

MONDAY, MAY 18, 2009

REVIEW

White Hot?

Silver Lining for This Metal

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WHILE IT IS TRUE THAT SILVER PRICES LATELY have been on a tear, rising 23% since the start of the year, they still may have plenty of room to run, especially if the economy does indeed pick up.



William Waitzman

That's according to the World Silver Survey 2009, issued last week by the Silver Institute, a global trade association. Given the expected favorable economic and financial backdrop for silver investment, and gold's likely continued strengthening on mounting inflation concerns, the survey said, "it is likely that investment demand and

therefore silver prices will also tend to be robust."

But much depends on investors, who contributed to the big run in the metal this year through exchange-traded funds such as the [iShares Silver Trust](#) (ticker: SLV). Still, if industrial demand, 50% of the total, begins to strengthen, "silver would be near \$20 an ounce, and prices could go to the races," in the view of Philip Klapwijk, executive chairman of GFMS, a London consultancy that produced the survey. Silver on the spot market recently changed hands at about \$14 an ounce, below 2008's average price of \$14.99 an ounce, which was second only to the nominal average price in 1980 of \$20.984, or \$54.83 adjusted for inflation.

This year, silver has been playing catch-up with gold, Klapwijk says, as the metals, which tend to move in tandem, decoupled when the economy tanked in the fourth quarter and industrial demand for silver fell off a cliff. Indeed, one estimate shows the gold-to-silver ratio surging to 72 times, the highest since 2004, from 50 times in early 2007. But Klapwijk sees the metals reconnecting, as fears of financial instability and possible inflation continue to push up gold, probably driving silver higher.