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Coverage –

SILVER INVESTORS STRIKE GOLD IN TIME OF CRISIS

Domestic prices up 30 per cent, global 38 per cent in just two months

SHARLEEN DSOUZA
Mumbai, 29 March

In the last couple of months, silver prices have shown a sharp rise. The price has increased from ₹43,080 a kilogram to ₹55,820, a rise of ₹12,740, or 30 per cent (from January 27), since the Jasmine Revolution started.

At the same time, gold and equities have not performed so well. Gold, for example, has returned only 8 per cent. According to experts, the white metal has benefited greatly due to the dual use of the commodity — as a precious metal and for industrial purposes.

"Of late, buying interest in the metal has increased as there are expectations that demand from Japan, especially the electronics industry, will be on the rise after the crisis," said Ajay Kedia of Kedia commodities.

Internationally, silver was trading at \$37.33 an ounce. Since January 27, it has risen 38 per cent. The returns in India have been lower due to the strengthening of the rupee.

Commodity experts said investors in precious metals should take the rupee-dollar movements into consideration when investing in gold, silver and others. Typically, silver follows gold and copper because while the former is a precious metal, the latter is a leader in industrial commodities. And silver has both these elements.

"The Jasmine Revolution triggered the rise in silver price

initially. Then, some foreign hedge funds swung into action because they had short positions. Now, the expected demand from Japan is holding it strong," added Kedia.

Japan being the hub for electronic items, it is expected to purchase silver to increase its production after the crisis. Of the total industrial use of silver, the electronic space accounts for more than 75 per cent.

However, some feel silver may not be able to continue the good run in the near future. Prithiviraj Kothari, president of Bombay Bullion Association said, "Silver will see a correction in the near term and may reach ₹53,000 a kg. But in the next two or three years, it has a potential to reach ₹1 lakh."

Echoing similar view, Praveen Singh, a research analyst with Sharekhan Commodities said, "Gold is likely to touch \$1,500 an ounce in the near term, and silver is expected to hit \$50 an ounce in year or two. But one should be careful while buying (silver) at these levels."

Gold increased its sheen on safe haven buying due to unrest in Libya coupled with earthquake and tsunami in Japan. Also, the euro zone debt crisis caused the metal to rise.

Analysts are a little vary about the price movement of the white metal in short term, but they expect demand to pick up in long term. Currently, silver price in domestic futures market are cheaper than spot prices. In the last couple of months, the

TRACKING PRECIOUS METALS

	Jan 27 2011	Mar 28 2011	% change
Gold spot \$/oz	1,313.93	1,420.4	8.10
Silver spot \$/oz	26.93	37.33	38.62
Standard gold*	19,925	20,695	3.86
Silver ₹/Kg	43,080	55,820	29.57
Dow Jones	11,989.83	12,197.88	1.74
FTSE 100	5,965.08	5,904.49	-1.02
Nikkei 225	10,478.66	9,478.53	-9.54
Hang Seng	23,779.62	23,068.19	-2.99

*₹10gm

Source: Bloomberg

Data Compiled by BS Research

Industrial use to rise 36% in 5 yrs

BS REPORTER
Mumbai, 29 March

THE industrial use of silver is likely to rise 36 per cent in five years, due to massive growth in the areas of application.

The latest report by Silver Institute, the Washington-based non-profit international industry association, indicates that industrial consumption of silver should rise sharply over the next five years to 666 million troy ounces (Moz) by 2015, representing 60 per cent of the total fabrication demand that

year — a 36 per cent increase over 2010's figure of 487 Moz.

The report, "The Future of Silver Industrial Demand," was produced by precious metals consultancy, GFMS Ltd, on behalf of the Silver Institute. The report further said the sector's growth opportunities are likely to emerge enormously during the period under consideration. The report underscores silver's unique characteristics that make it the metal of choice for a wide range of established industrial uses, particularly in electronics and thermal applications. ▶5

futures on MCX are quoted at discount around ₹1,000 a kg or so to the spot prices.

Spot prices are near to the cost of import (landed cost).

Traders, however, don't expect physical market demand in India before Akshaya Tritiya, which is a couple of months away.