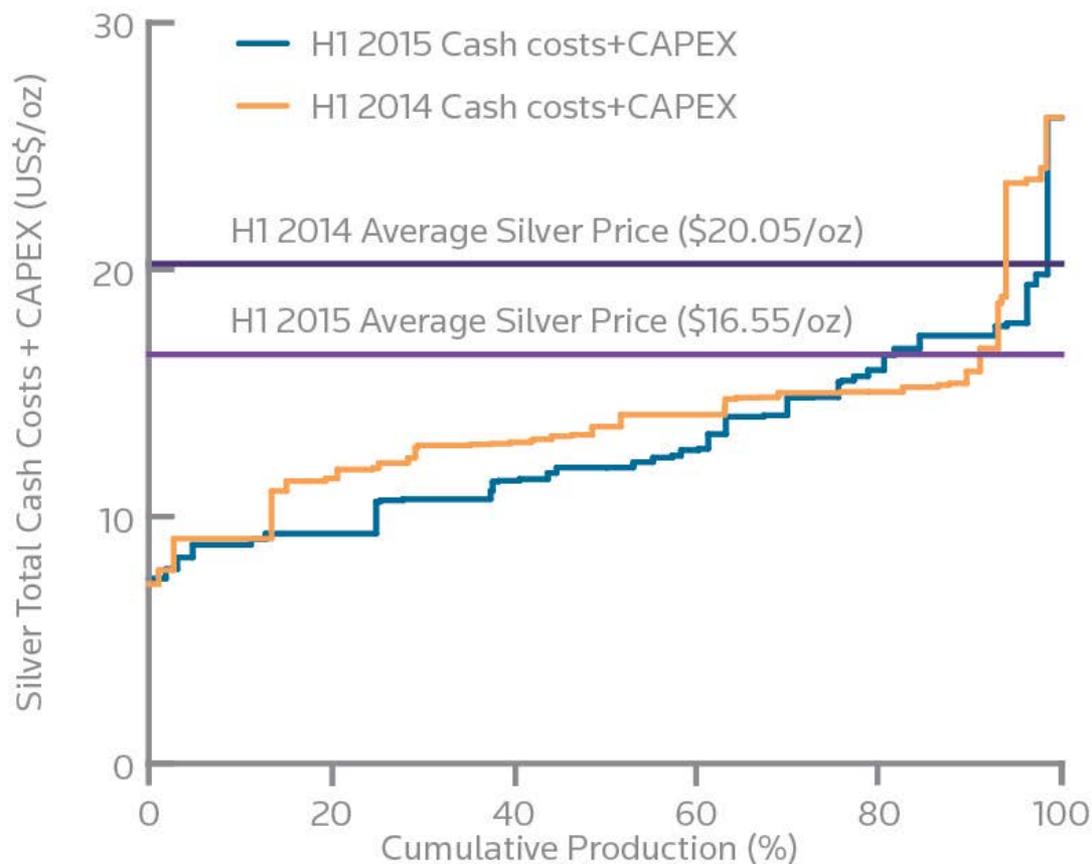


# TOTAL CASH COSTS NET OF BYPRODUCTS



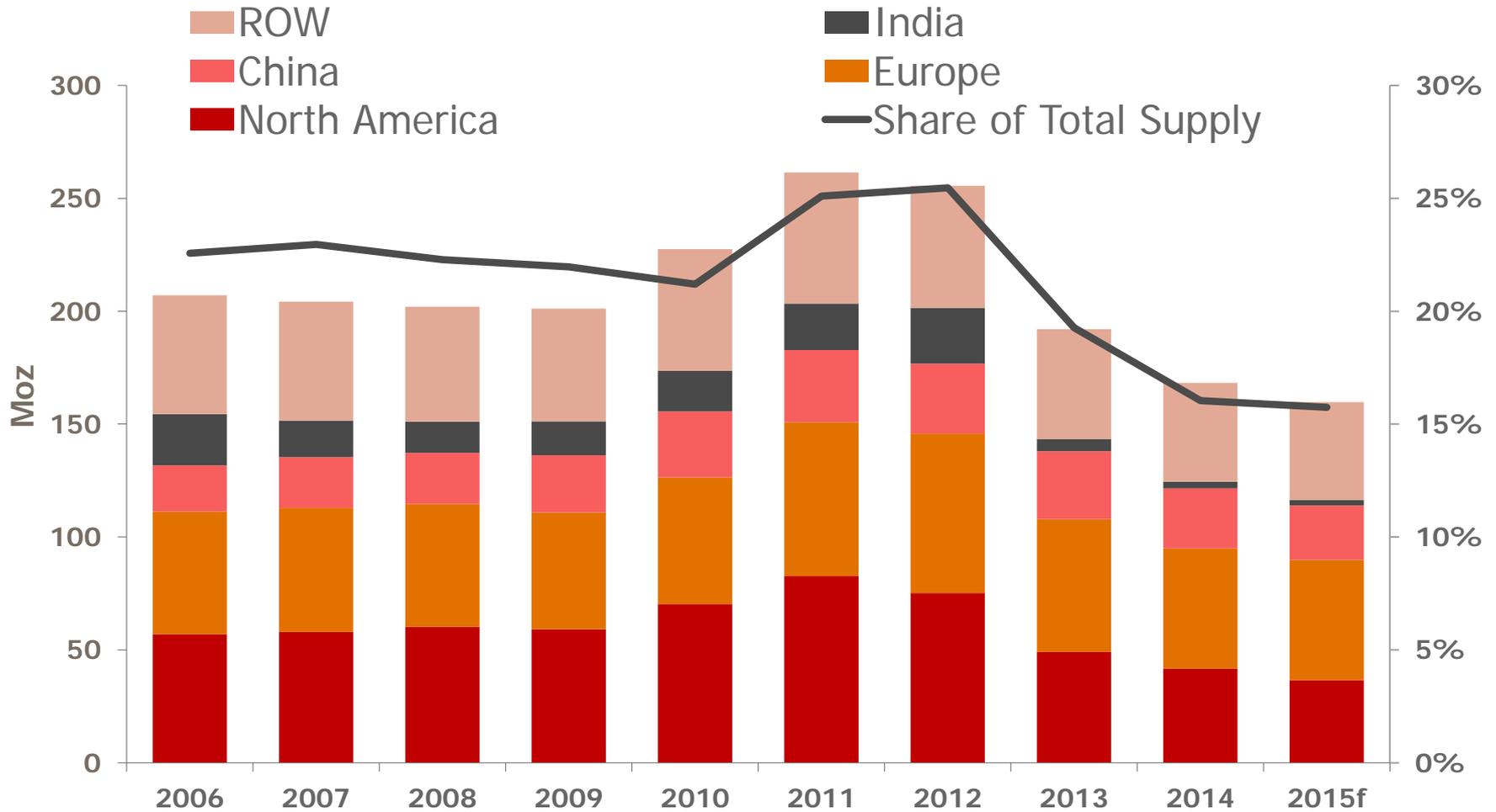
Source: GFMS, Thomson Reuters

# TOTAL CASH COST ON A COPRODUCT BASIS + CAPEX



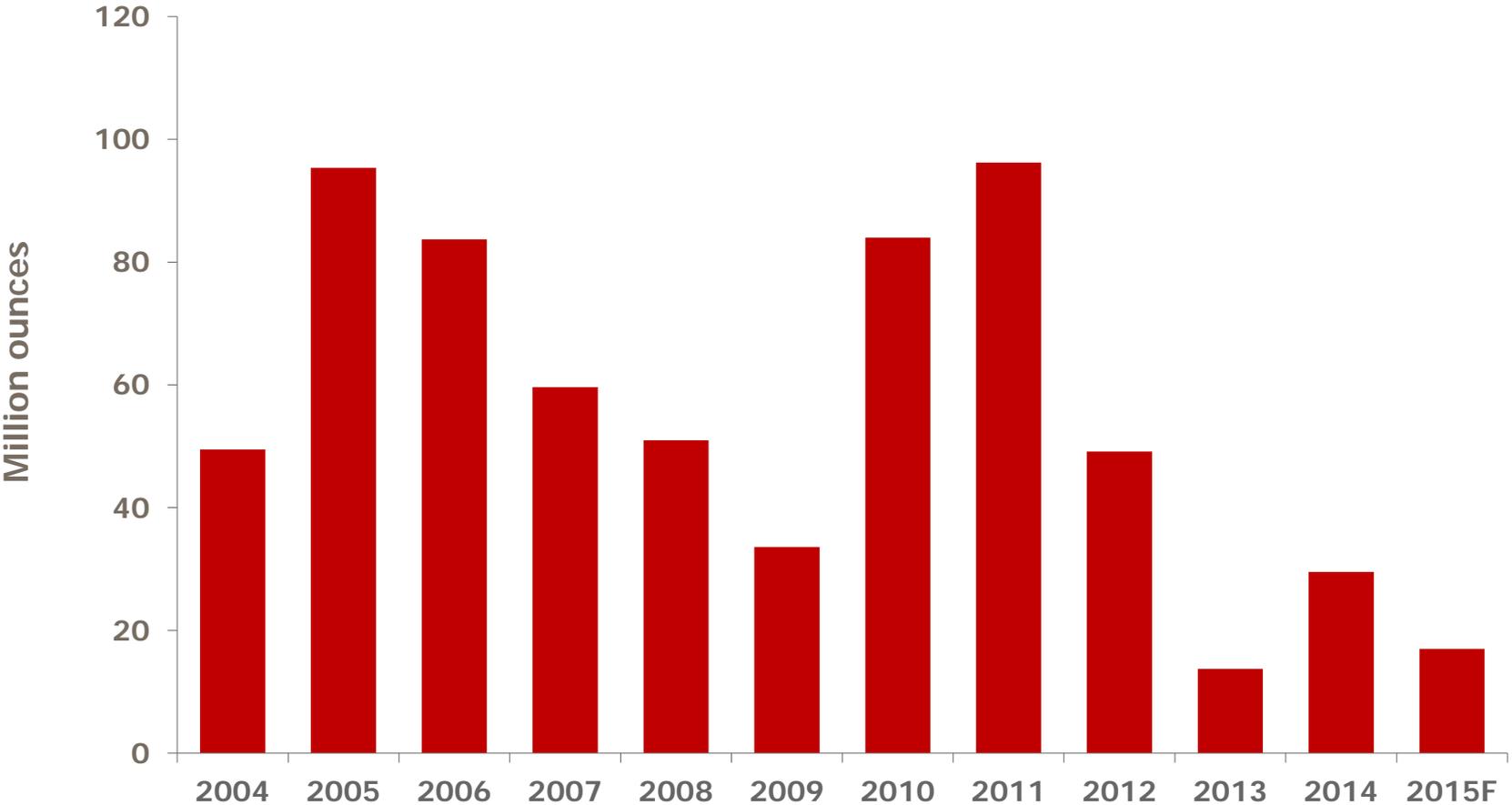
Source: GFMS, Thomson Reuters

# WORLD SILVER SCRAP SUPPLY



Source: GFMS, Thomson Reuters

# OUTSTANDING DELTA ADJUSTED PRODUCERS HEDGE POSITION



Source: GFMS, Thomson Reuters

# SUPPLY SUMMARY

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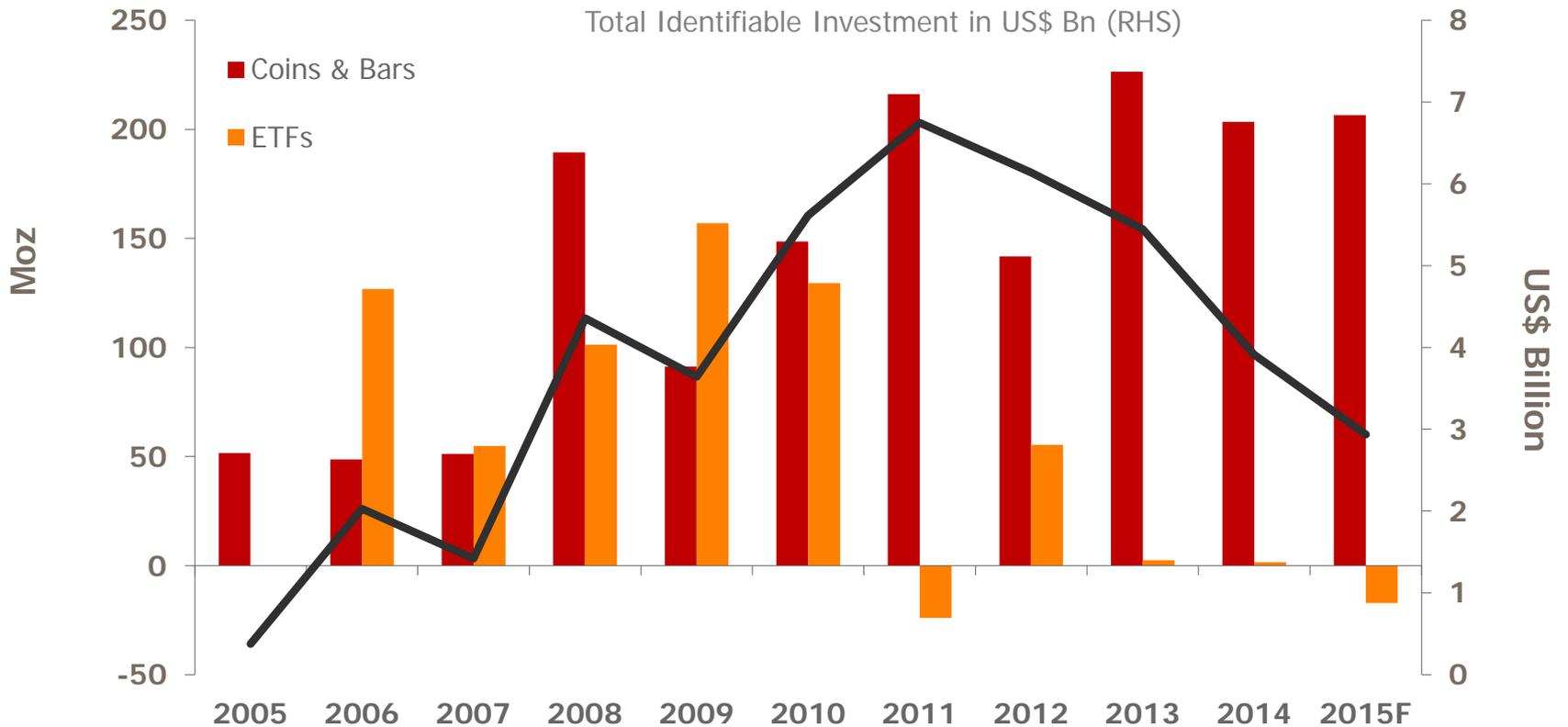
- We estimate that mine supply peaked in 2015 and will trend lower in the foreseeable future
- Supply from scrap is expected to stabilize around 2015 levels in the medium term
- The hedge book remains at low levels and hedging is not forecast to return to the market in strength
- Government sales are 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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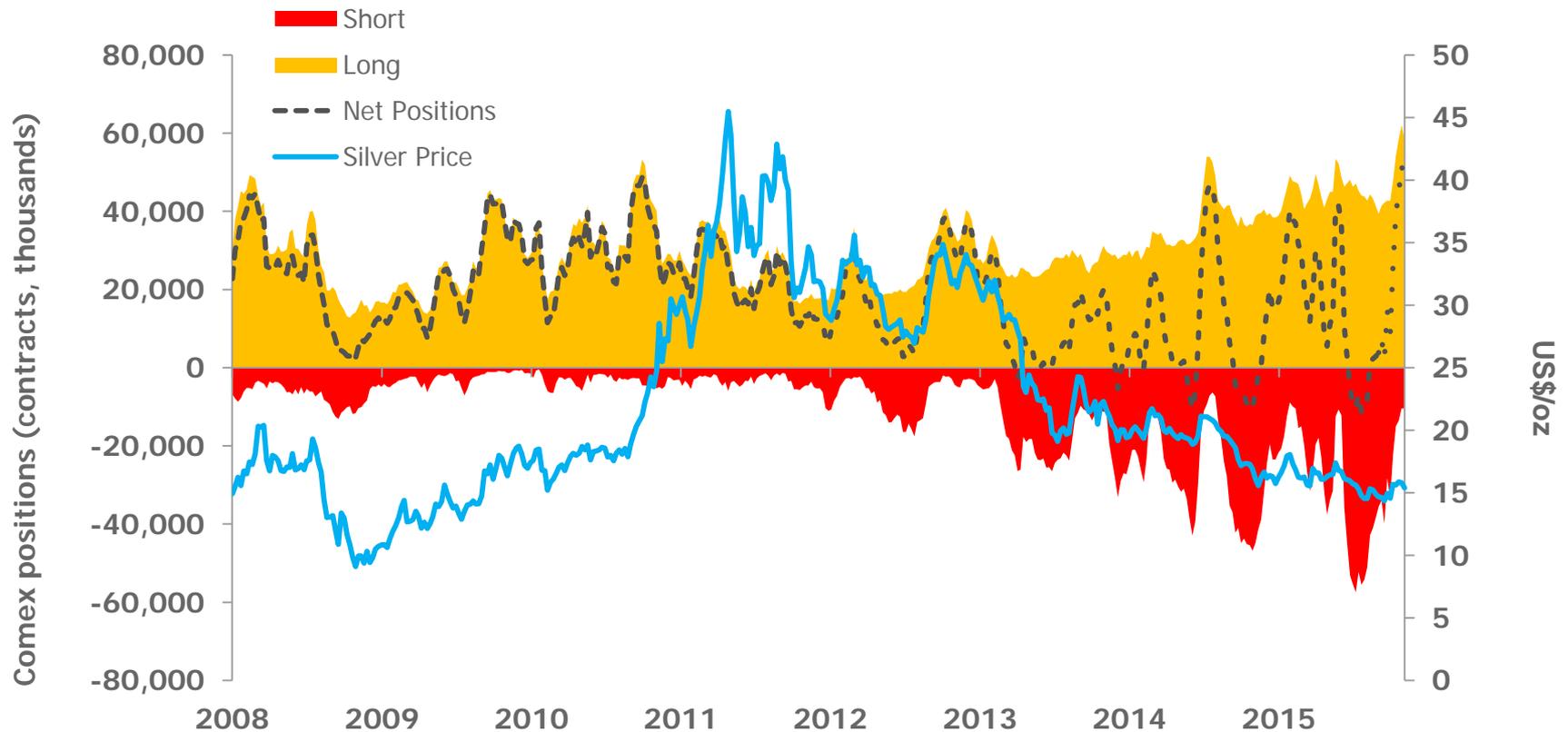
# WORLD SILVER IDENTIFIABLE INVESTMENT\* VOLUME AND VALUE



\*Identifiable Investment is the sum of bars, coins and ETFs.

Source: GFMS, Thomson Reuters

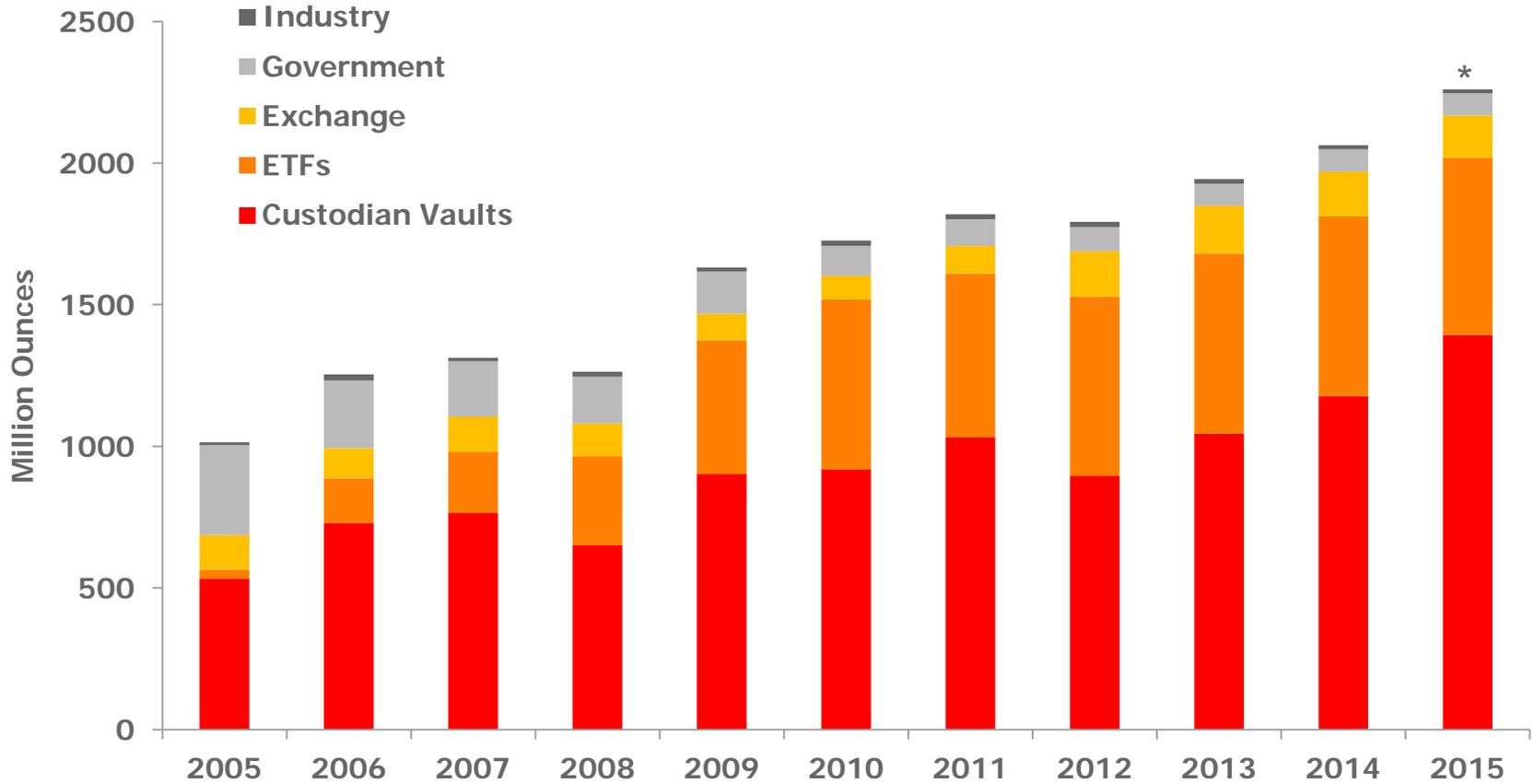
# INVESTORS'\* POSITIONS IN COMEX SILVER FUTURES & OPTIONS



•Managed money long and short positions

Source: CFTC data via Thomson Reuters Eikon

# ABOVE GROUND STOCKS



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

Source: GFMS, Thomson Reuters

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# PRICE OUTLOOK

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- The slowdown in China's economy has had a significant impact on silver offtake in 2015, a theme expected to persist in 2016, albeit to a lesser extent.
- While coin demand is expected to remain elevated in 2016, it may not hit fresh record highs.
- Mine supply is expected to decline in the long run and we believe that 2016 will be the beginning of this protracted decline. Meanwhile, scrap levels are expected to stabilize.
- Above ground stock levels are expected to dwindle 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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