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As per the conventional wisdom about investments, 'Silver is a better investment in good times when the economy is humming, but gold is best when global financial concerns predominate'. But, silver, right now has negated all such conventional wisdom. Since the beginning of this year, the metal has given a whopping 61% returns. Gold in the same period has given a return of around 15%. In fact, silver currently quoting at Rs 44,135 per kg is at its all time high levels, but despite this, buying silver seems to be catching on in India, reports Mayura Shanbhag after talking to some of the best names in the commodities segment.

Is Silver bettering Gold?

So, what's the silver story?

"Silver is indeed a better investment option than gold. Silver is not only a safe heaven investment but also has industrial value and finds use in dentistry, photography motherboards and pharmaceuticals and so on....Gold has no industrial value, just the emotional one," says **Vijay Bhandwani**, chairman, Bhandwani Securities.

"What is also not too well known is the fact that there is less silver on earth than gold. Silver reserves are depleting faster than gold. If you dig deeper in the earth's crust, you will find gold but not silver, hence silver continues to attract high demand. Thus silver has appreciated 50 percent in last 4 months," he reasoned.

He estimates that globally silver inventories have fallen to around 1 billion ounces (one troy ounce equals 31.1 grams). In comparison there are 5 billion ounces of gold available around the world.

Adrian Douglas, the proprietor of Market Force Analysis, and also a director of GATA (the Gold Anti-Trust Action Committee), said in a recent interview that the world will run out of silver in 2020, and thus silver will become the first element from the periodic table to become extinct.

"So there will not be enough relatively cheap bullion bars available to supply the needs of industry. Naturally industrial users, owing to the approaching shortage of physical silver are indulging in panic purchases for the silver they will need. Moreover, the publicity about the rapidly rising price of silver is propelling investor demand into overdrive."

Will silver do better than gold?

"Yes!" says **Anand James**, Chief Analyst, Geojit Comtrade. "With industrial activity firming up, Silver could gain more than Gold in the coming year," he said.

Silver has seen positive rallies due to industrial demand as well as from investment, buoyed by Gold's rise. Festive and year end demand has also supported rallies in the last few months. "However, Silver would be more volatile than Gold and would be prone to dramatic falls as well as rallies, against which investors need to be aware of," he cautioned.

According to **Haemukh Bafna**, president, Gold Chains & Jewellery Wholesalers Welfare Association, nobody had anticipated such a huge demand and high prices for Silver. "The investment in Silver bullion has considerably gone up. So is the demand for Silver jewellery because of the unaffordable prices of gold jewellery."

But "one must understand that India is a country of working middle class. There is a new silver jewellery plant being set up at

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Thane. This is the indicator that demand for silver is going to be there," he affirmed.

When to Buy?

Bhandwani recommends investors to buy Silver for the long term and has a target of Rs 60,000 per kilo with a three-year time frame. "There will be bouts of correction every 3-4 weeks, investors can buy silver during these well a period of time. Silver could constitute up to 10 percent of your total investment portfolio," he said.

Bafna also said, "We may see correction up to Rs 3000-4000 per Kg in the silver prices, in the first week of January as the foreign investors will book their profits for the year end."

According to him, Silver will touch $50 per ounce mark within a year. "As far as India is concerned if the rupee depreciates further then we may see silver gains for silver in the domestic market, however, it should touch Rs 65,000 in one year," he said.

What do the charts say?

"Technically Silver seems to be in an overbought zone, so any further move upwards seems to be possible only after a reasonable dip. The support levels for next year should be: $25.50, $24.30, $22.80 or even lower but for those all to trigger a weekly close below 27.90 is crucial." Manoj Chaudhary, Head of Sales & Business Development - Asia Pacific, Alpari (India) said.

"The prices in Silver also tend to show a deep correction. Since Silver is almost 70 percent on YTD (Year to Date) returns as of today, the time frame for this correction would be around 2nd Qtr. 2011," he said.

Chaudhary informed that Silver is no more a poor cousin of Gold now and has its own identity. "Coming to the macro picture, silver is regaining the sheen vis-à-vis the yellow metal since it has dual demand as a commodity and as an alternate investment, so accumulation of silver at all opportunities is totally recommended," he suggested.

How to Buy?

One thing that goes against buying silver is that of purity and the second is of storing it. Silver is bulkier than gold and needs a big gen storage space. "Both, purity as well as storage worries are eliminated when you buy futures of E Silver. Both allow Silver to be stored in Demat form," suggests Anand James.

In fact Exalver has been launched recently by the National Spot Exchange. According to sources - about Rs 30 to Rs 40 crore of silver is traded on a daily basis, thus giving enough liquidity for retail investors.

"From an investment point of view, E Silver, available through National Spot Exchange, allows one to buy Silver in denominations as low as 100 grams and that would be a good option.

Being an exchange traded product the risks against counterparty delivery, notify etc. are eliminated." "This platform also brings in price transparency and the flexibility of placing orders from the comfort of one's home," he said.

Than there are others. Mumbai headquartered Hotchkiss Bullions Ltd. (HBL) has started online silver spot trading in 18 cities two years ago. "With prices of silver touching its all time high and in turn giving good returns, there has been a considerable increase in the trading activity on our RSBL SPOT systems. We wanted to extend the trading benefits to our clients and hence we have introduced the Silver contract," says **Prithviraj Kothari**, Managing Director, RSBL.

"The traded volume amounts to 2-3 tonnes every day, since there is a peak in demand now," he added.

There has already been a growing demand for silver ETFs (Exchange Traded Funds) from the last few years. Kothari believes the demand for silver ETFs is growing every minute. "But the issue is embedded in the differences between two regulators FMC and SEBI. Looking at the current scenario I think I have to get permission from," he said.

"The success of Exalver shows open the possibilities of a Silver ETF," James pointed out. "However, since such ETFs would be traded through stock exchanges, the timings available for placing orders would be limited by the exchange timings, whose closing time is 5.30 pm. This denies the price opportunities that may be present further during the day, especially when international markets are more active in the evening. The investor also would not be able to take possession of the silver, as an ETF is only a fund," he said.

"All said, another investment mode for Silver, even if it is through ETF would certainly be lapped up by Indian consumers," he added. So, as optimists will put it, have a great holiday with your silvery wishes fulfilled.