



Silver Institute

Interim Silver Market Review 2019

Philip Newman, Metals Focus

November 19th 2019, New York



About Metals Focus

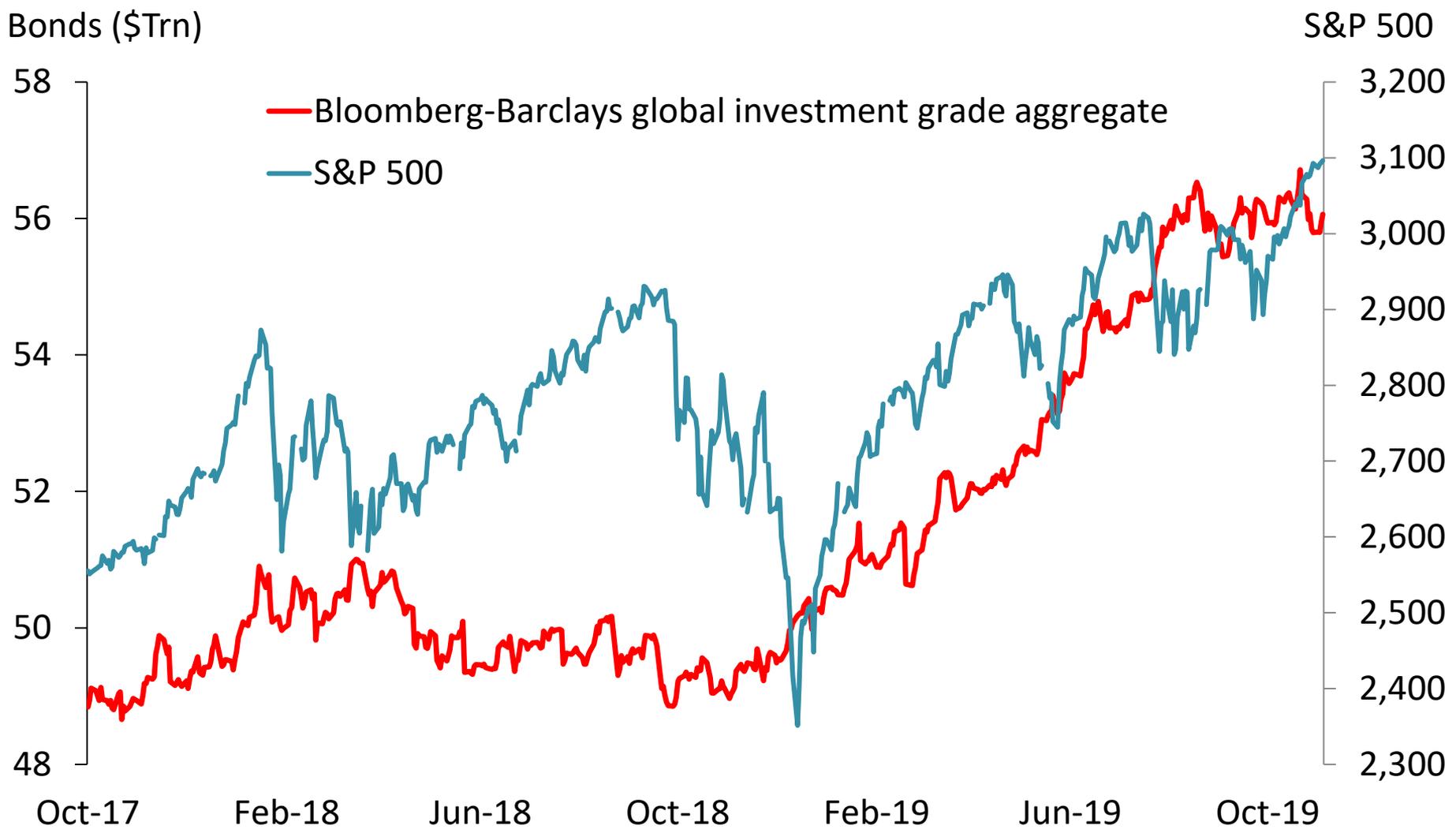
- Independent & specialized; focused only on precious metals
- Large, highly experienced team of analysts: 25 in seven countries
- Extensive travel program to gather data & information

Silver now holding in a higher range



Source: Bloomberg

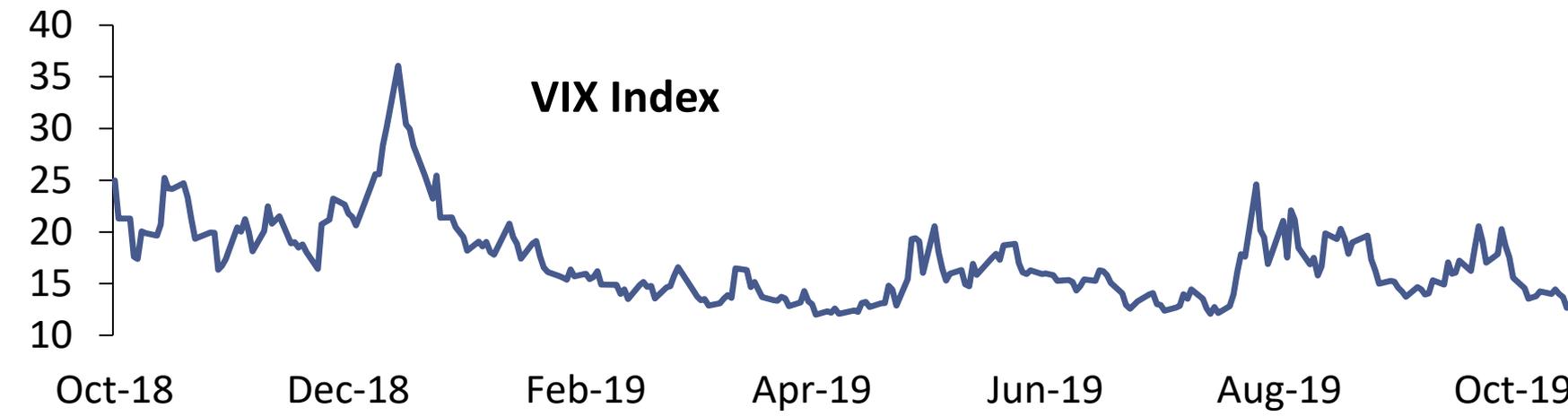
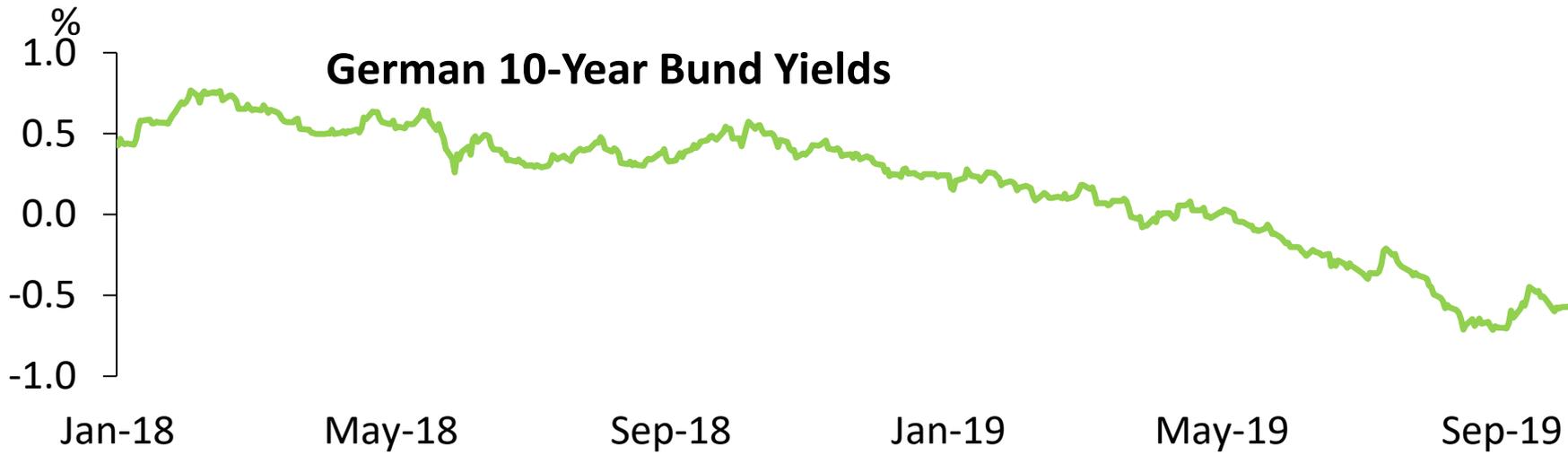
Headwinds from equites, but safe haven demand also rising



Source: Bloomberg



German yields reach new low, while VIX also remains low



Source: Bloomberg



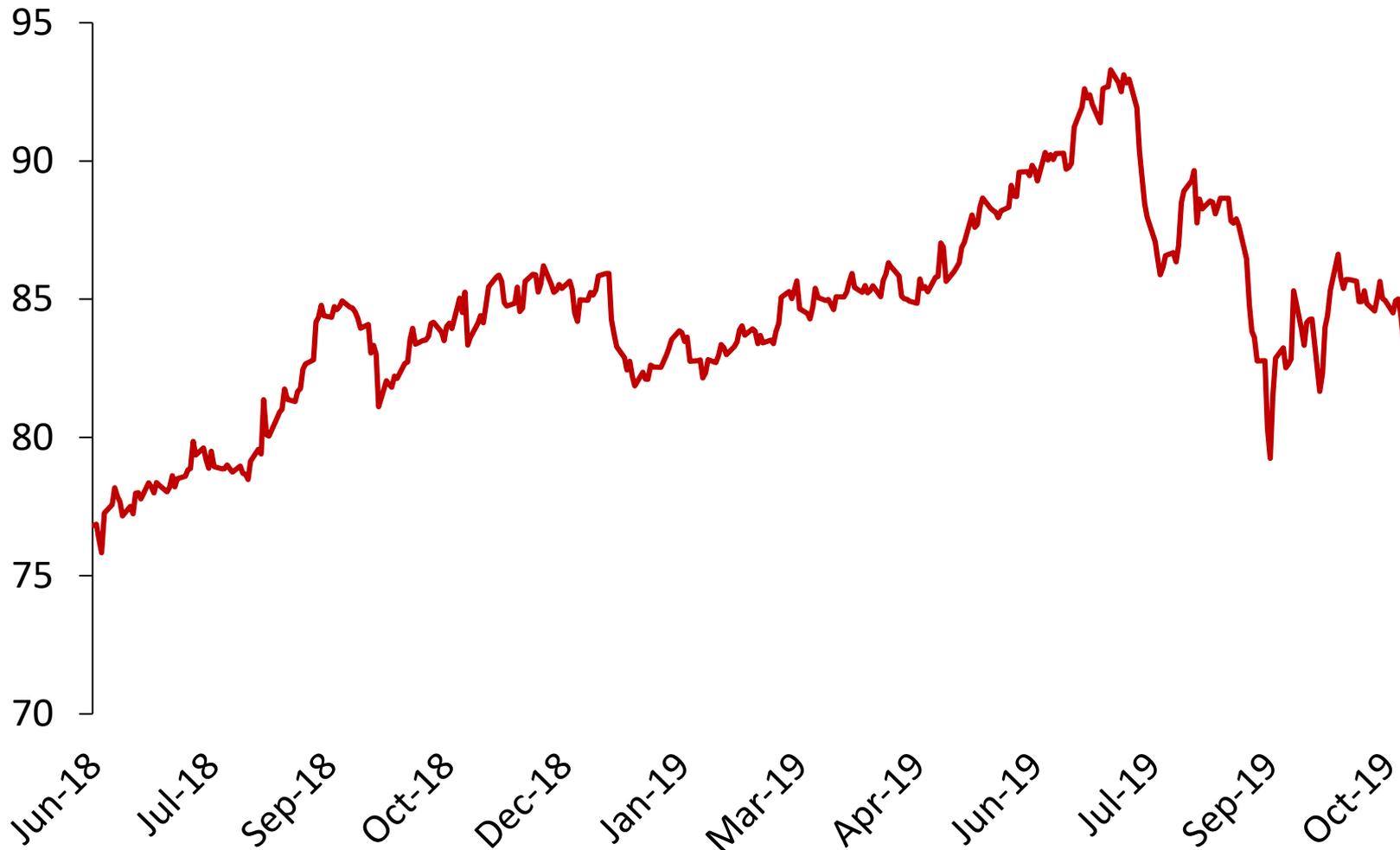
Negative yielding debt has surged



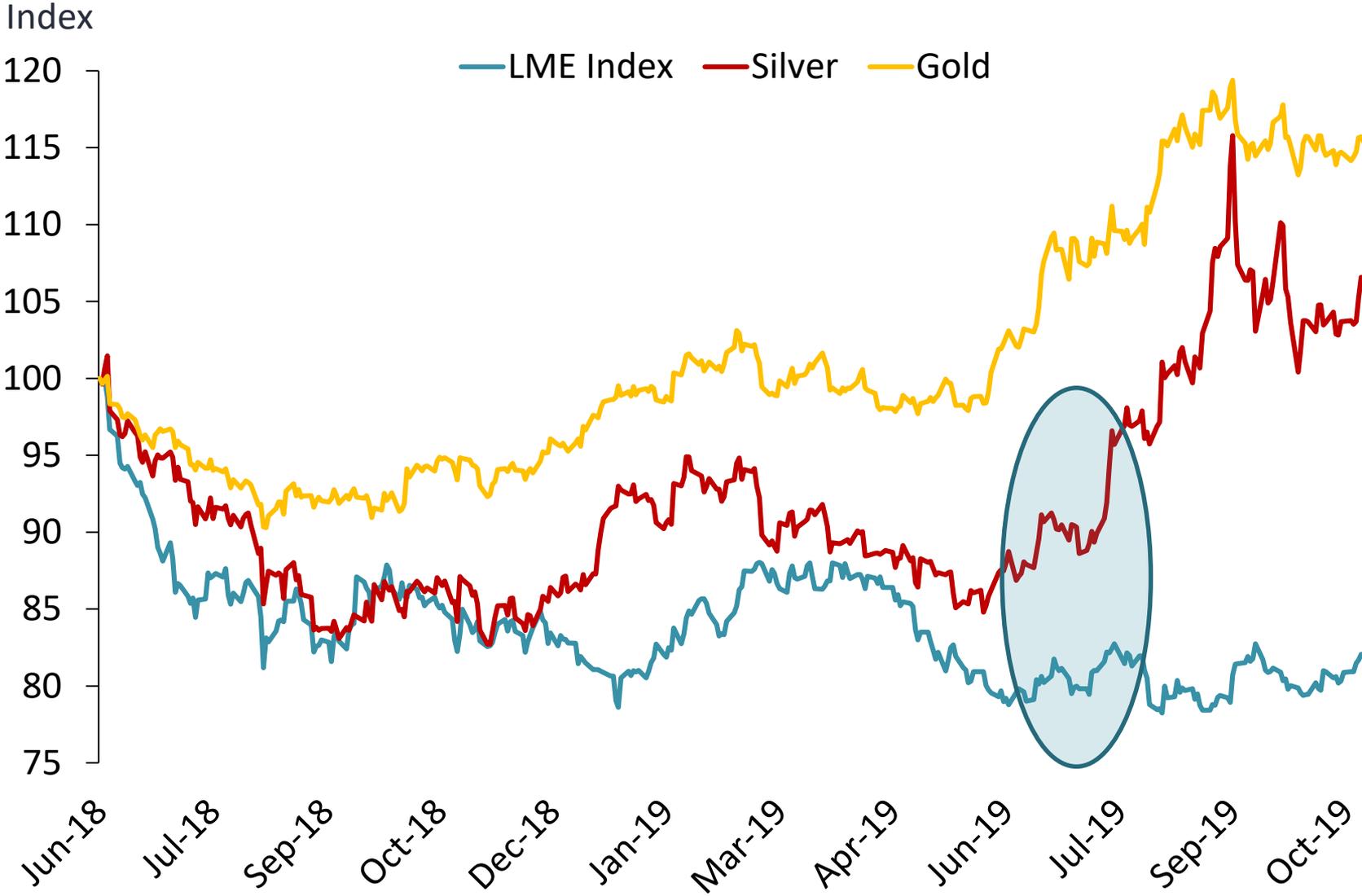
Source: Bloomberg



Silver had also started to outperform gold



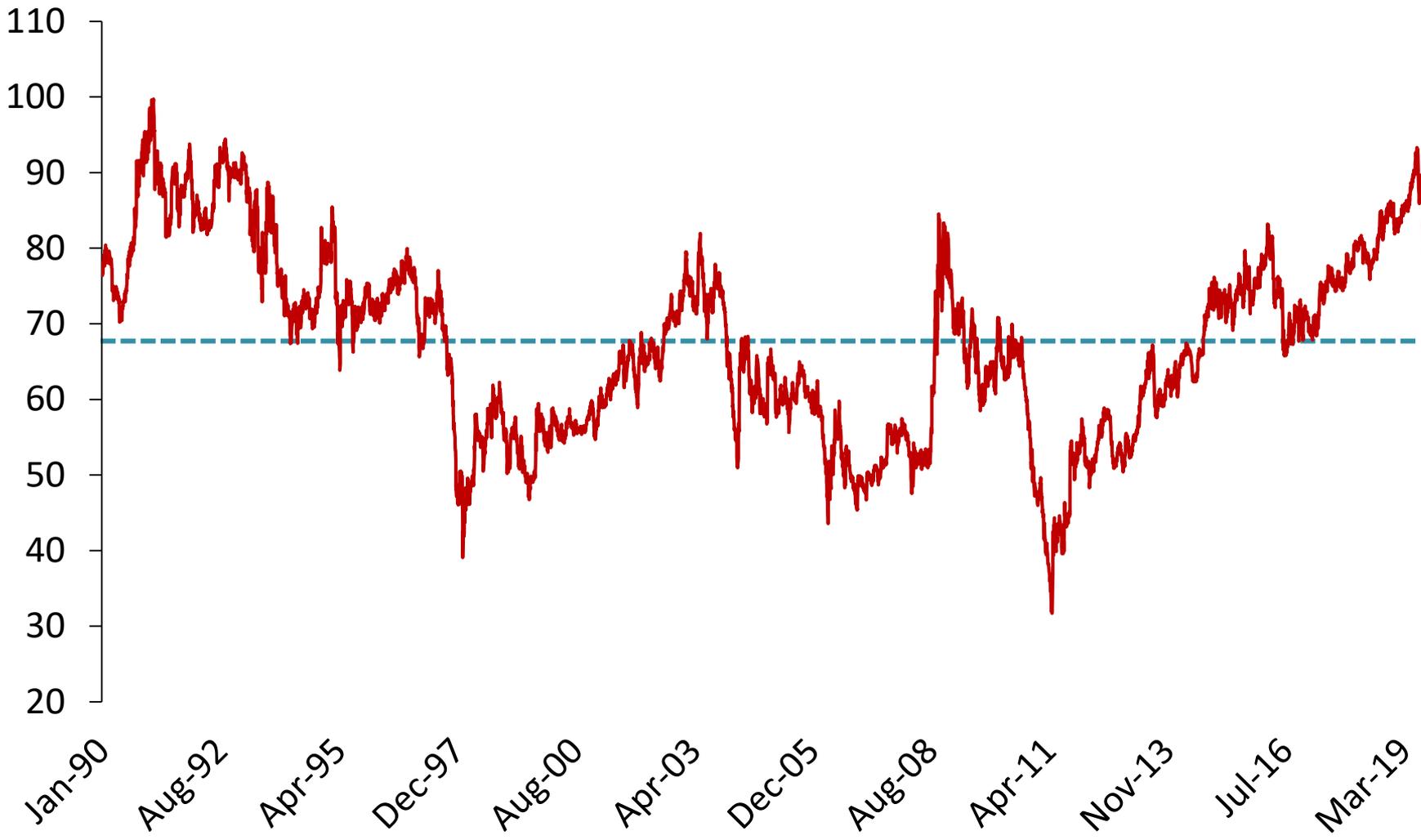
Base metals weakness had been a problem for silver



Source: Bloomberg



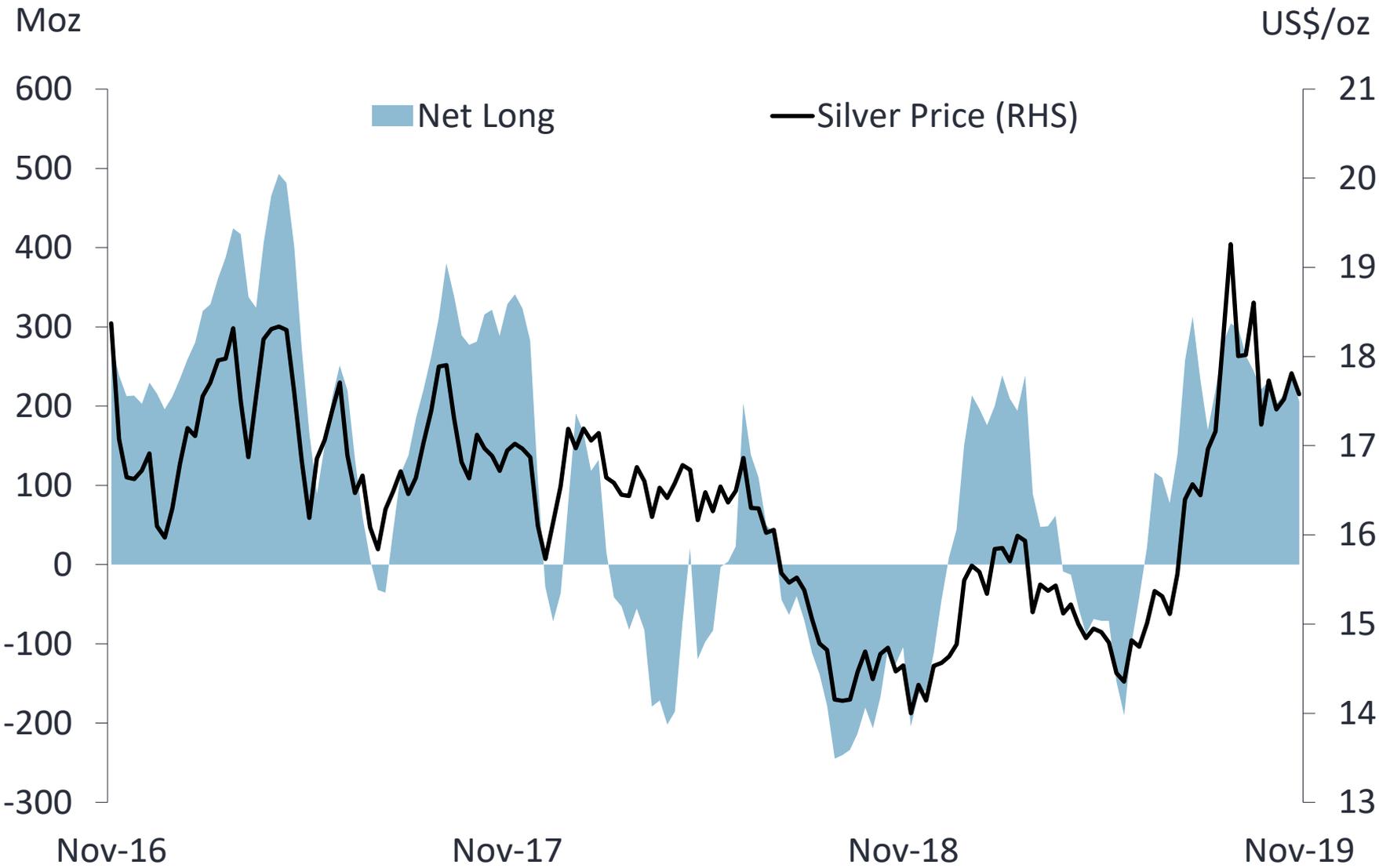
But the ratio remains historically high



Source: Bloomberg



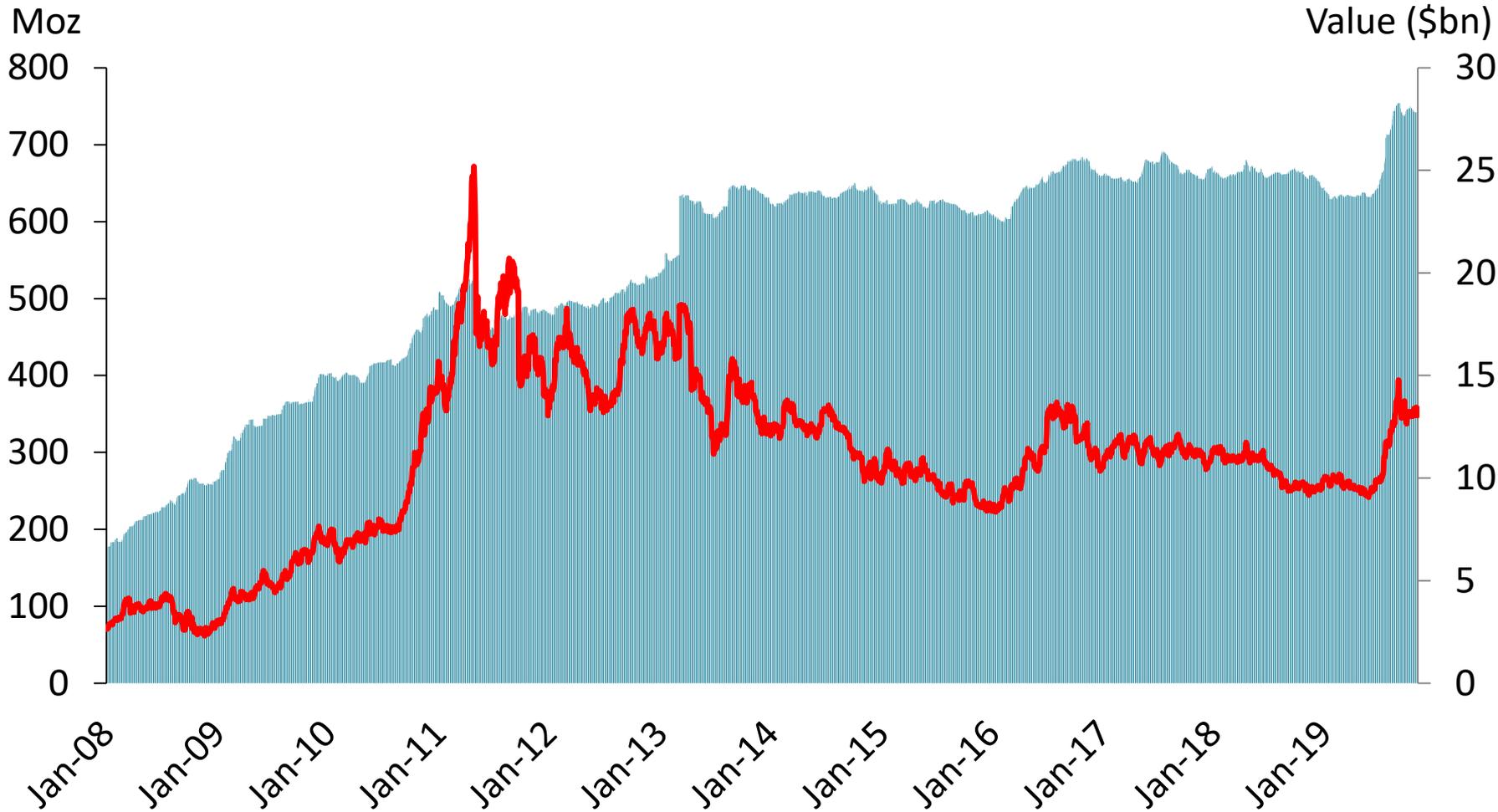
Investor positioning has improved noticeably



Source: Bloomberg



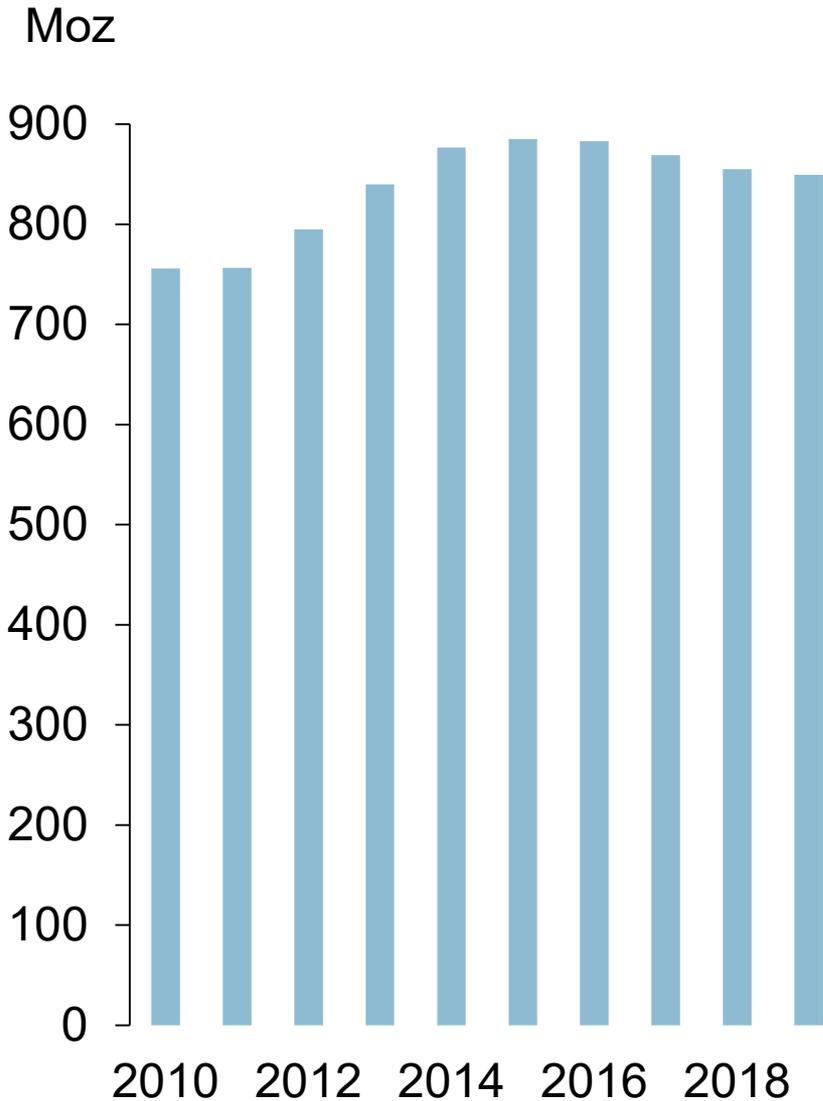
ETP holdings at close to record highs



Source: Bloomberg

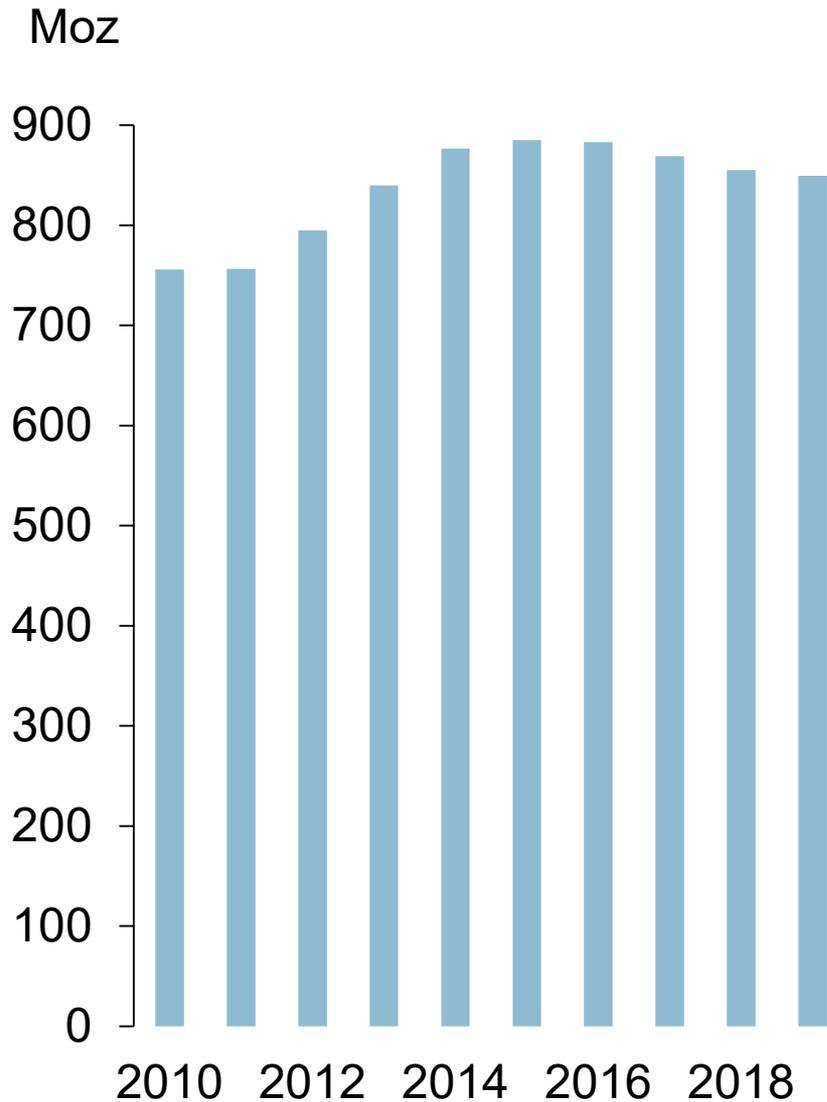


Mine production eases back further in 2019



- 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.

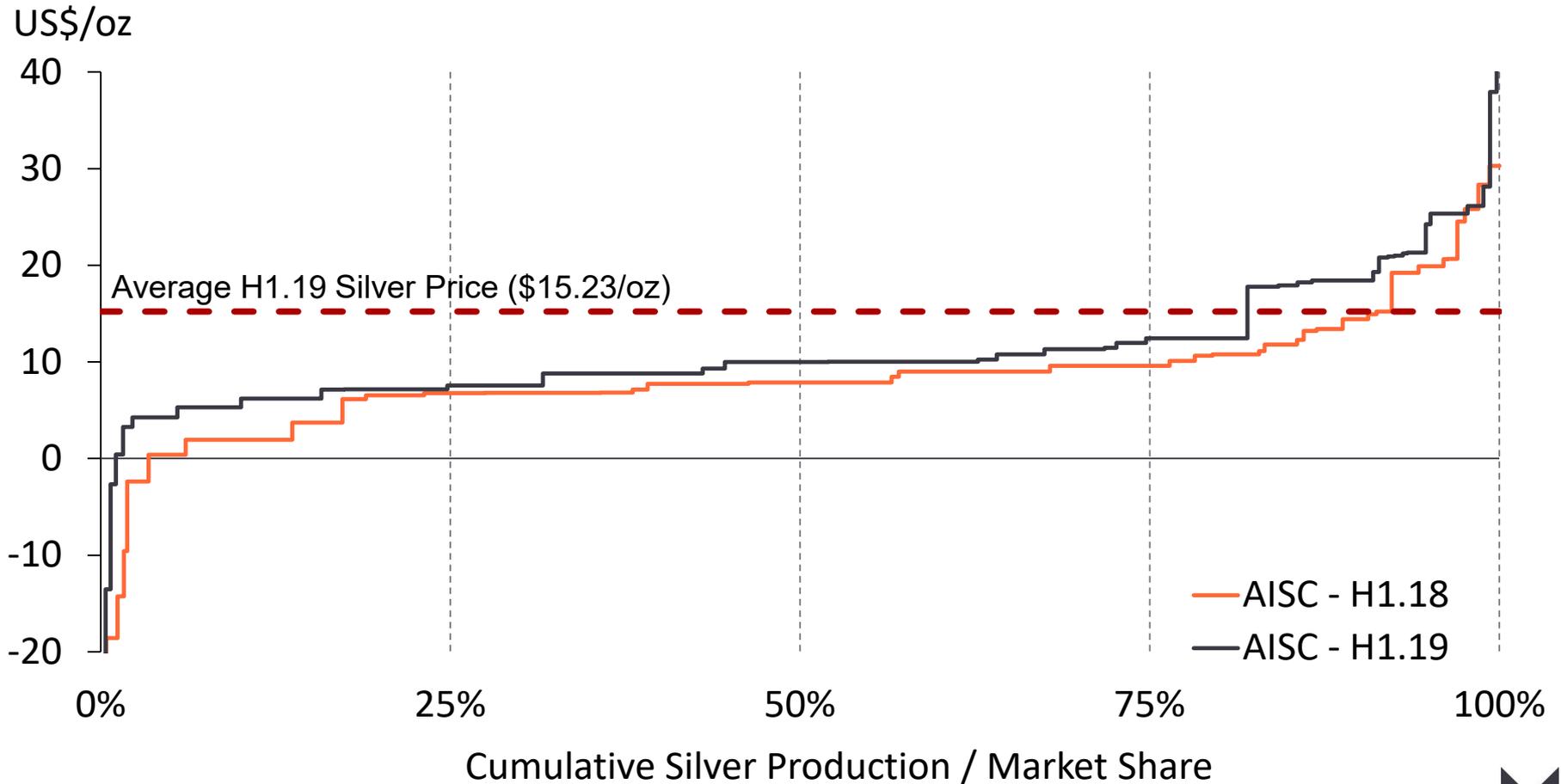
Mine production eases back further in 2019



- 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.

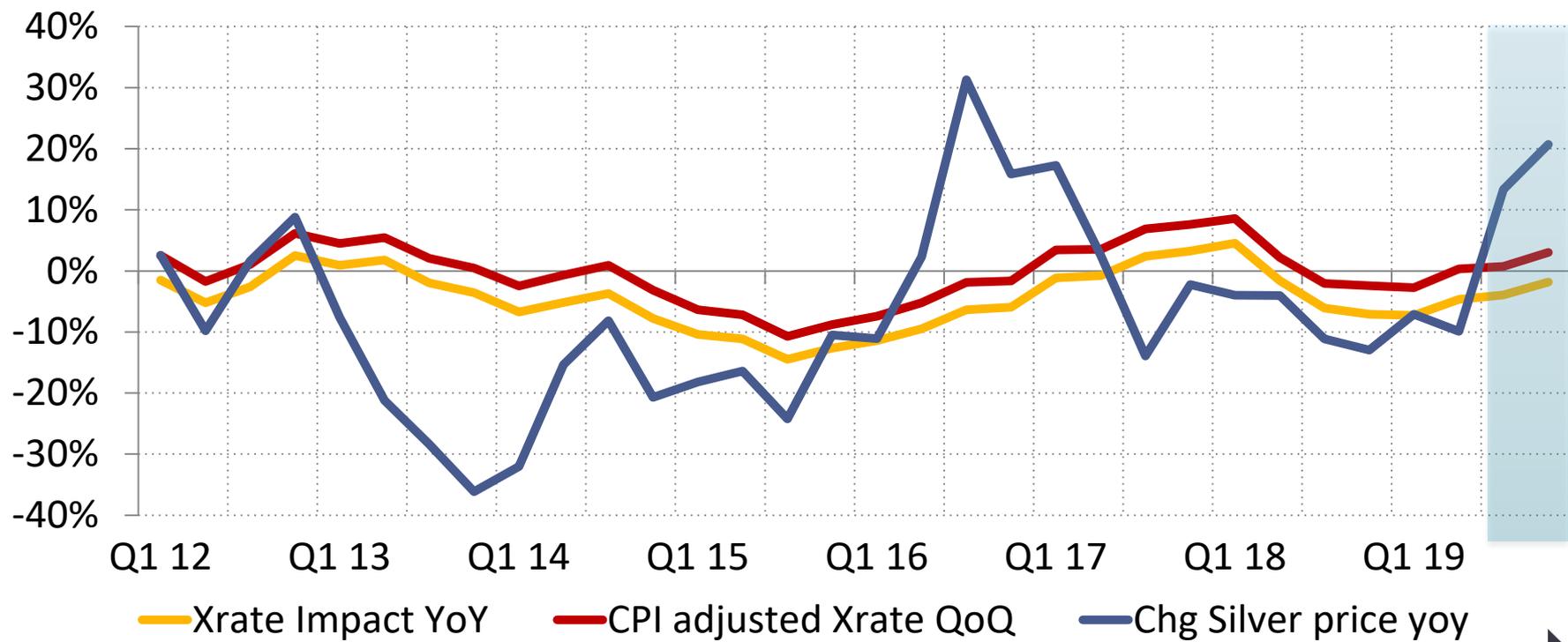


Note: costed production = c.80% of primary silver supply.
Source: Metals Focus – Silver Mine Cost Service

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.

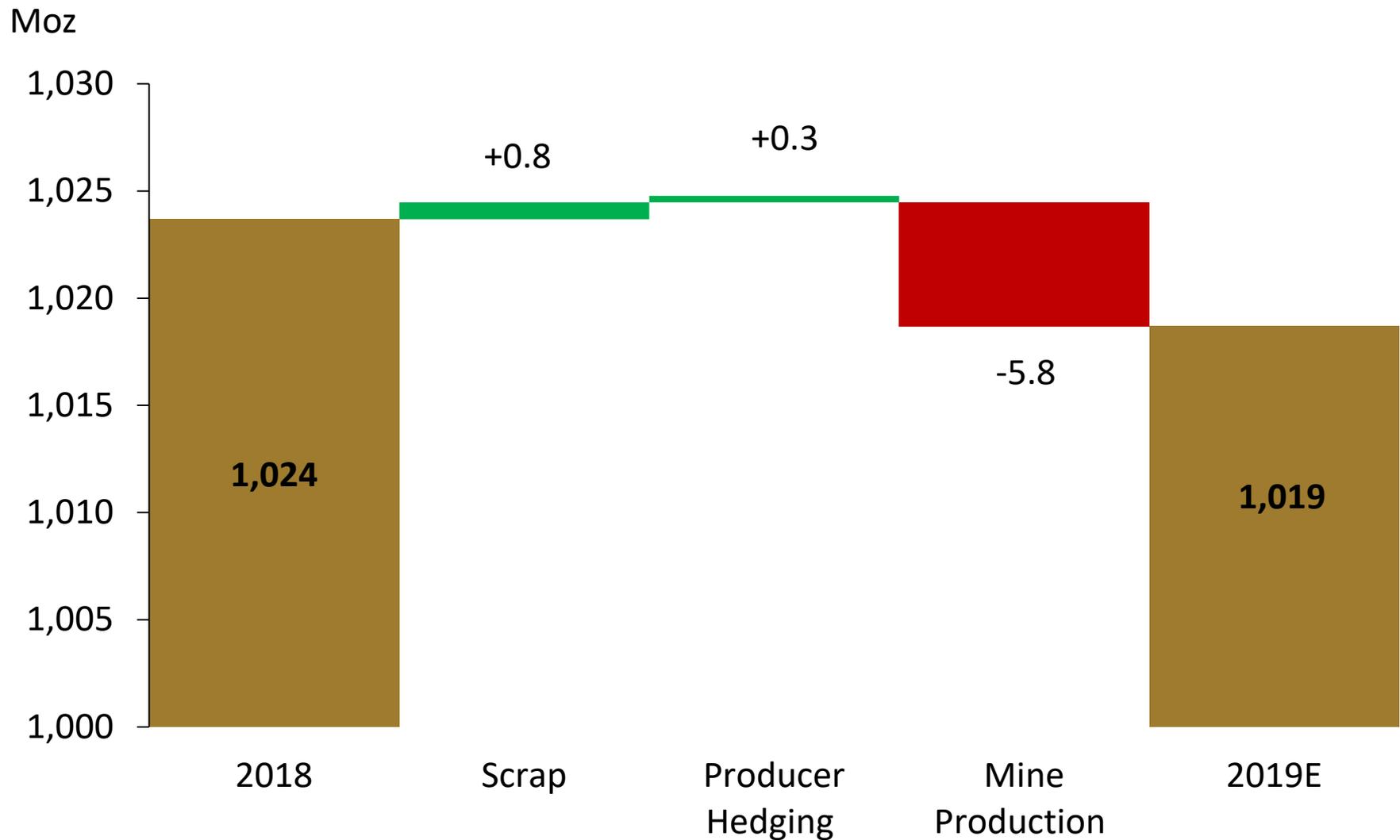
Y/Y impact (weighted currencies & CPI)



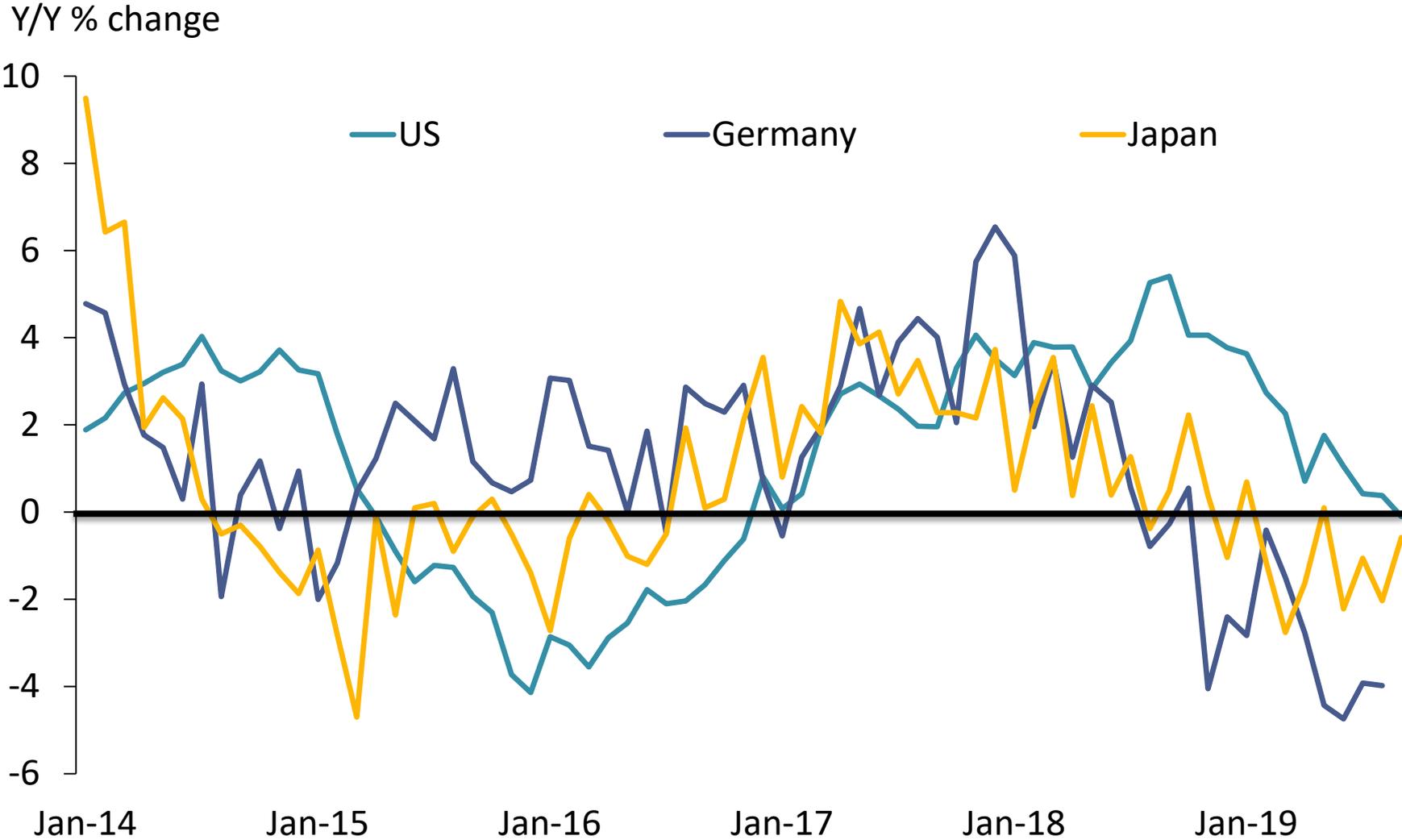
Source: Skarn Associates, Bloomberg



Global supply summary



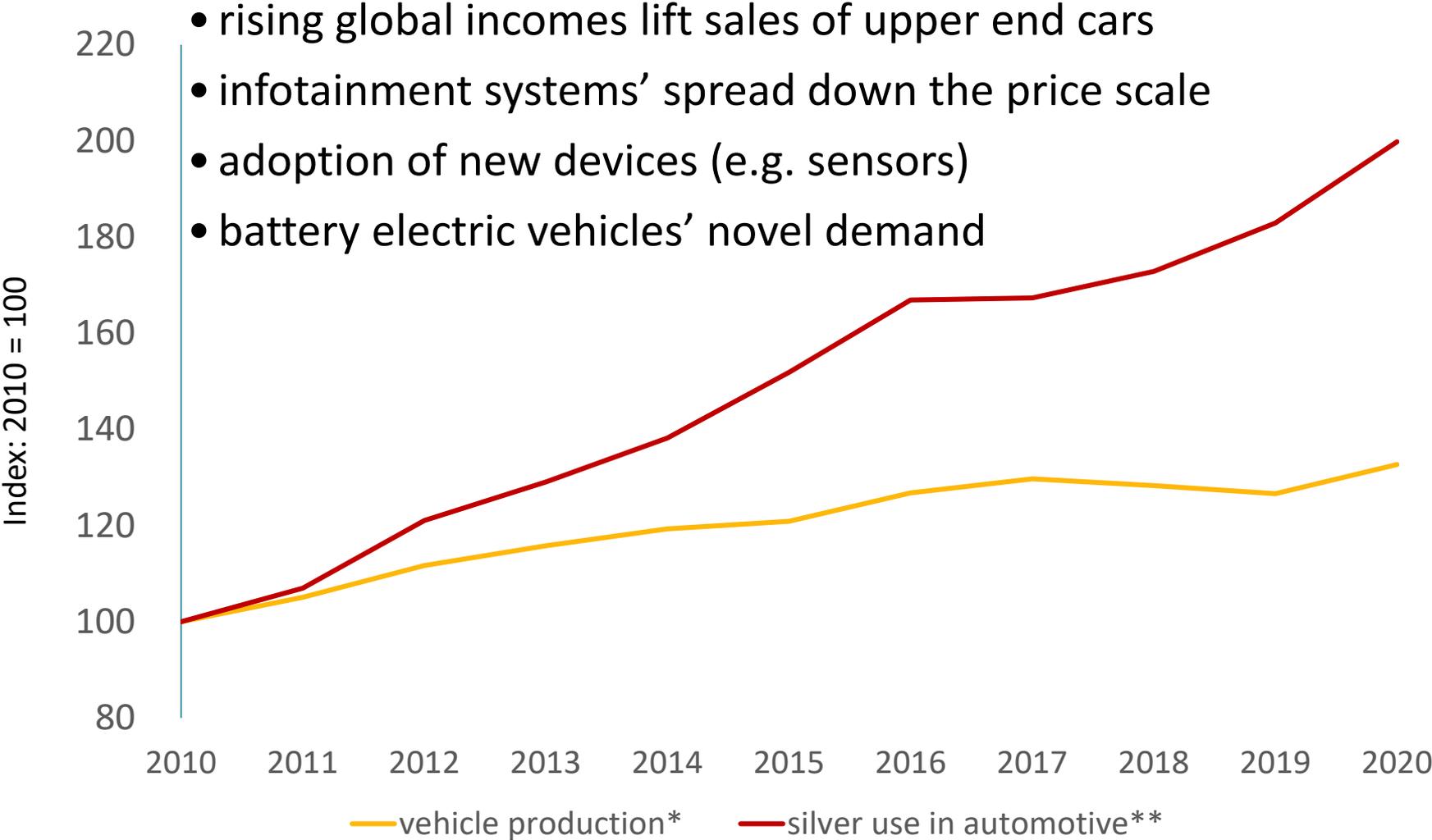
Industrial demand – the trade war takes its toll



Source: Bloomberg



Automotive offtake: the new star in emerging uses?

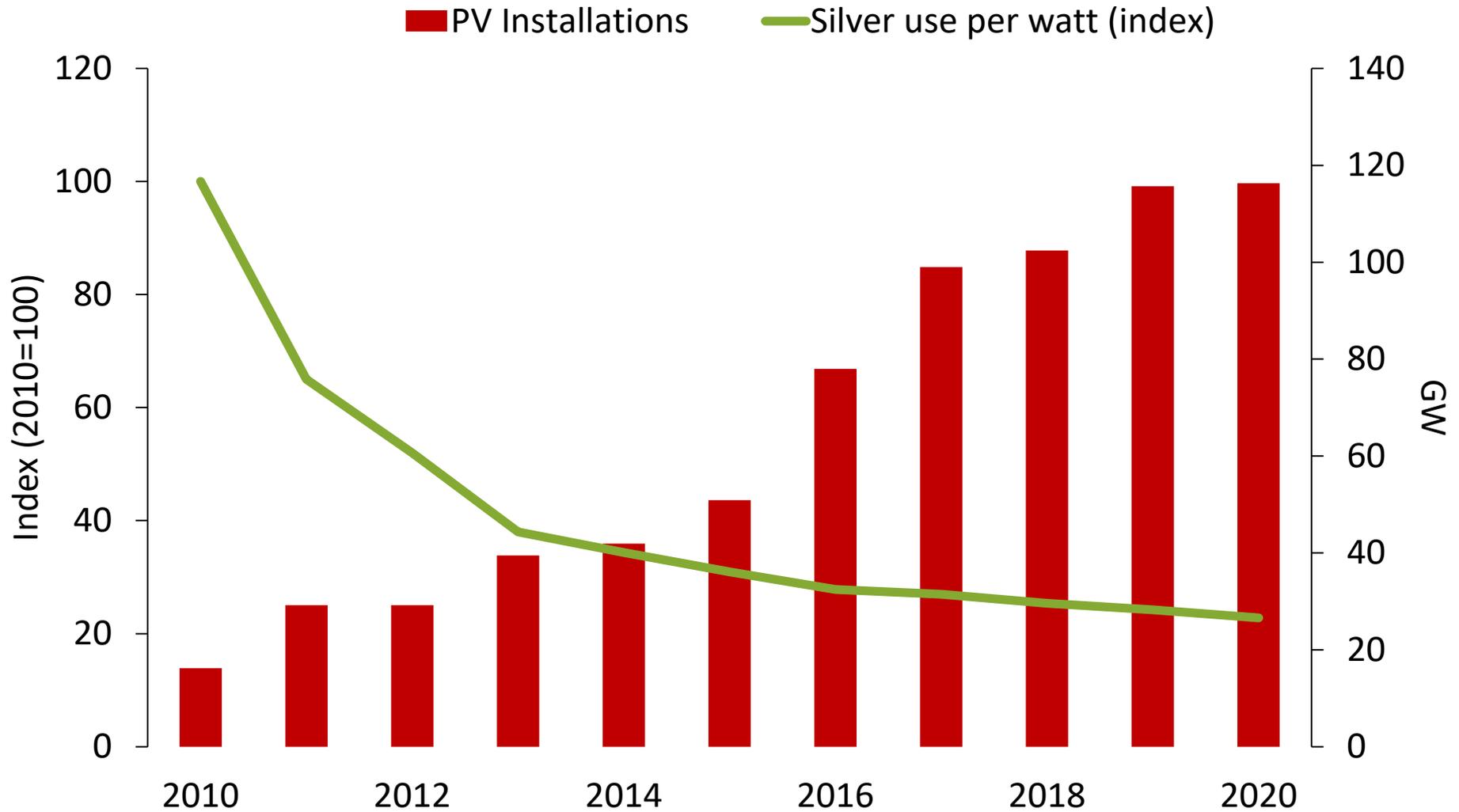


Source: Metals Focus, Precious Metals Commodity Management LLC, LMC Automotive.

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

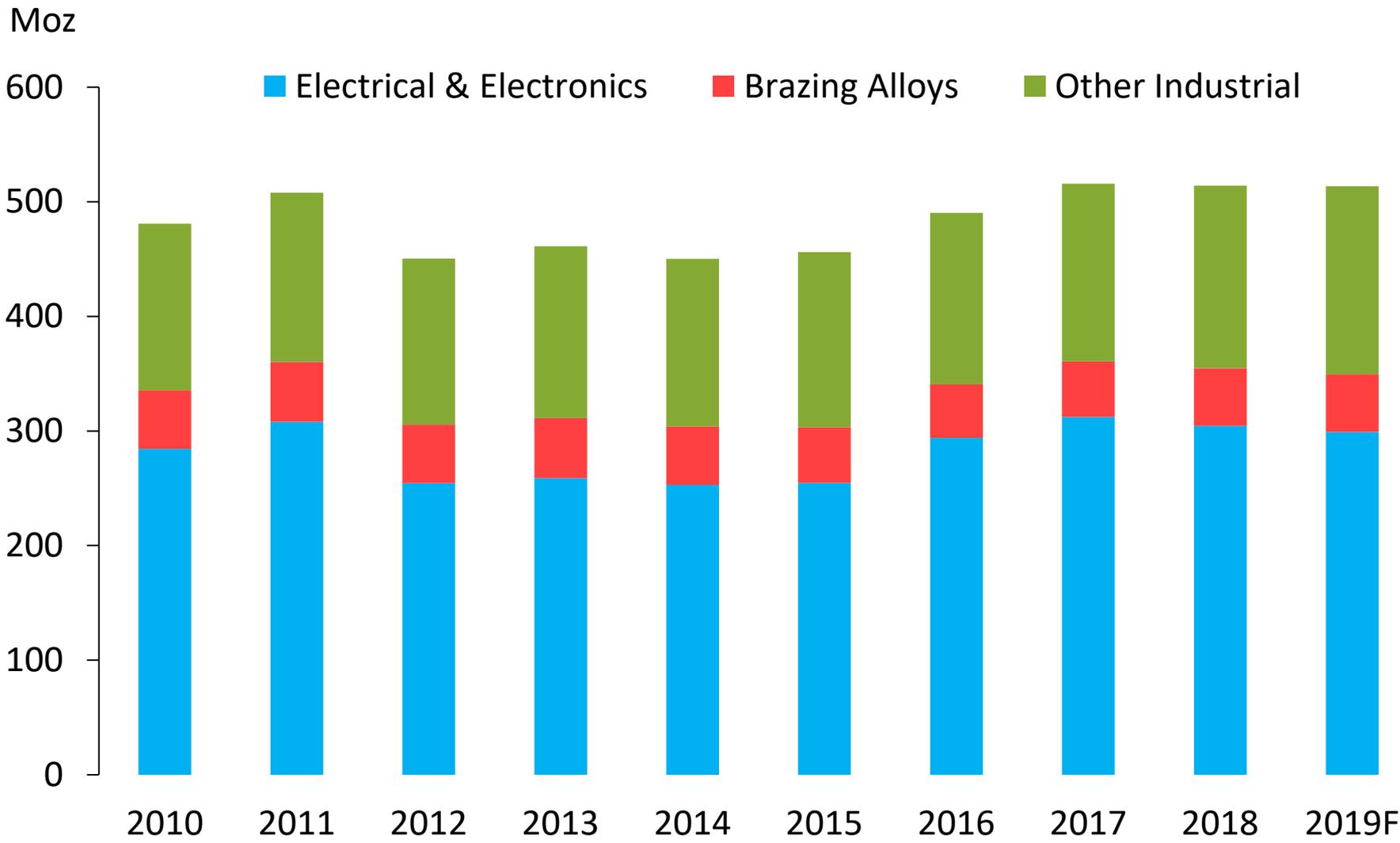


Photovoltaics - still a clear success story



Source: Metals Focus, various

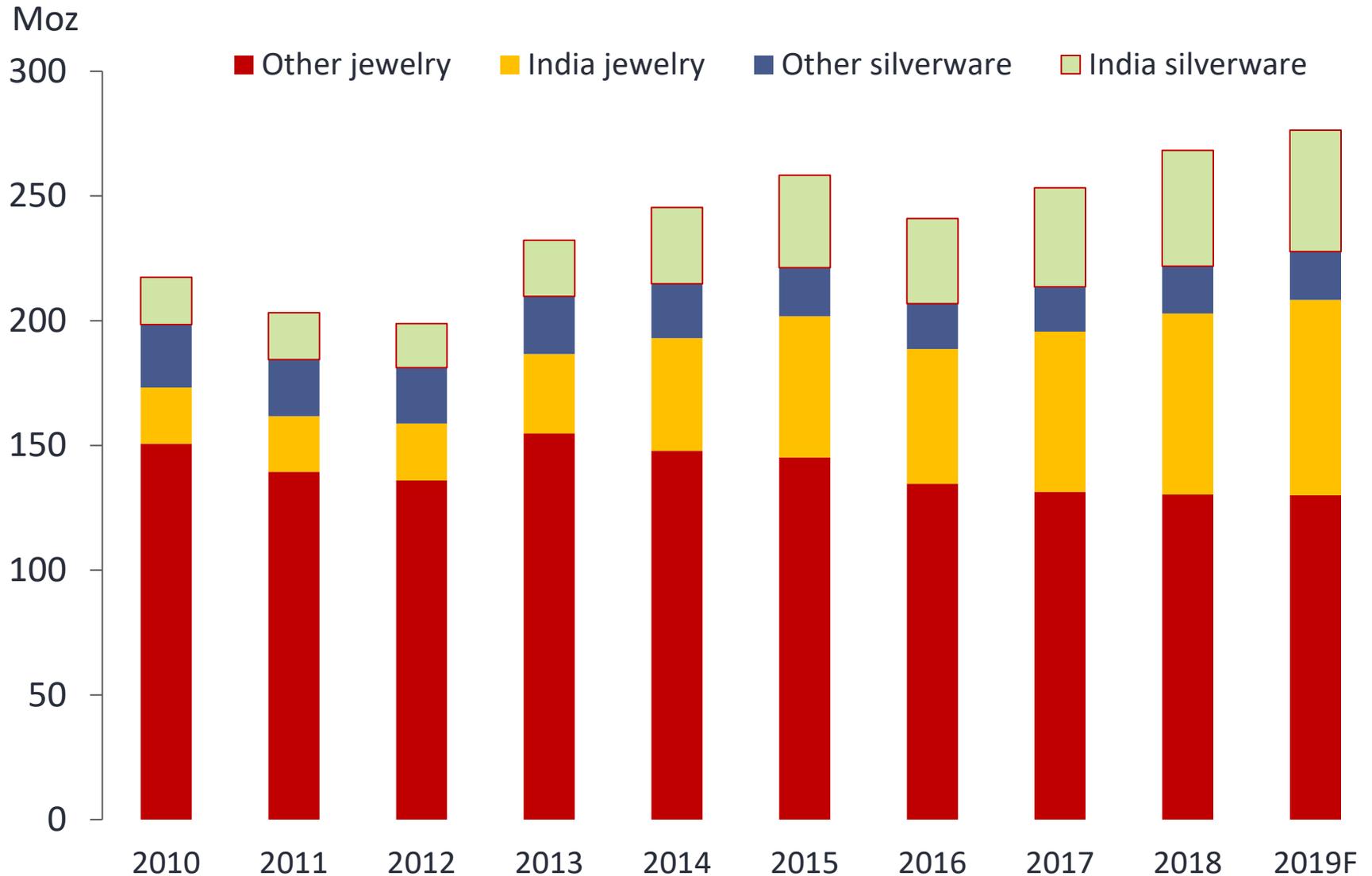
Industrial Demand – remains near record highs



Source: Metals Focus

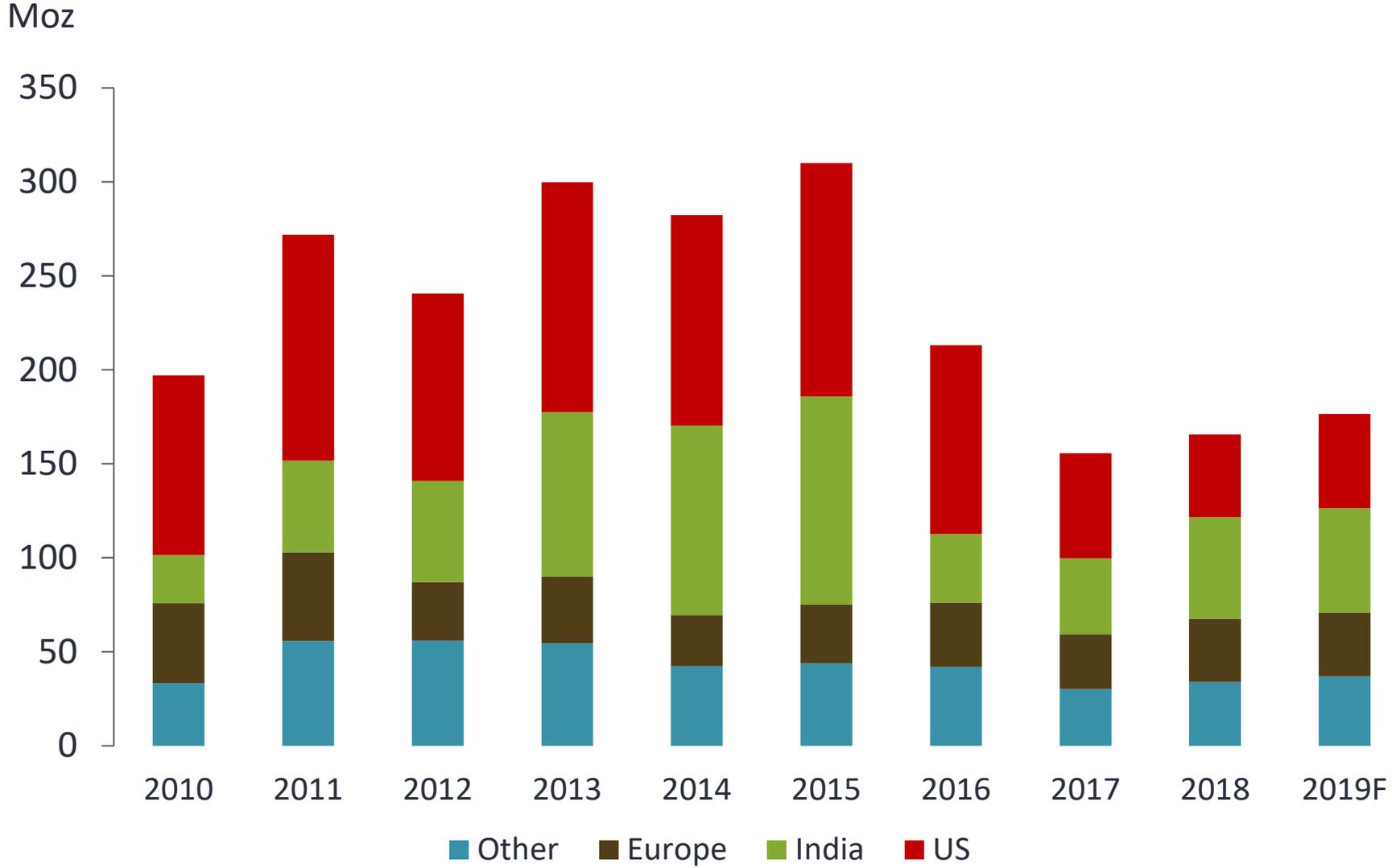


Jewelry & silverware's dependence on India



Source: Metals Focus

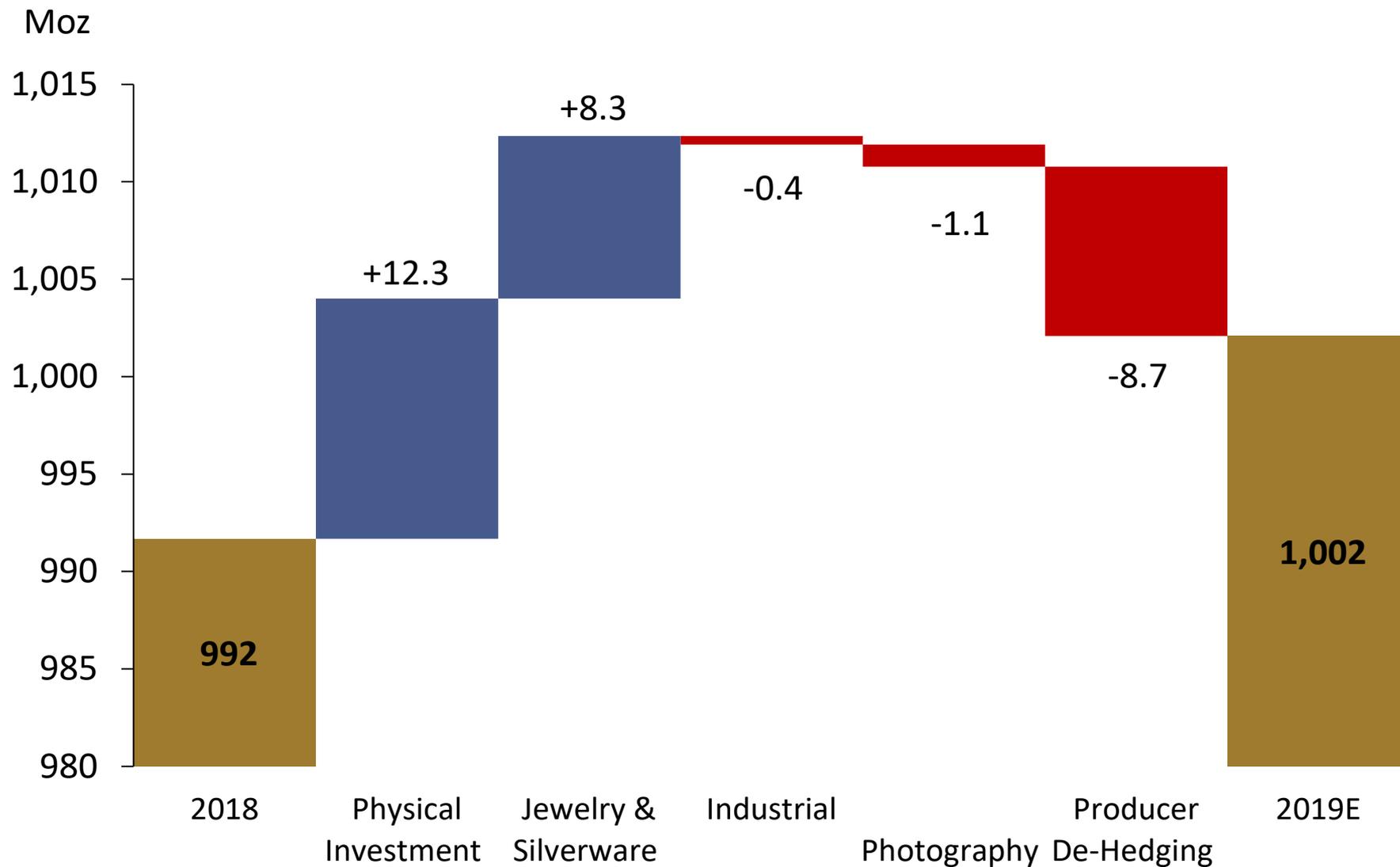
Bar and coin investment still short of recent peaks



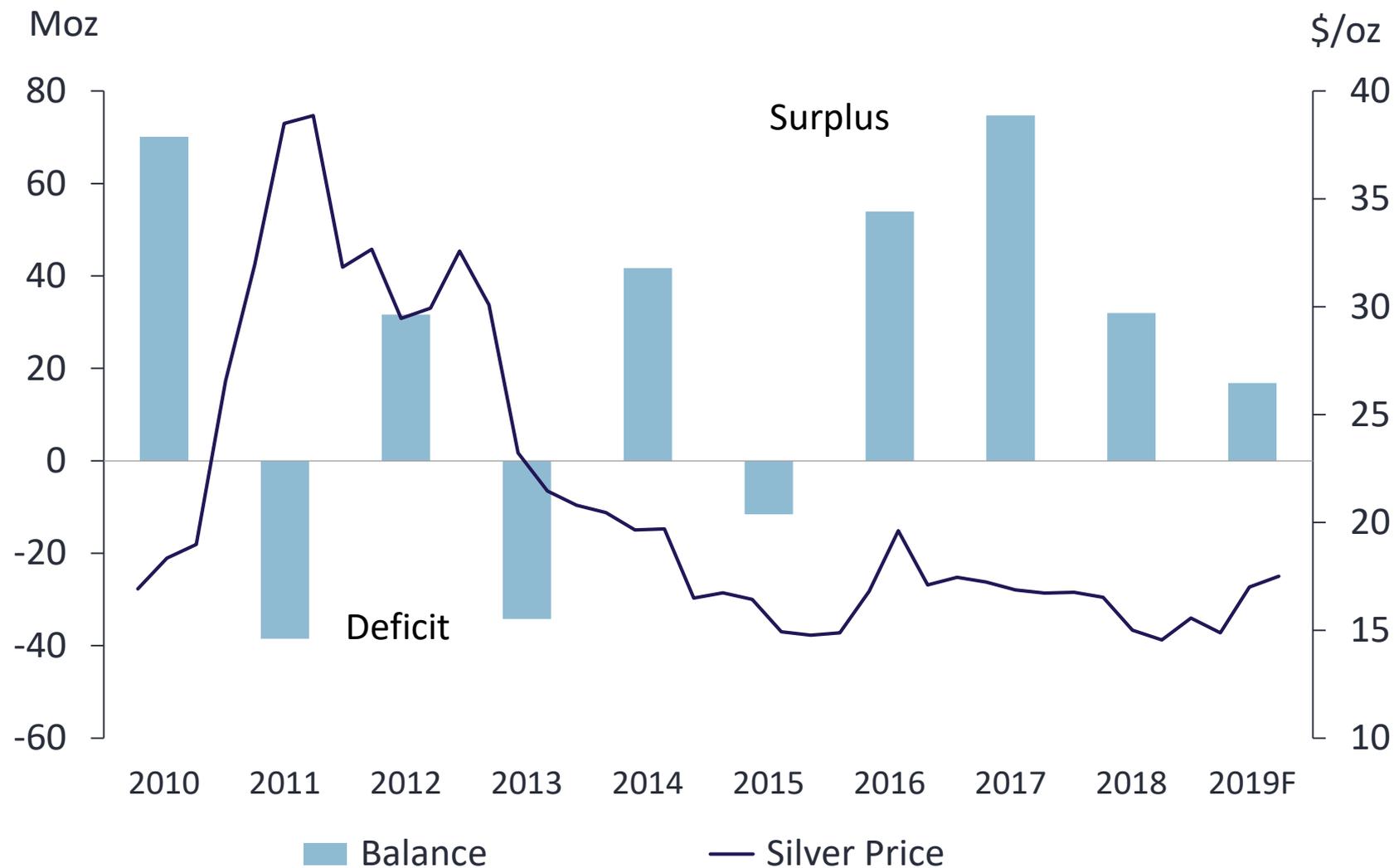
Source: Metals Focus



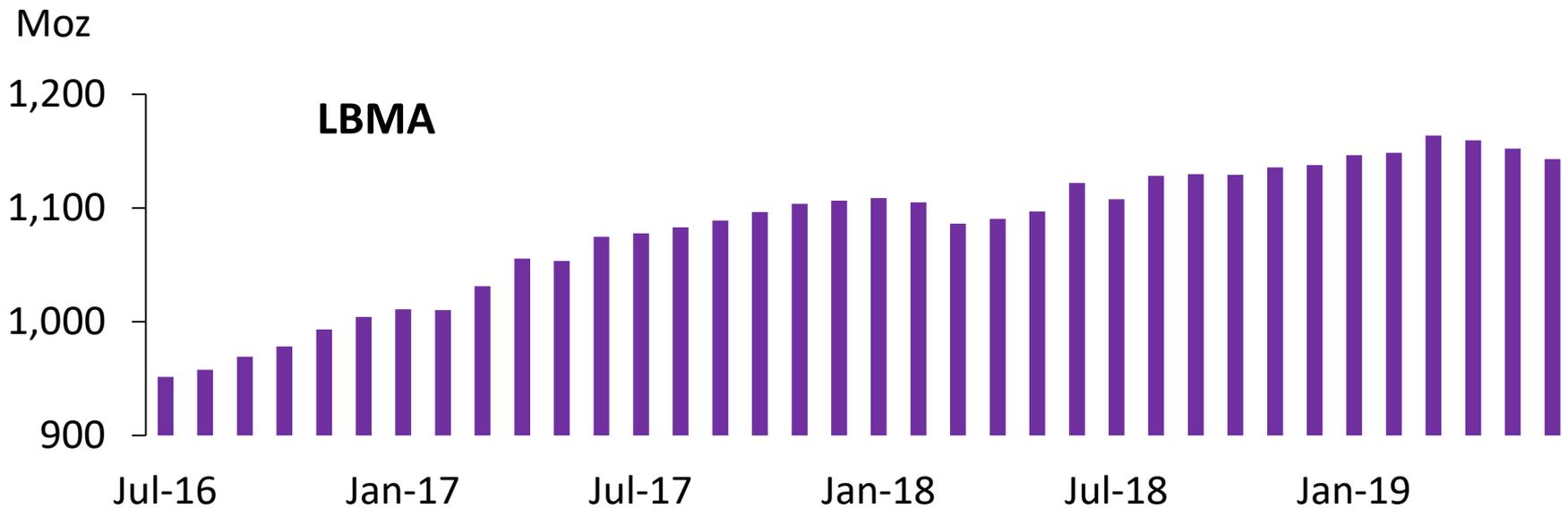
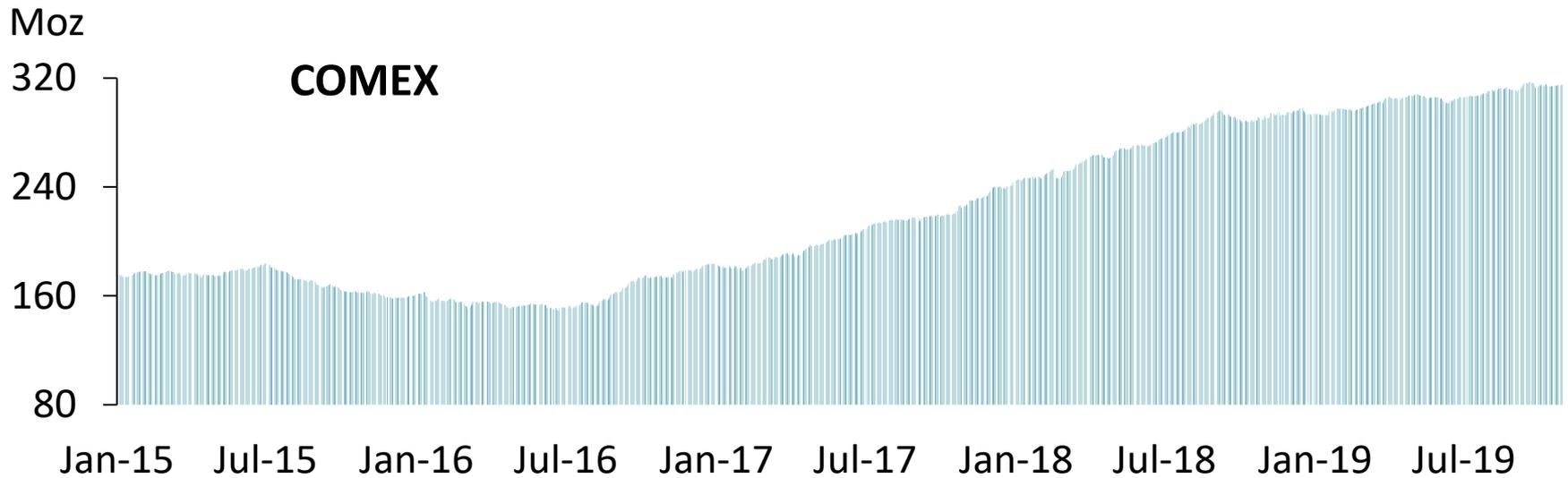
Global demand summary



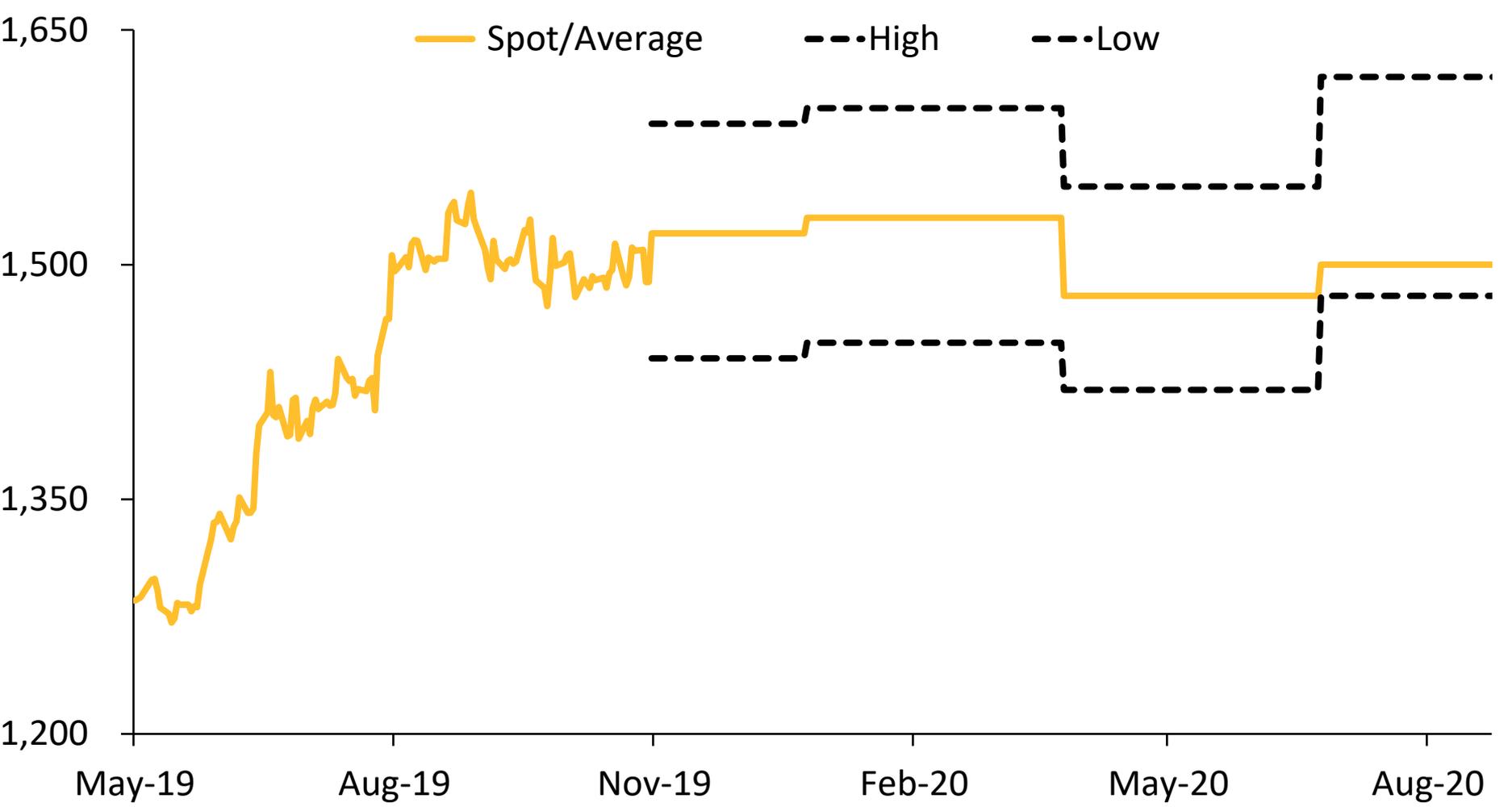
Silver remains in surplus



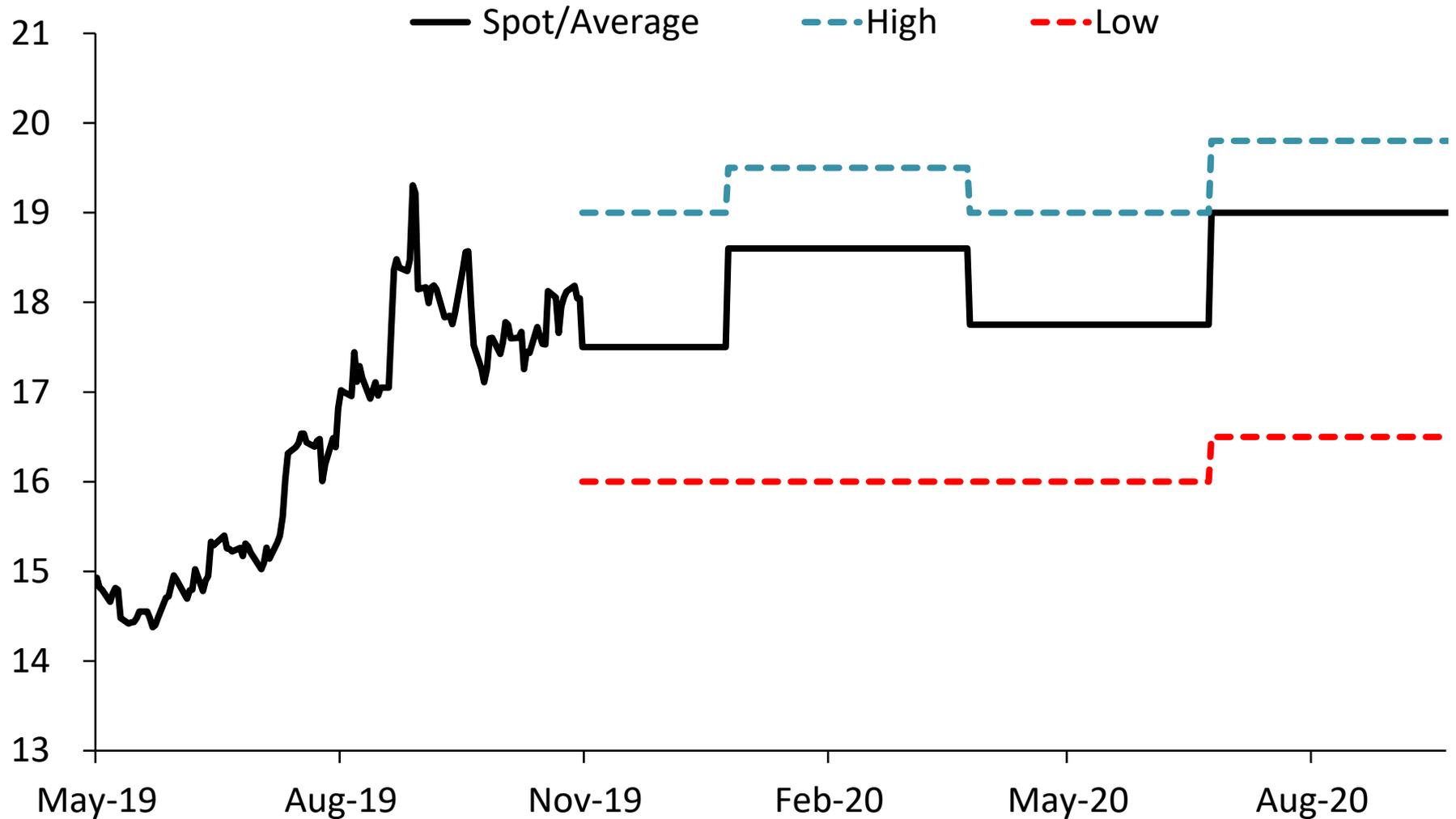
As the surplus grows in 2019, stocks continue to rise



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



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



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