



Silver Institute

Interim Silver Market Review 2019

Philip Newman, Metals Focus

November 19th 2019, New York



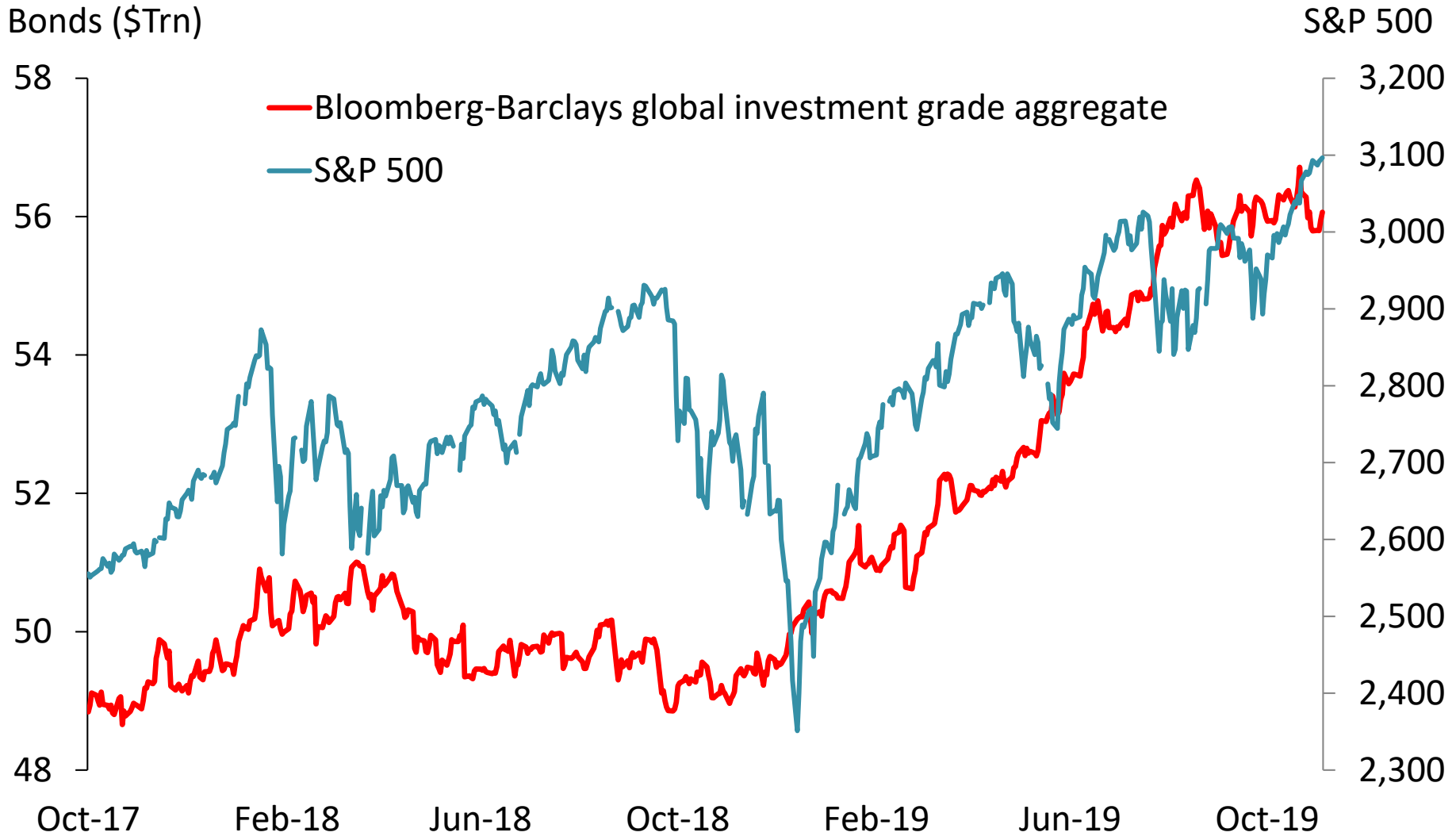
Silver now holding in a higher range



Source: Bloomberg



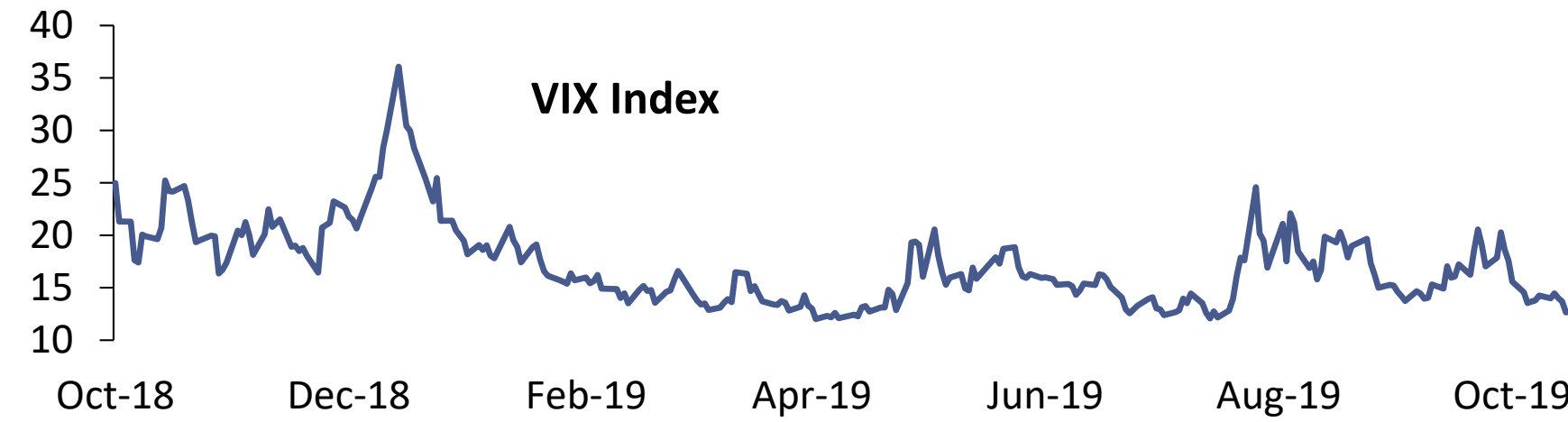
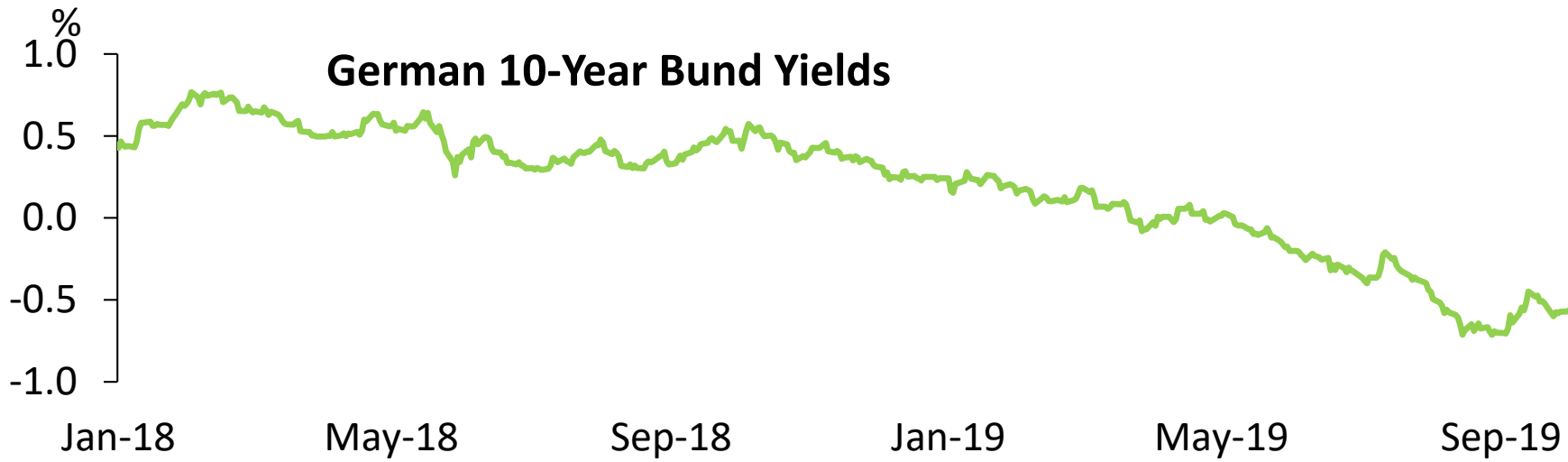
Headwinds from equites, but safe haven demand also rising



Source: Bloomberg



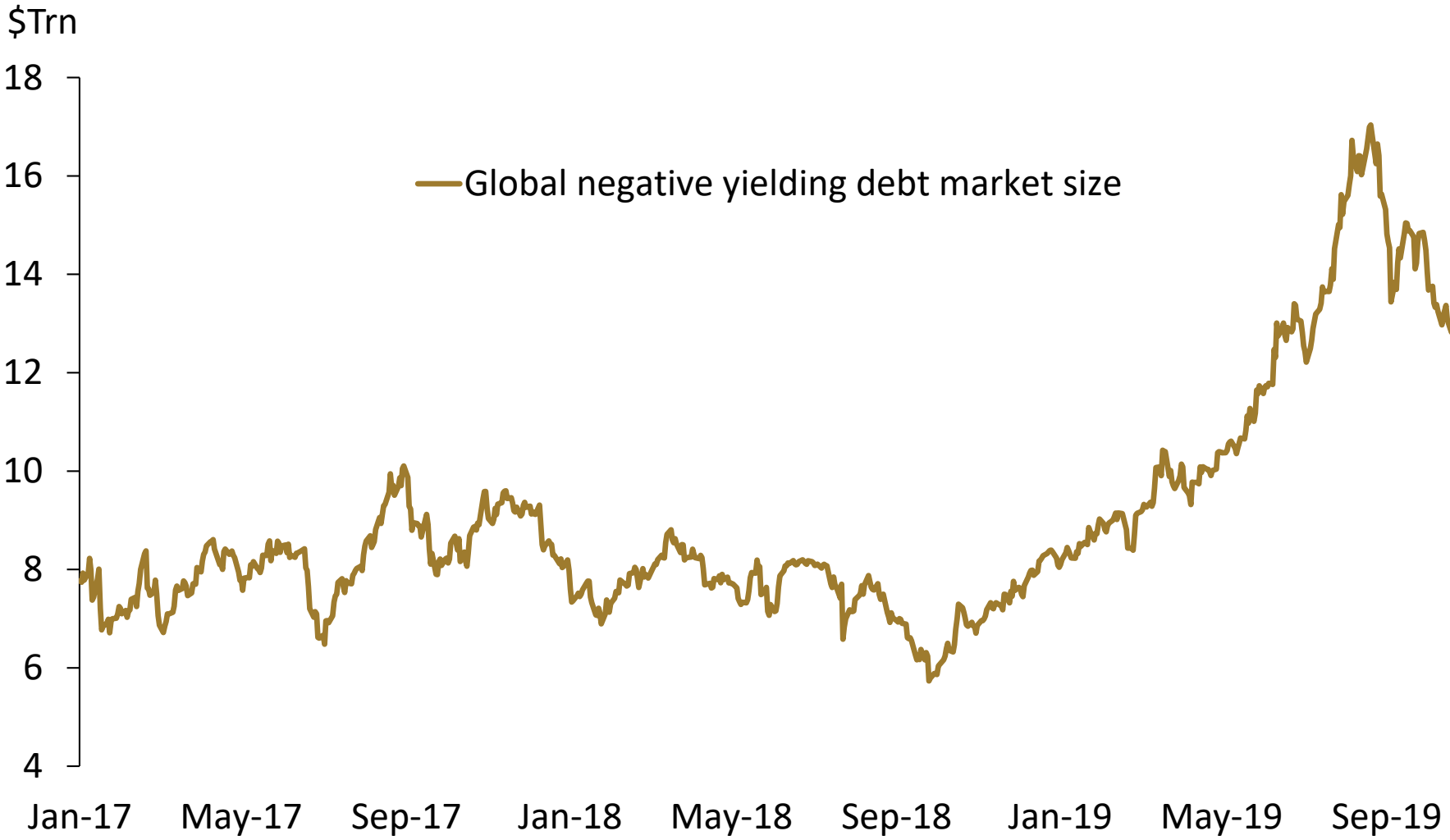
German yields reach new low, while VIX also remains low



Source: Bloomberg



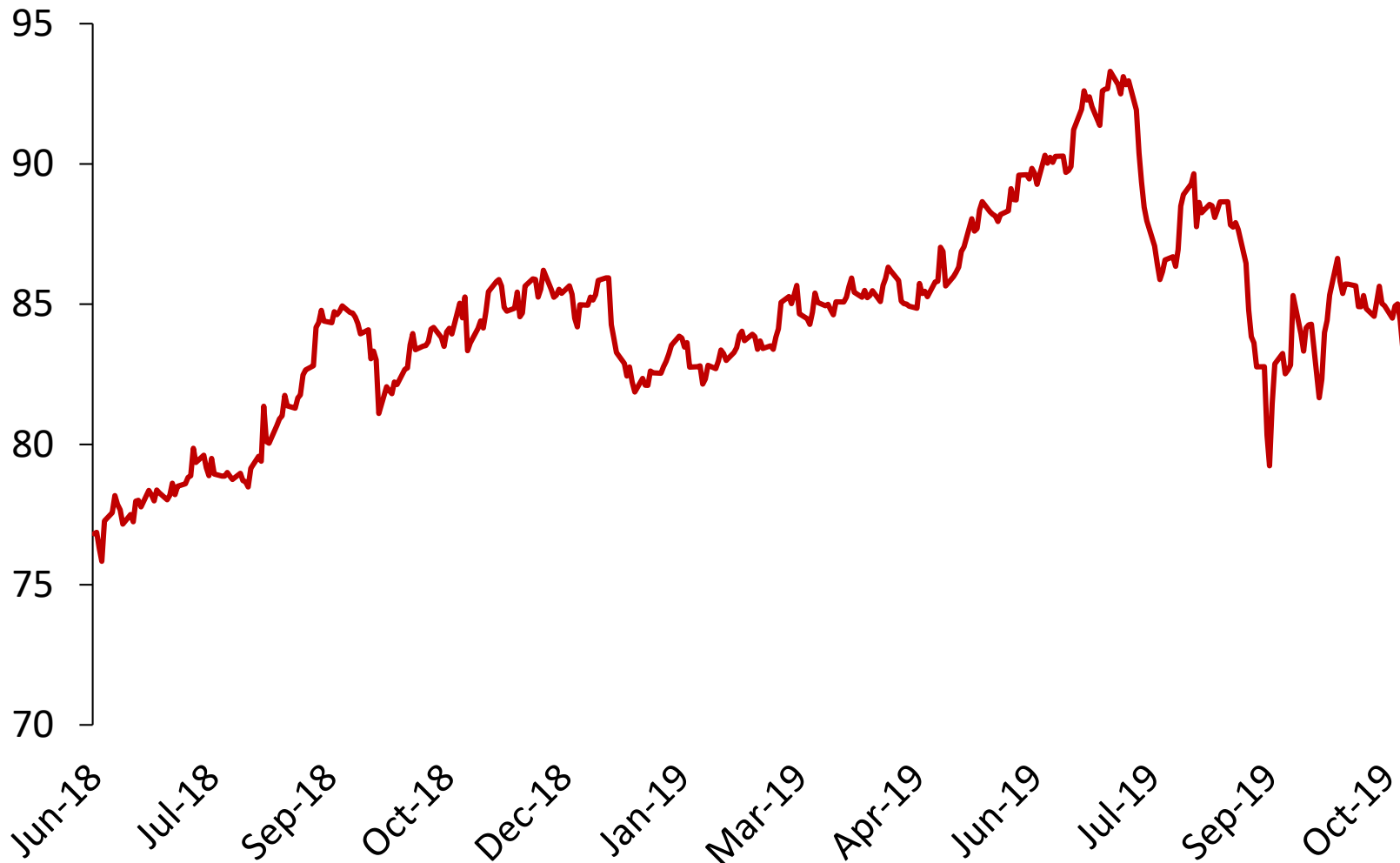
Negative yielding debt has surged



Source: Bloomberg



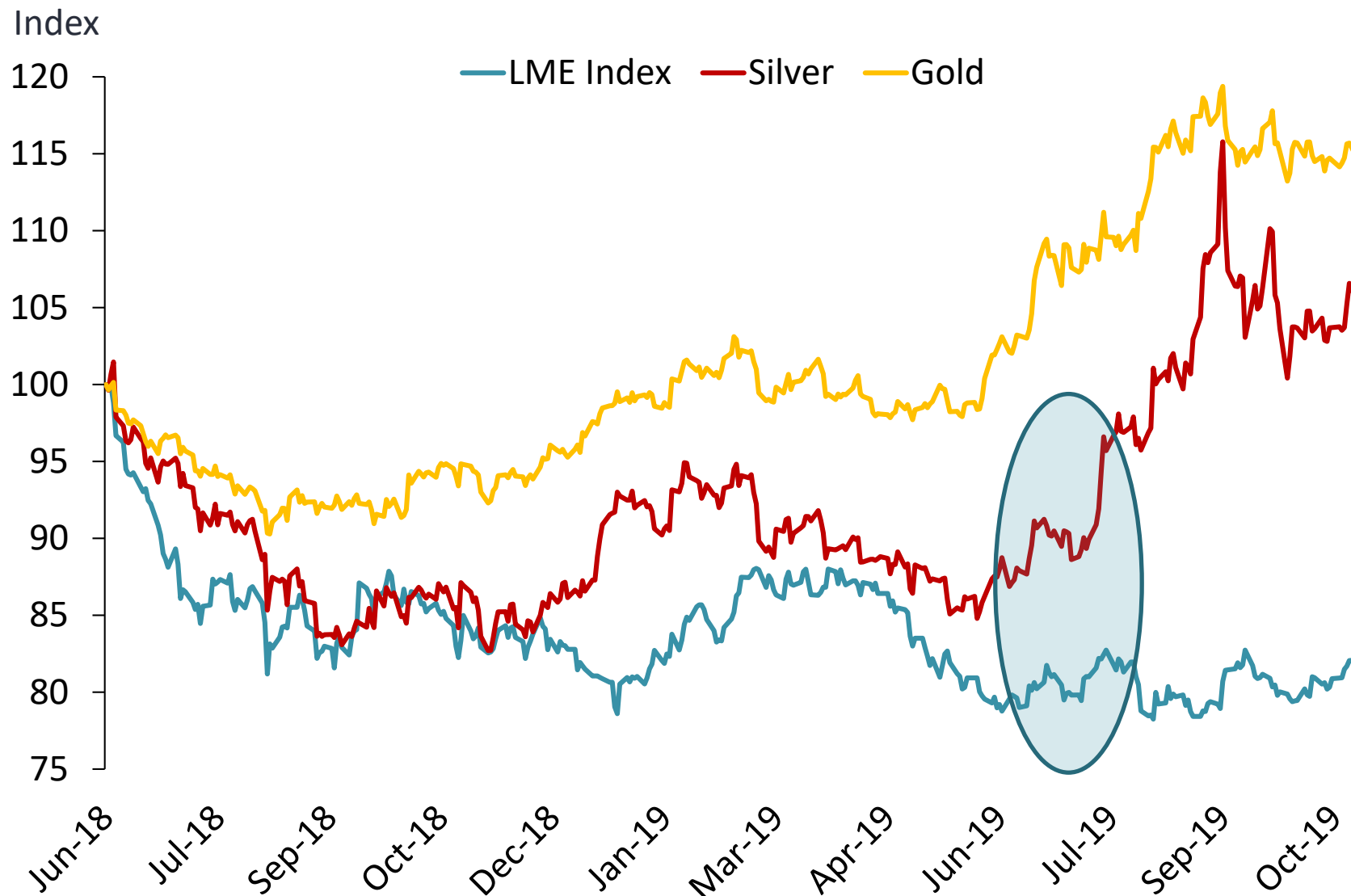
Silver had also started to outperform gold



Source: Bloomberg



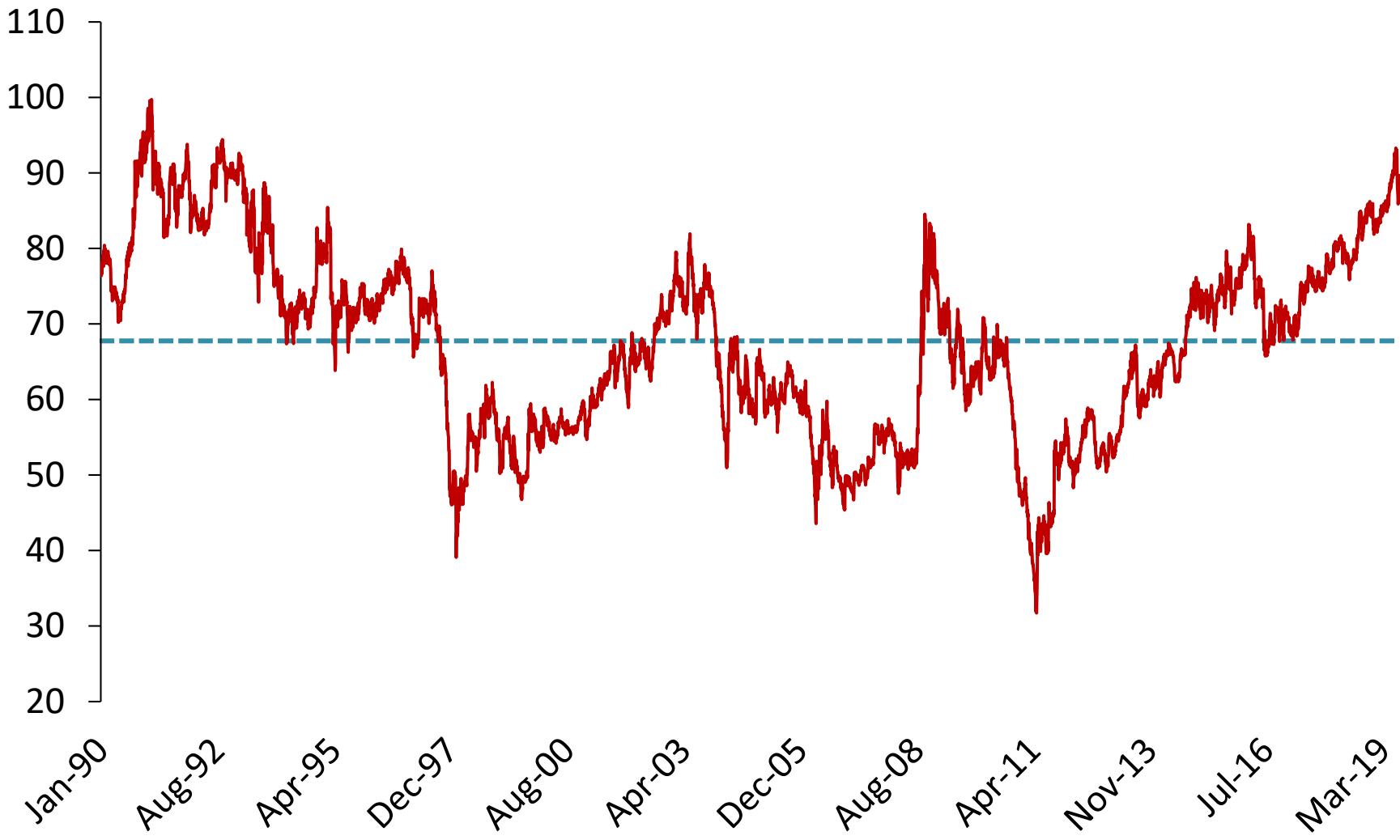
Base metals weakness had been a problem for silver



Source: Bloomberg



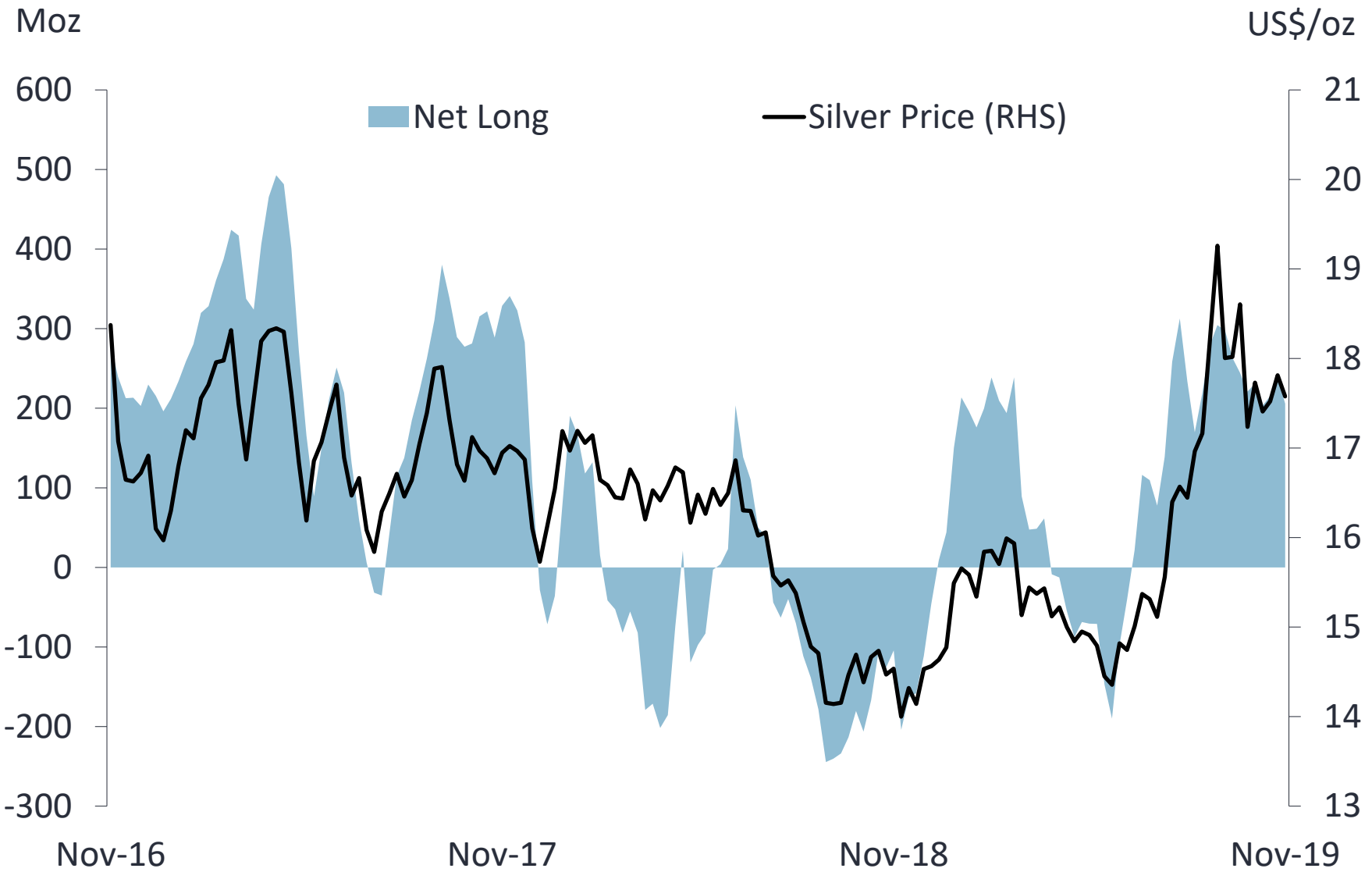
But the ratio remains historically high



Source: Bloomberg



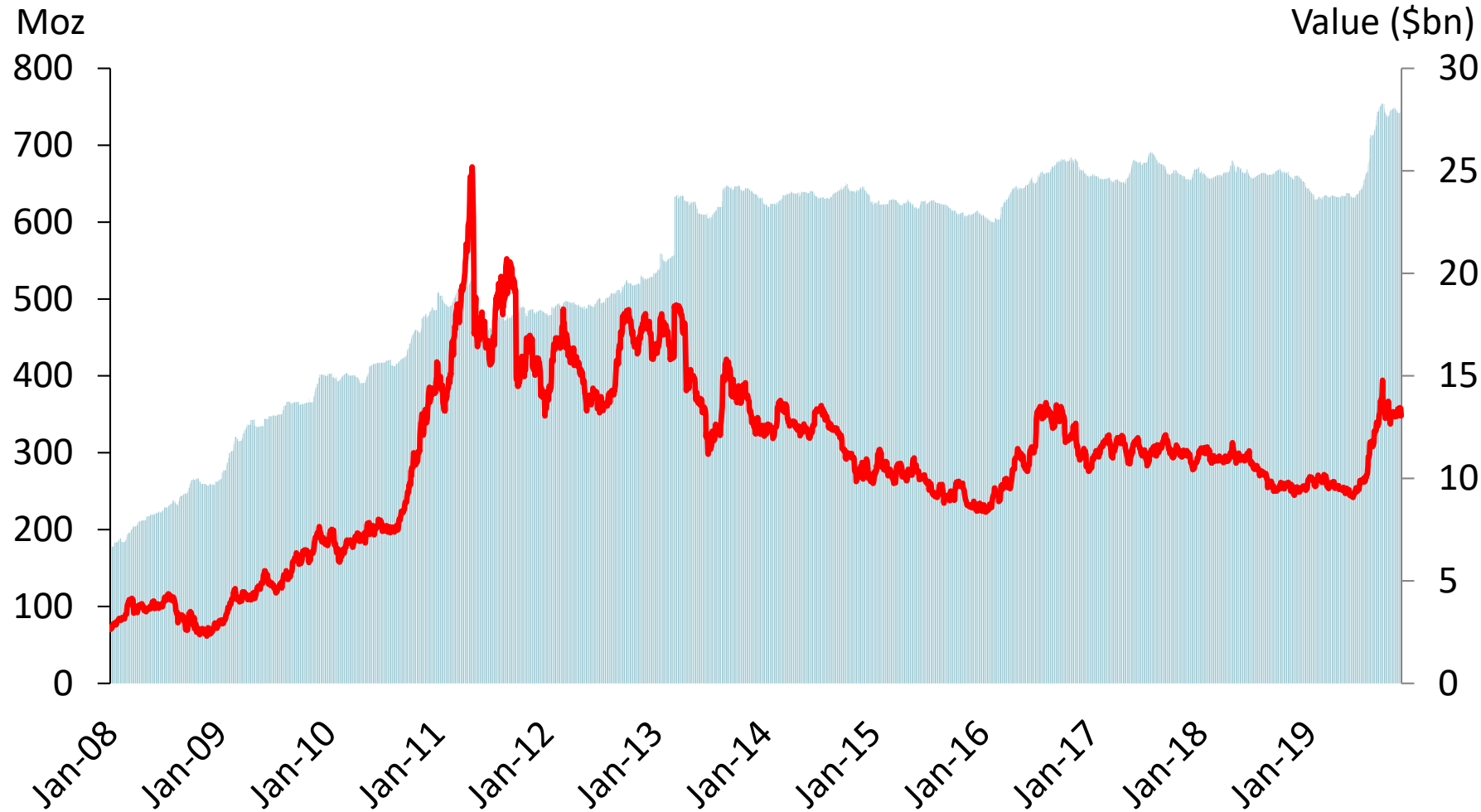
Investor positioning has improved noticeably



Source: Bloomberg



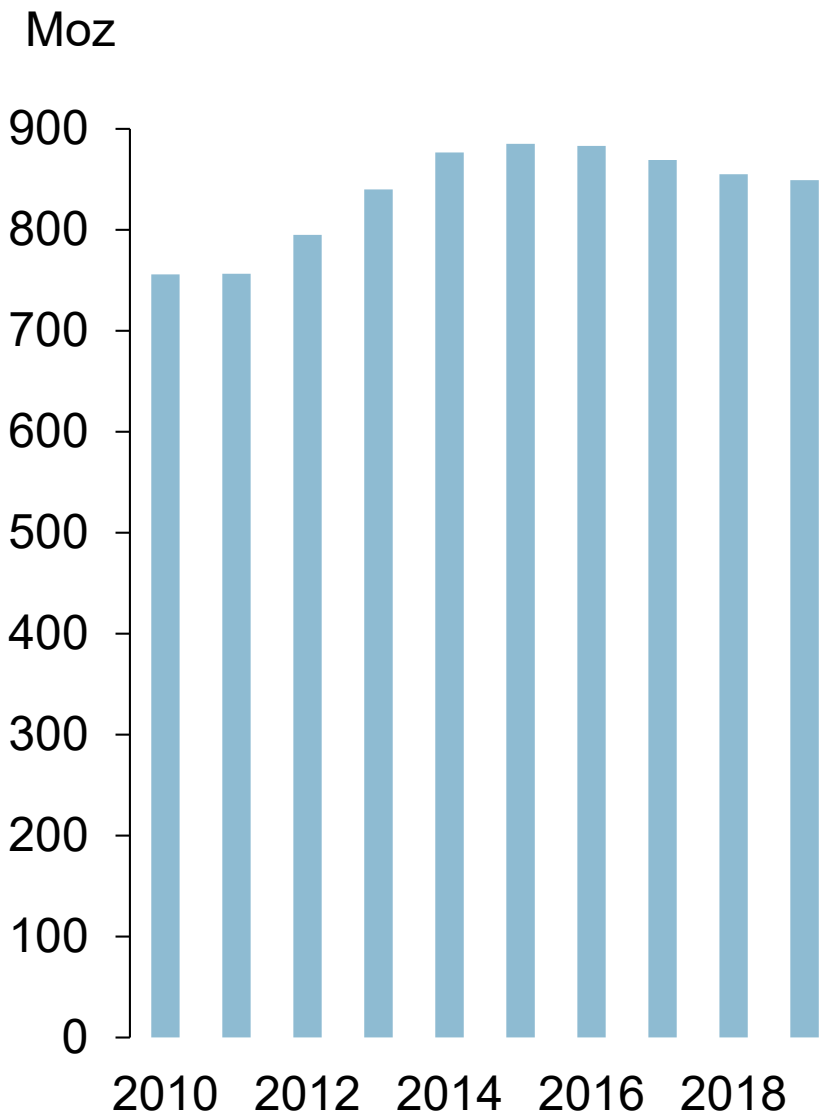
ETP holdings at close to record highs



Source: Bloomberg

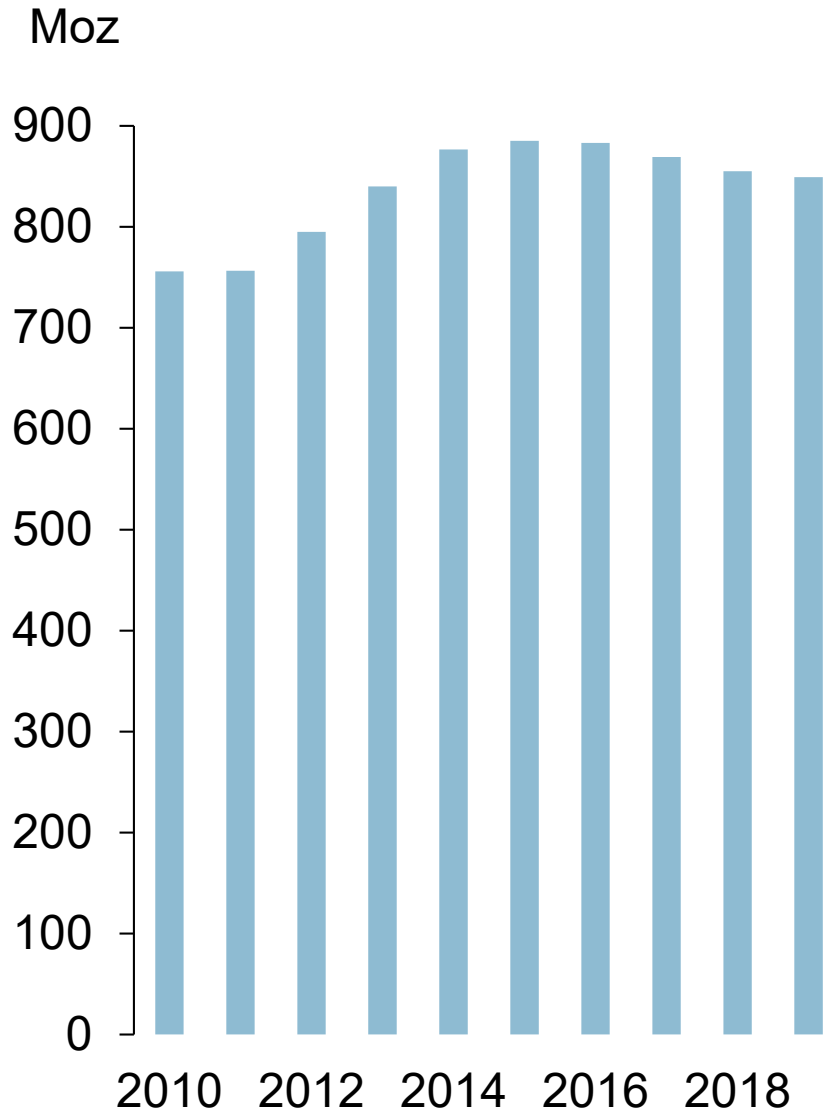


Mine production eases back further in 2019



- At start of 2019, several key producers forecasting increased production which, following three years of losses, had potential to support a return to growth for silver mine supply.
- However, community protests and strikes across South America, a blockade at Peñasquito and lower than expected grades at Uchucchacua, Fresnillo and Saucito have weighed on global output.

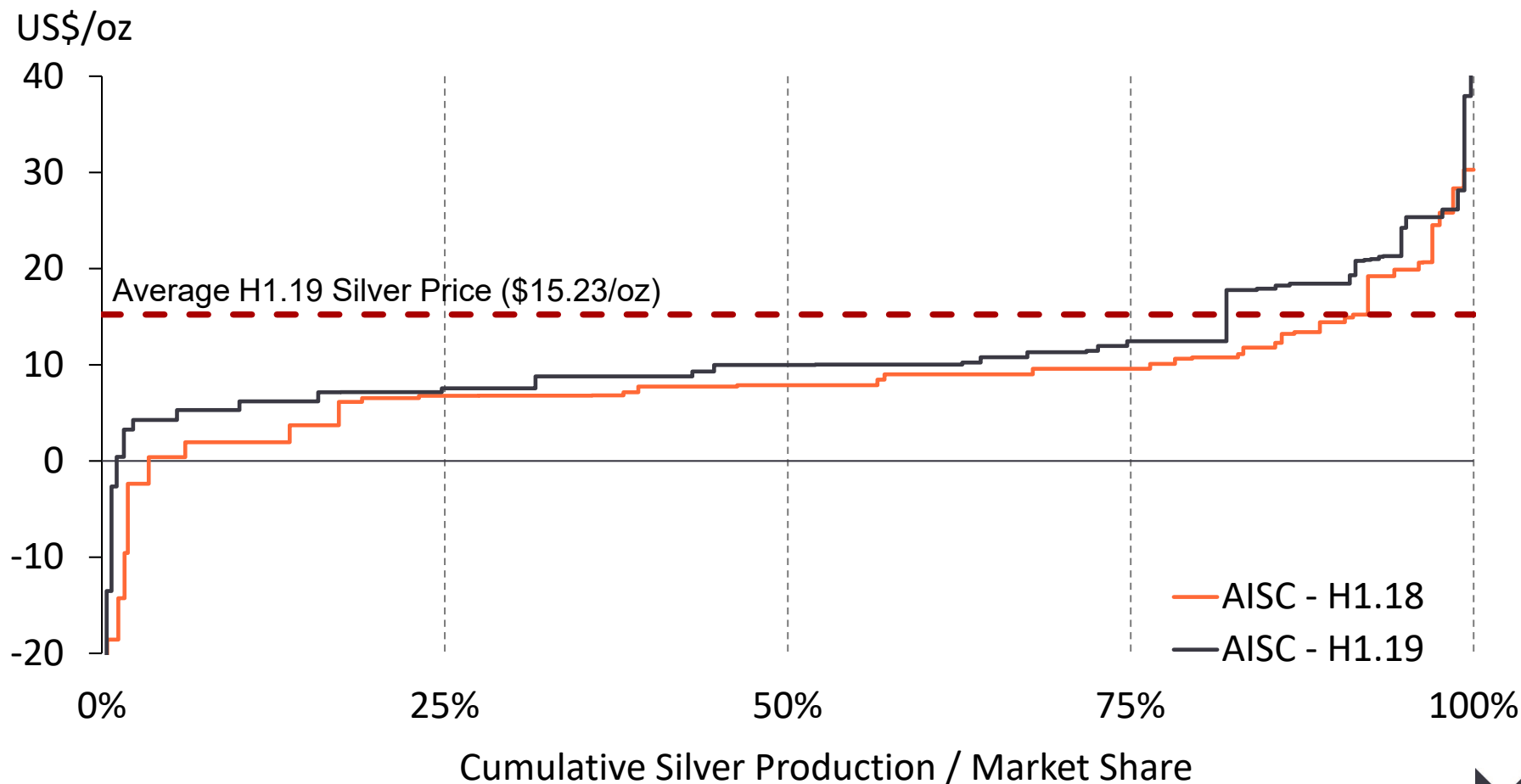
Mine production eases back further in 2019



- Production expected to fall 0.7% to 849.3Moz.
- However, major uncertainties remain for Q4 and the annual total will be dictated by the resumption of disrupted operations and key mines achieving grade targets.
- Declines from Peru (-13Moz), Mexico (-4Moz) and Indonesia (-3Moz) to offset growth from Australia (+5Moz), Argentina (+4Moz) and the US (+4Moz).

All-in Sustaining Costs – Primary Silver Mines

- H1.19 AISC rose 32% y/y to \$10.85/oz.
- Costs up partly due to higher input costs (wages, electricity, fuel, grinding media, sodium cyanide), along with lower by-product credits due to lower base metal prices.

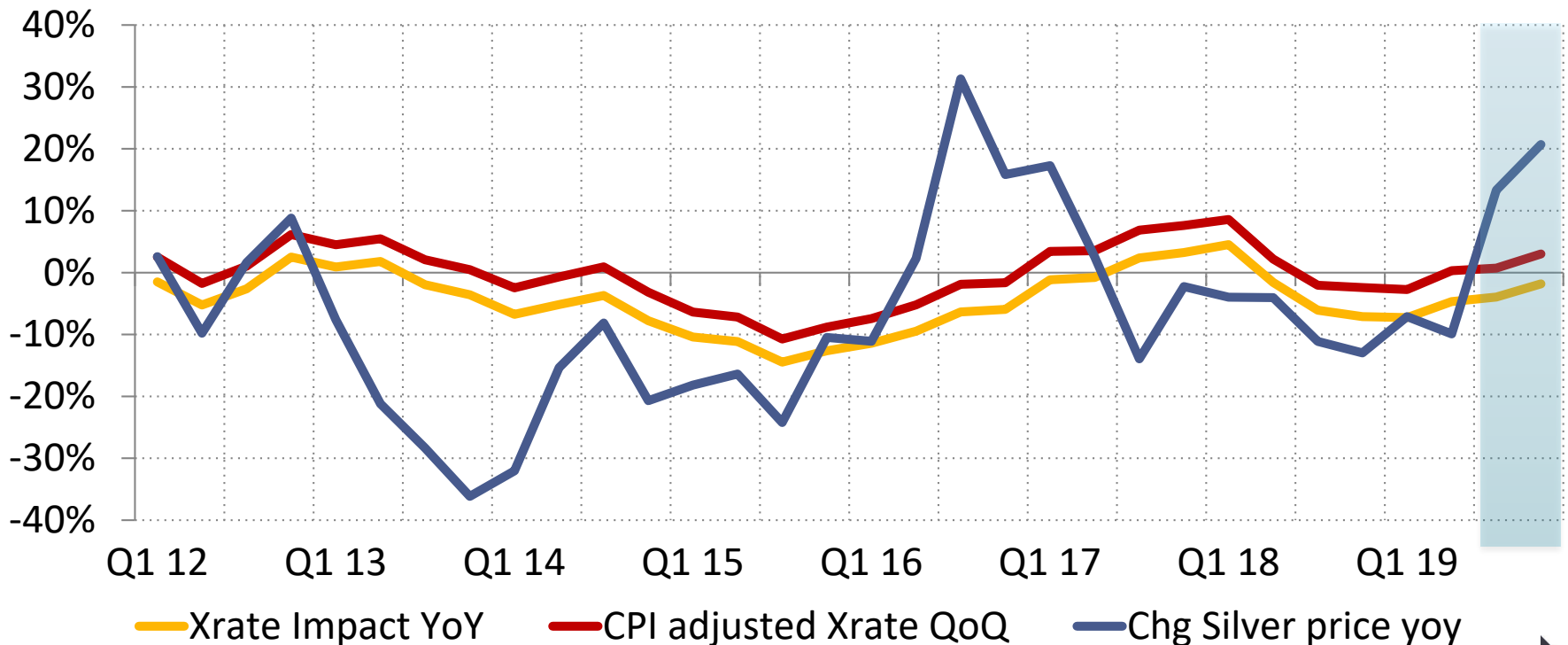


Note: costed production = c.80% of primary silver supply.
Source: Metals Focus – Silver Mine Cost Service

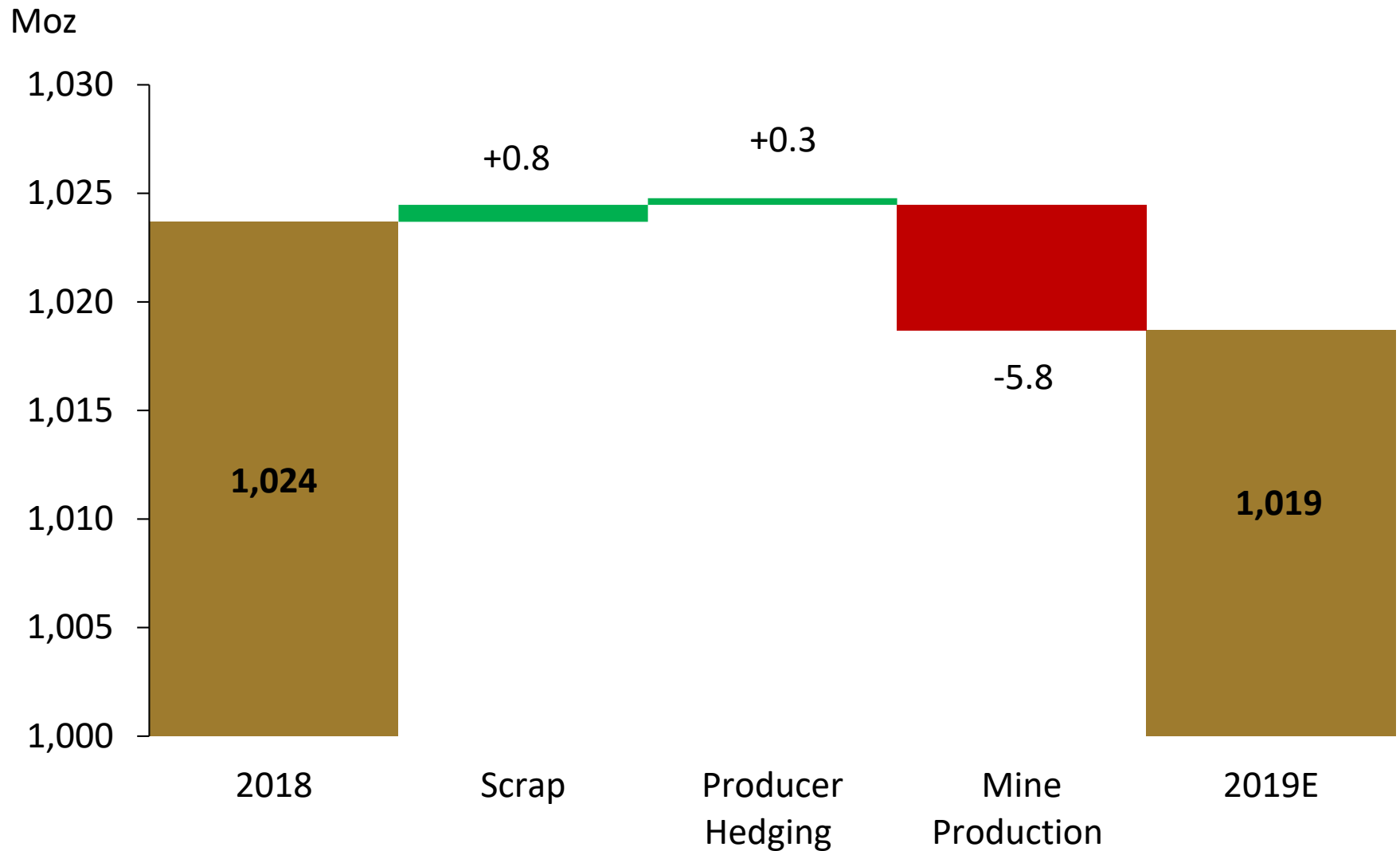
Primary Silver Industry Cost Index

- The impact of weaker FX less of an issue in 2019 vs 2018
- Mines still seeing cost inflation in key inputs. Increased gold by-product credits and the exit of high cost supply will benefit industry costs towards end-2019.
- Most important though is the impact of higher H2.19 silver prices.

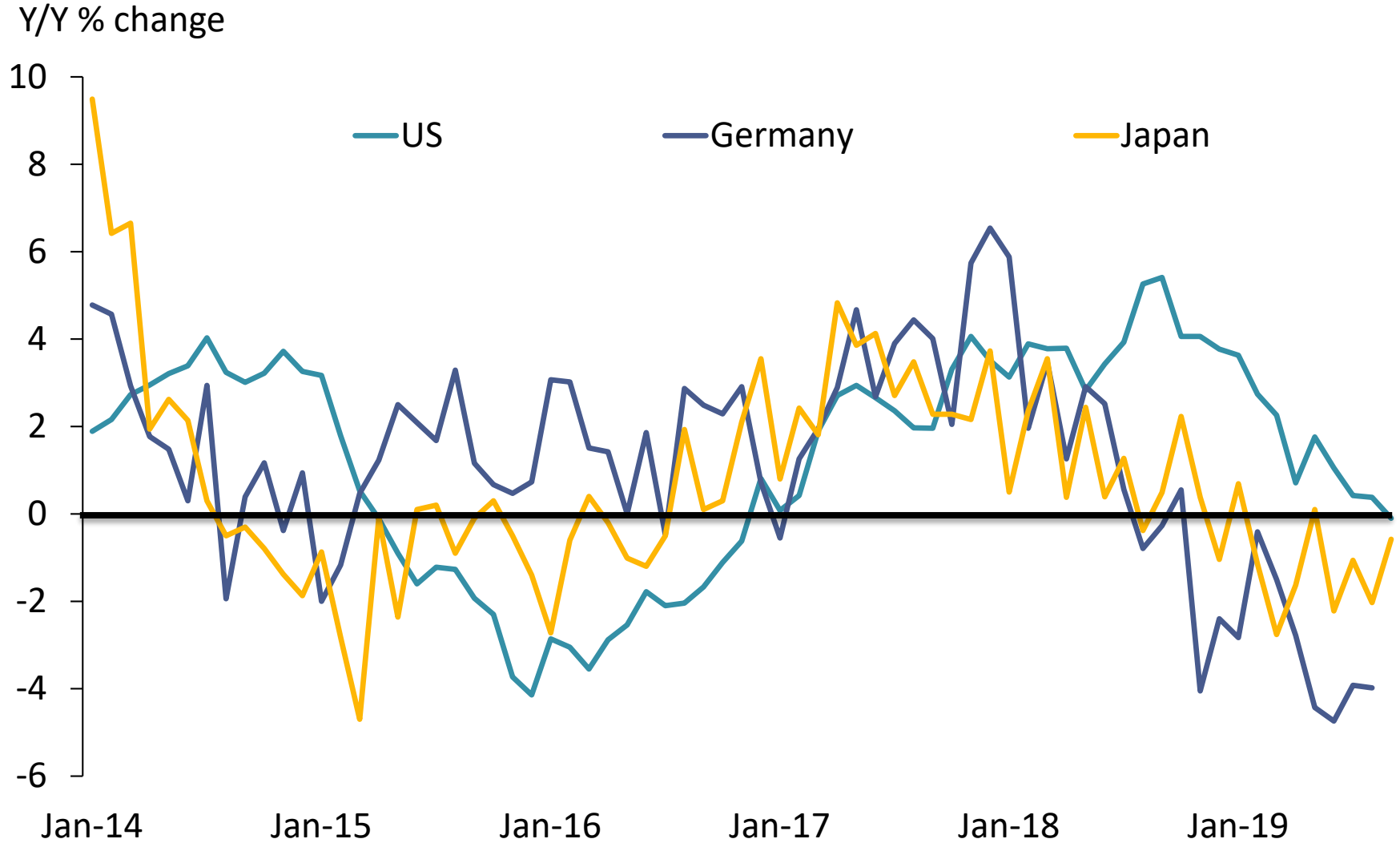
Y/Y impact (weighted currencies & CPI)



Global supply summary



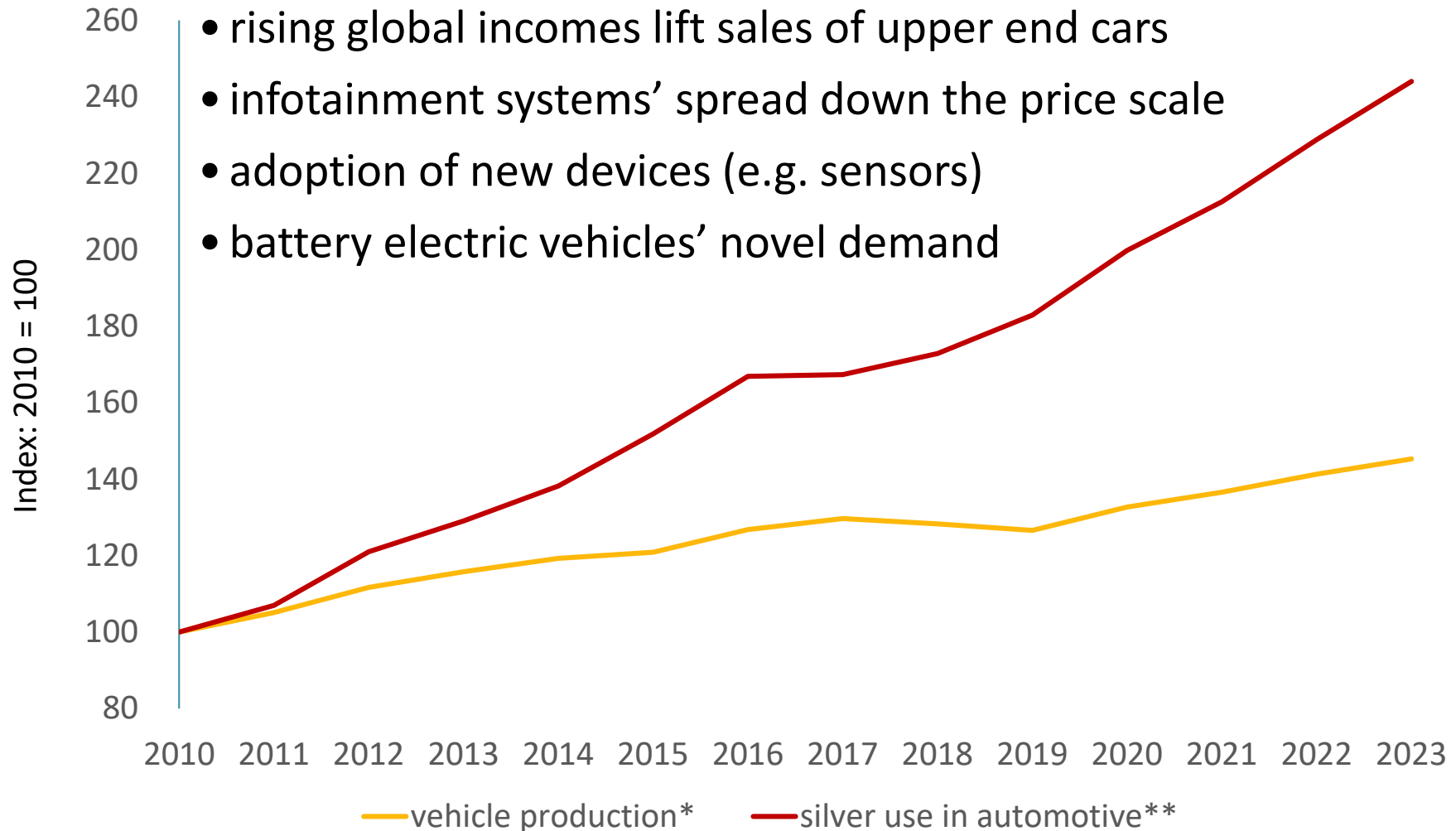
Industrial demand – the trade war takes its toll



Source: Bloomberg



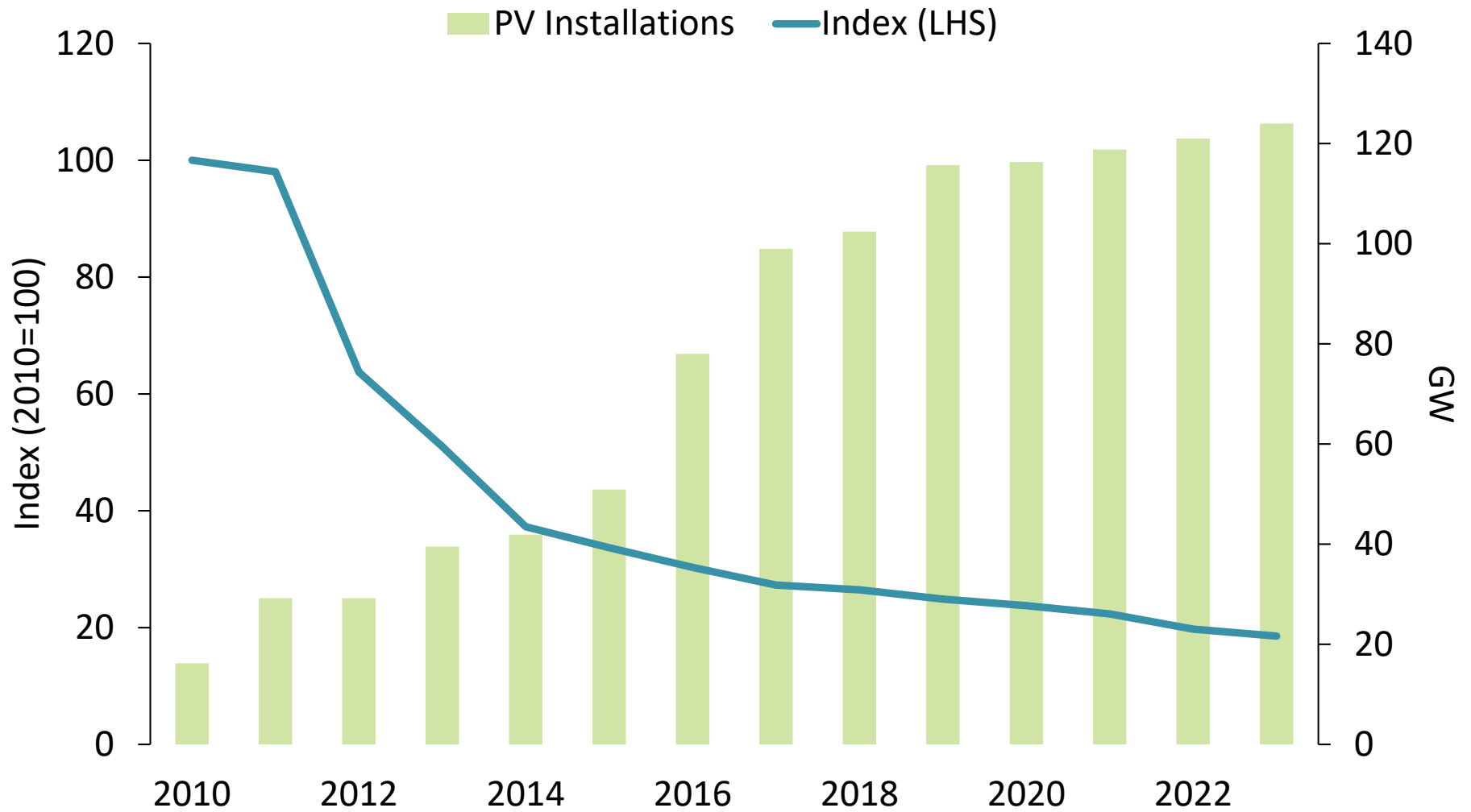
Automotive offtake: the new star in emerging uses?



Source: Metals Focus, Precious Metals Commodity Management LLC, LMC Automotive.

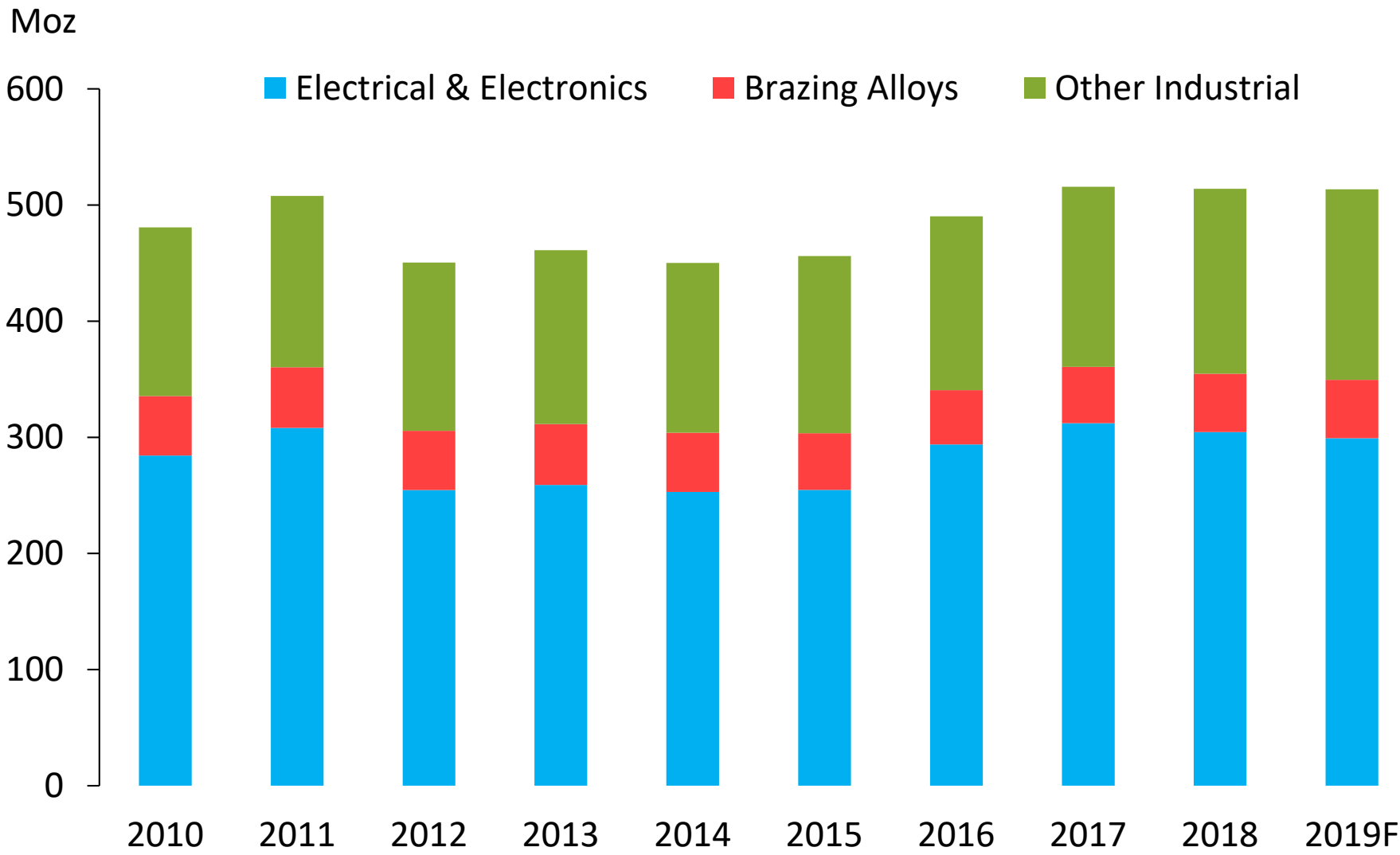
* passenger and light commercial. ** excludes conductive pastes in demisting applications.

Photovoltaics still a clear success story



Source: Metals Focus, various

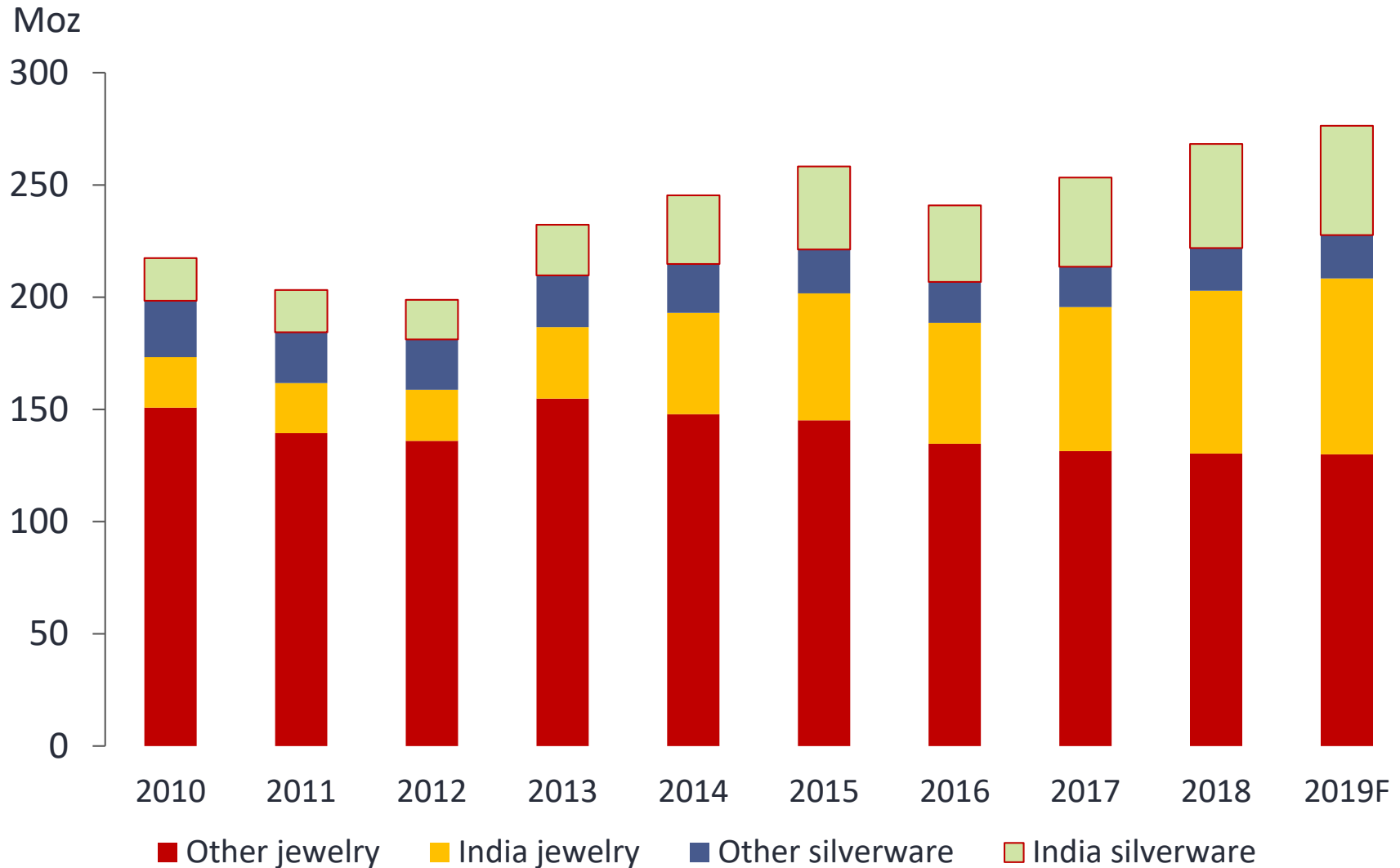
Industrial Demand – remains near record highs



Source: Metals Focus

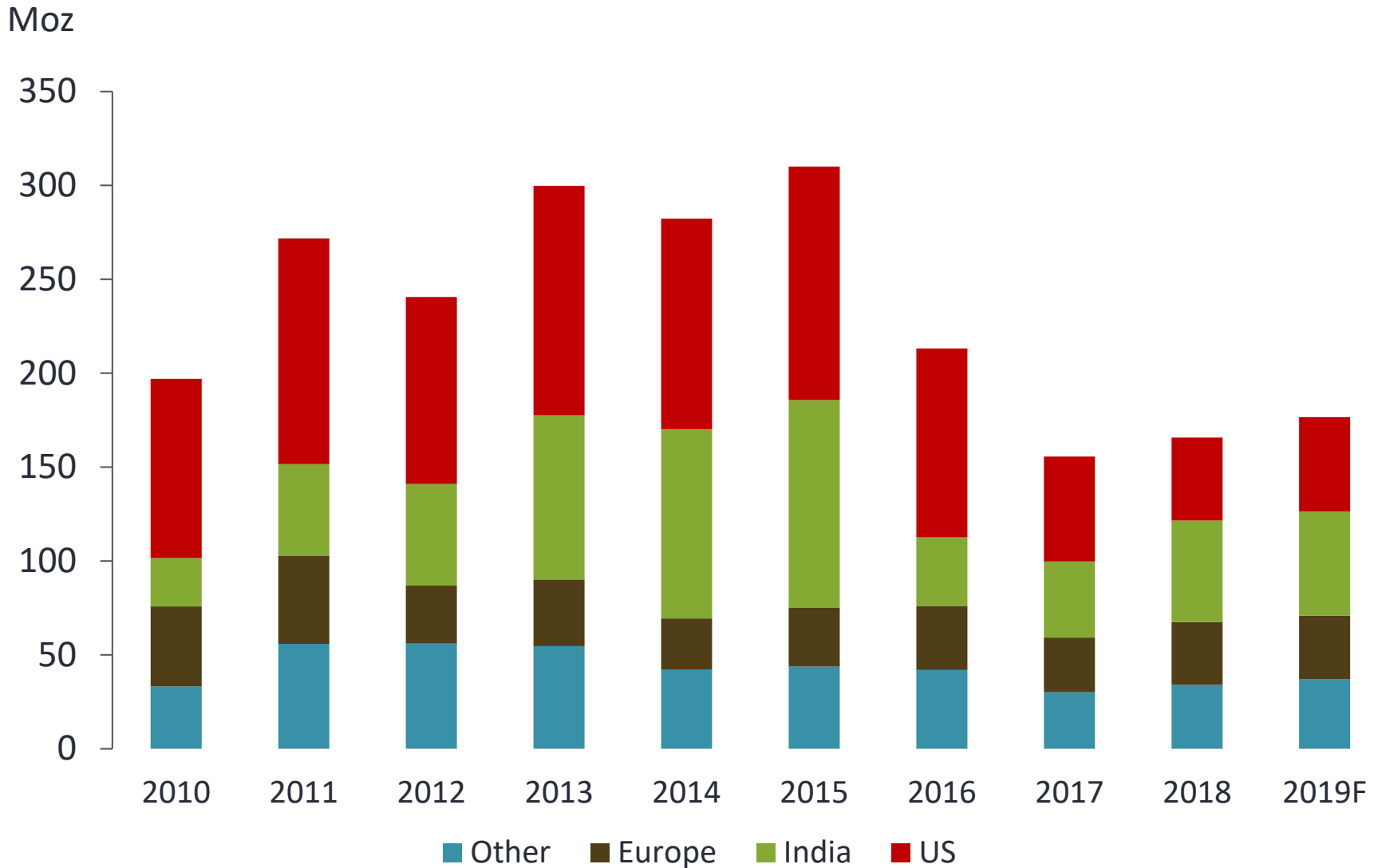


Jewelry & silverware's dependence on India

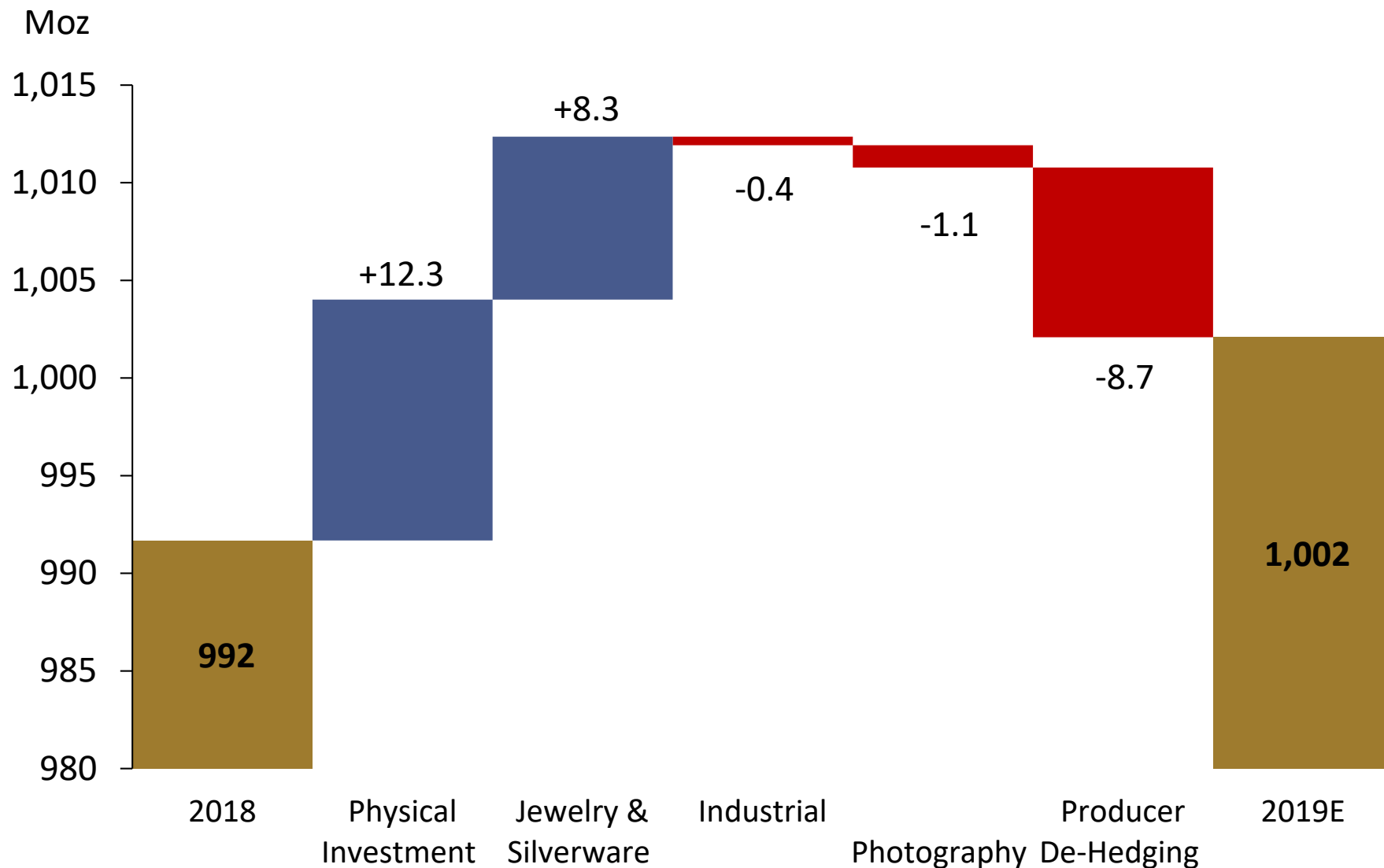


Source: Metals Focus

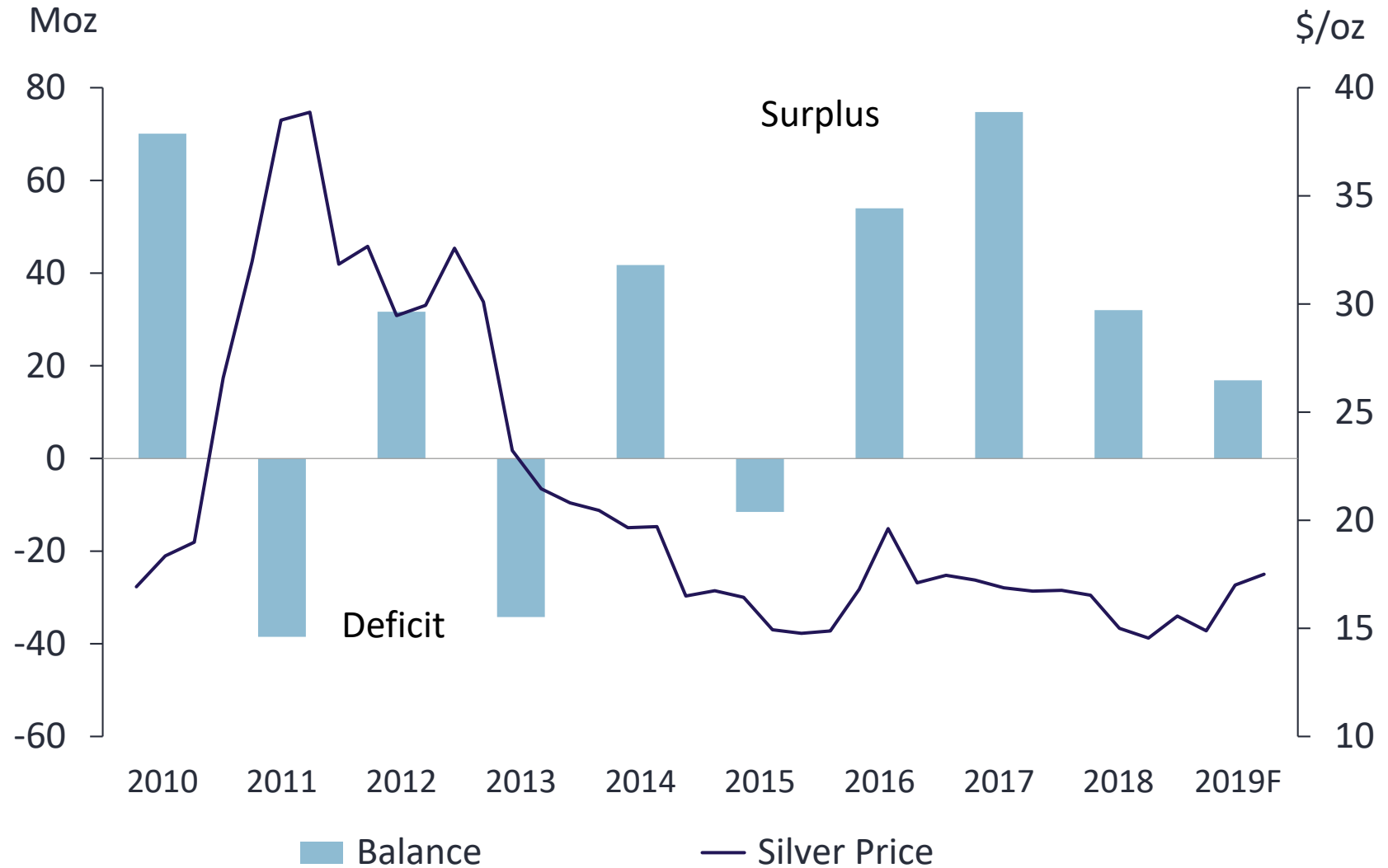
Bar and coin investment still short of recent peaks



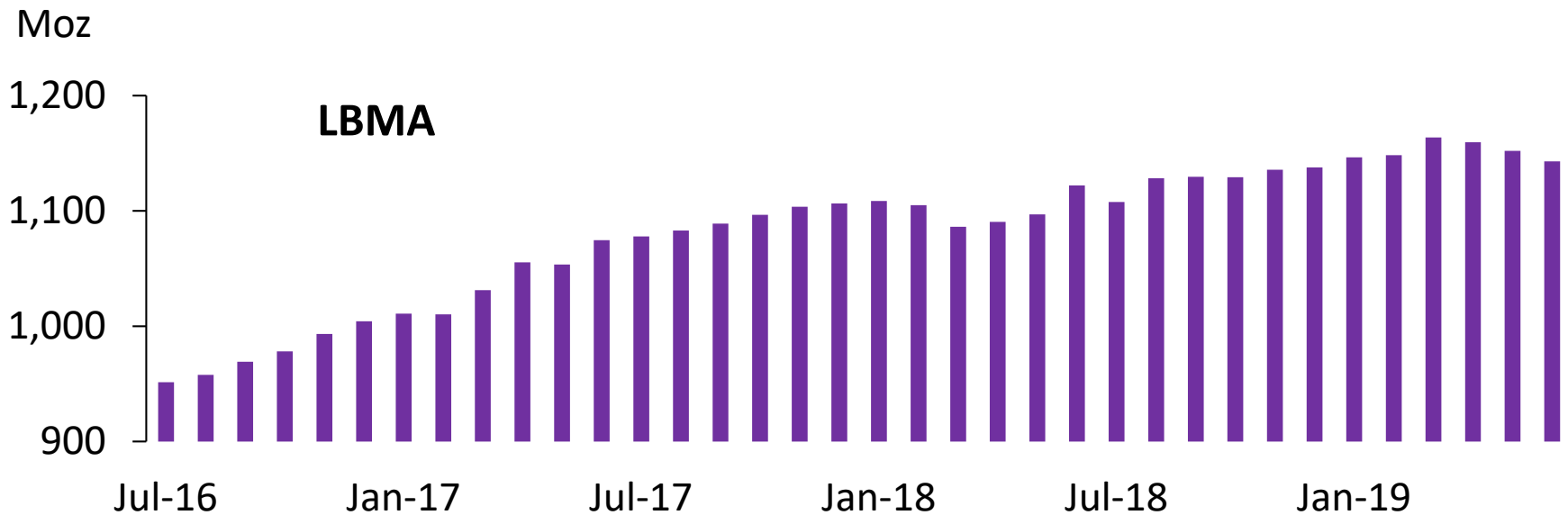
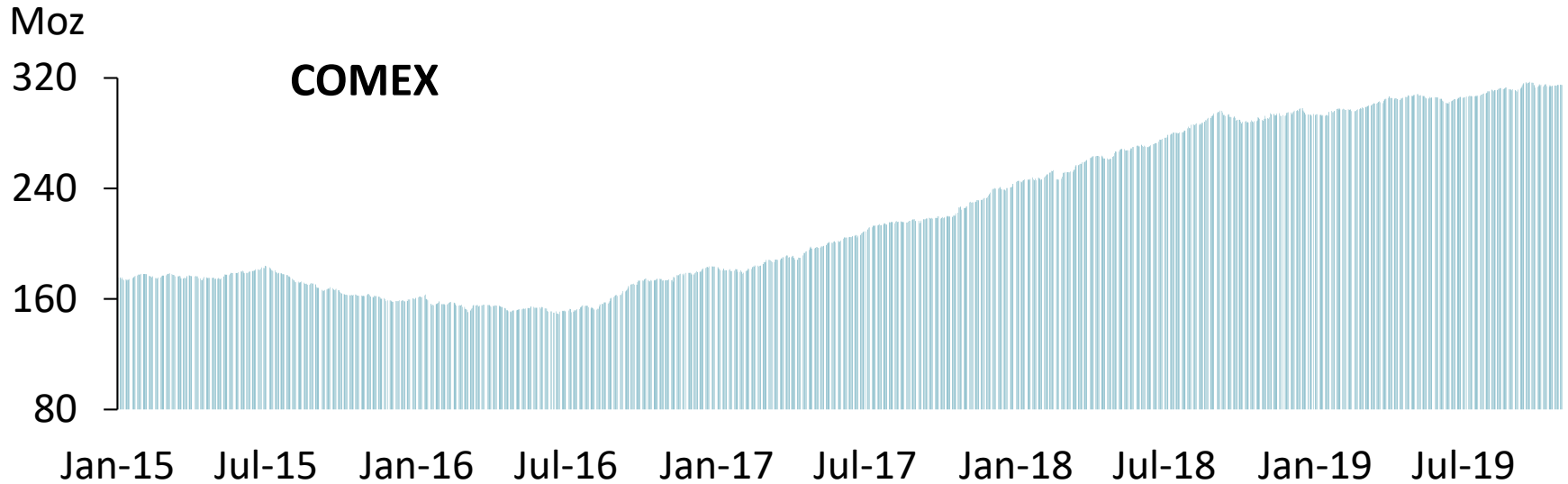
Global demand summary



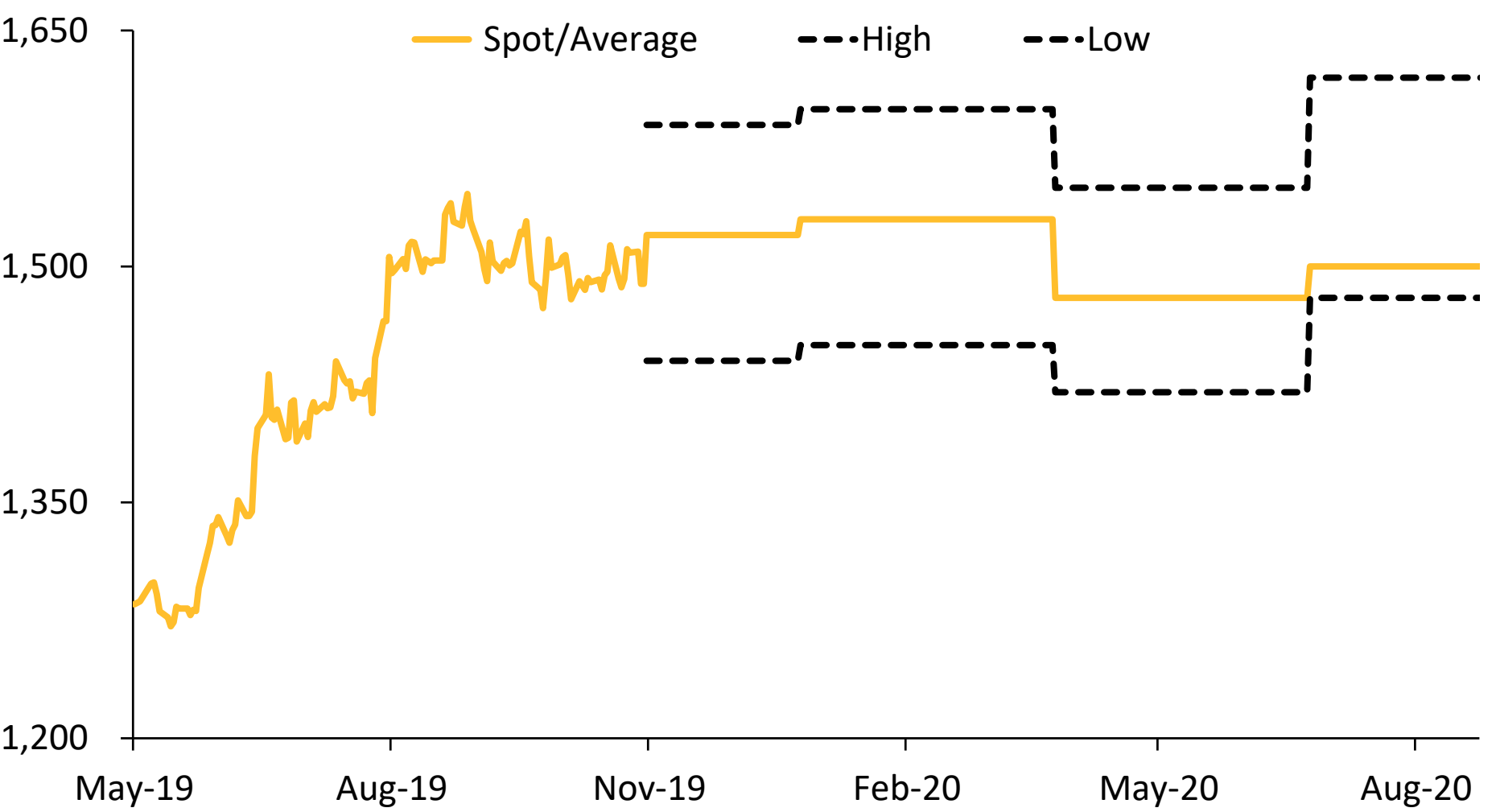
Silver remains in surplus



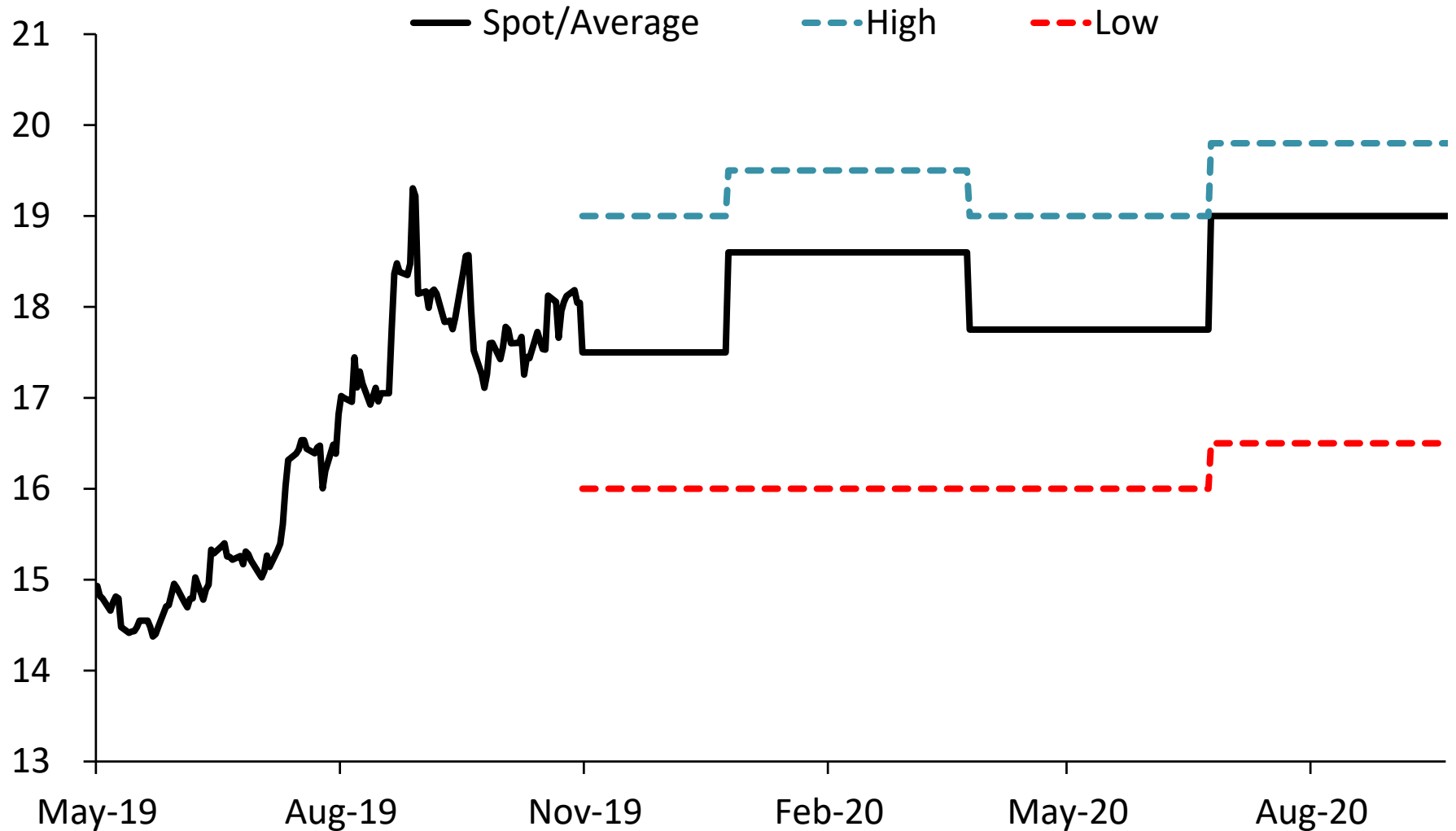
As the surplus grows in 2019, stocks continue to rise



Gold Forecast, 2019: \$1,400, +10%



Silver Forecast, 2019: \$16.20, +3%



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