

# Hot Metal: Taking a Shine to Silver

By ROBIN GOLDWYN BLUMENTHAL |

***Investors flocked to silver in 2012, pushing demand up 21%. Despite recent price drops, the outlook is strong.***

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The global economy may be slowing, but that didn't suppress investors' appetite for silver in 2012, according to the World Silver Survey issued by the Silver Institute last week.

Investment demand for silver rose 21% in 2012, to a record high of 160 million troy ounces. A desire for silver investment, about-one third of it from exchange-traded funds, was the primary driver behind silver prices averaging \$31.15 per ounce, second only to silver's \$35.12 average price in 2011.

By comparison, in 2004, two years before the **iShares Silver Trust** (ticker: SLV) was introduced, implied silver investment totaled just 5.4 million ounces. In 2012, global ETF demand rose by 55 million ounces, or 10%, bringing total holdings to a record \$18.9 billion. Demand for coins and medals hit 92.7 million ounces, with coin-minting in China up 47% from 2011. Total silver-fabrication demand dipped; mine output rose for the 10th year in a row.

"There was really strong Western institutional demand" for silver last year, says Neil Meader, global head of metals analytics for Thomson Reuters GFMS, which researched and compiled the report.

Notwithstanding silver's recent sharp move lower, in tandem with gold's two-day, 14% rout, Meader still sees average silver prices rising to somewhere in the high \$20s this year. That implies a "significant recovery" from the \$24 an ounce recently quoted, he says.

"There are a lot of reasons the metals should stabilize and do better," Meader says, chief among them the parlous state of U.S. government finances. The risk is high for U.S. debt to be downgraded again, he says. That formed the major stimulus for silver's climb to near \$50 an ounce in 2011.

-- R.G.B.