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Coverage –

« **BULLION**

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Right time to buy silver?

The world's third largest economy came to a virtual standstill as one of the most powerful earthquakes in recent memory, and, indeed, in recorded history, struck Japan and unleashed a literal tidal wave of death and destruction overnight. The Nikkei average fell by more than three per cent (before closing early) following the huge, 8.9 point tremor that hit in the mid-afternoon, local time. The Tohoku area of Japan contributes roughly 8 per cent to Japan's annual GDP.

Commodities markets interpreted this tragic geologic event as obviously bearish for the moment, and they quickly reflected such perceptions with a more than 3.5 per cent decline in crude oil, a 1 per cent+ sell-off in copper, a larger than 2 per cent drop in silver, and a 2.8 per cent decline in palladium as well.

The markets may react negatively this week as a financial aftershock to the 8.9 earthquake that struck Japan this past Friday. However, the overall impact on markets is likely to be limited.

Within the silver markets attention still locked onto the threat of global slowing off the Japanese radiation threat, it is possible that the silver market will partially discount classic demand news. As in the gold market, silver prices are expected to maintain a tight positive correlation with global equity markets, as the bull camp in silver seems to need news of a full containment of the radiation threat to throw off the bearish bias and manage a pattern of gains on the charts.

Silver added only 3 pennies to last Friday's closing values however, to open at \$35.93 per ounce. The initial gains in gold narrowed quite



a bit,
and the yellow metals

was showing a rise of less than \$2 at last check, and a quoted bid nearer to the \$1,422.00 level. Silver went into reverse and fell some 40 cents towards the \$35.50 mark at last check.

The silver market is also showing signs of a minor bounce, as global equity markets have partially come out from under the extreme downside action seen in the prior three trading sessions. However, it is unclear whether Japan has the nuclear situation under control, as credible information flow on the situation has been limited this week.

Like gold, the silver market seems to be partially distracted from classic physical supply and demand news, as the trade overnight was presented with favourable Indian silver import news and that seems to have had limited impact on prices. However, news that the Bombay Bullion Association expected this year's Indian silver import demand to rise in the neighbourhood of 20 per cent to 25 per cent (up to 3,000 metric tons) is not something to discount.

If the nuclear radiation continues to rise as predicted then a steep fall in silver is expected (around Rs. 50,000 per kg). I think that's the right time to buy silver. Overall the market is bullish and silver should make a new high of Rs. 58,000 in the near future.