19 Aug 2024

Exploring Silver's Future: Demand Drivers and Market Opportunities in 2024

Executive Summary

The silver market is currently in a dynamic state, characterised by a combination of supply constraints, robust industrial demand, and evolving investor sentiment, making it a focal point for both market participants and analysts. Silver mine production, which peaked at 837 million ounces in 2022, is expected to decline slightly by 1% to 824 million ounces in 2024. This anticipated reduction in supply, coupled with stable recycling levels of 179 million ounces, suggests that the market could face tightening conditions, especially as demand pressures continue to grow.

On the demand side, industrial usage of silver remains a key driver, particularly in the rapidly expanding photovoltaic (PV) sector. Industrial demand is projected to increase by 9% in 2024, reaching 711 million ounces, with the PV sector alone expected to consume 232 million ounces—a 20% increase from 2023. This surge in demand is driven by the mass production of N-type solar cells, which require higher silver loadings, as well as the broader adoption of green technologies. The electrical and electronics sector is also expected to grow by 9%, further contributing to the robust demand outlook.

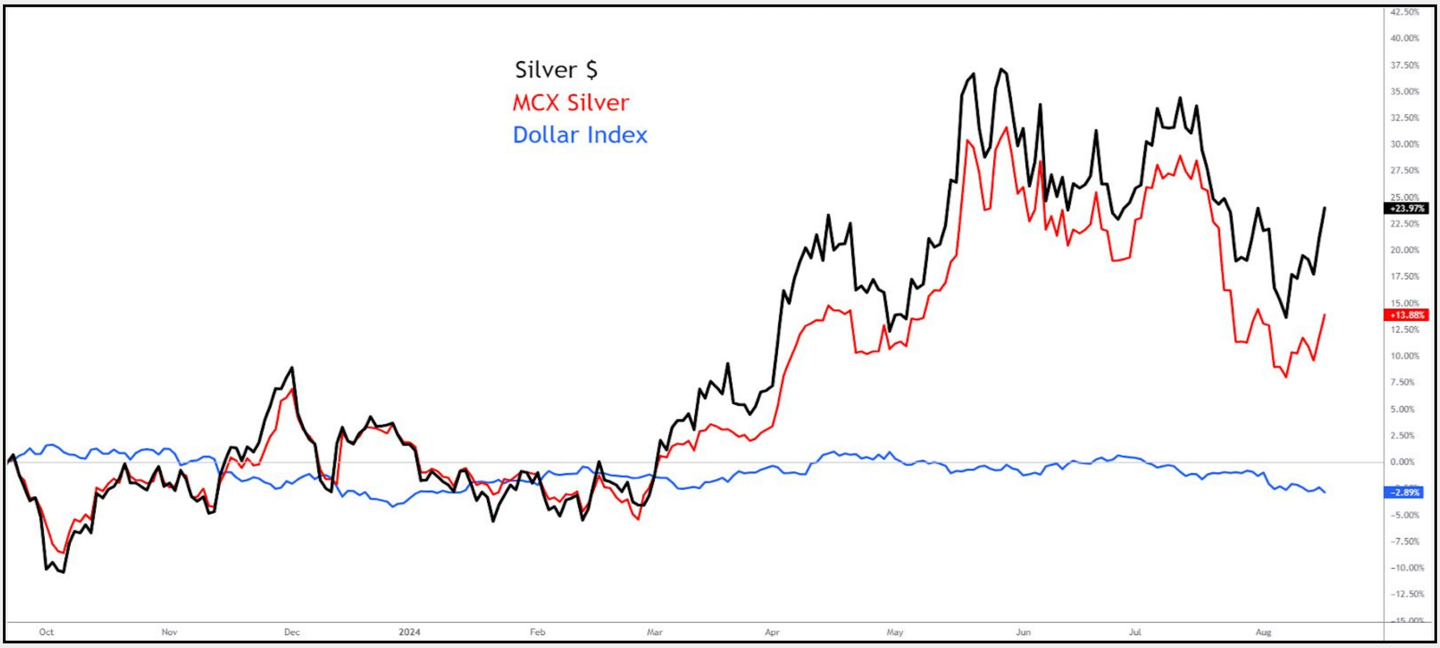
As a result of these factors, the silver market deficit is anticipated to widen significantly, increasing by 17% to a deficit of 215 million ounces in 2024. This would mark the fourth consecutive year of a supply shortfall, with the deficit driven by strong industrial demand outpacing the available supply. The persistent market imbalance is expected to exert upward pressure on silver prices, which could reach between $30 and $48 per ounce, according to various analysts.

Investment demand for silver has shown significant fluctuations over the past decade, with notable peaks during periods of heightened economic uncertainty. In 2022, investment demand surged, driven by geopolitical tensions and inflation concerns. However, 2023 witnessed a decline, likely due to profit-taking and shifts in investor focus. Despite this, a recovery in investment demand is anticipated in 2024, supported by expectations of a potential rate-cutting cycle from the US Federal Reserve. The net investment in Exchange-Traded Products (ETPs), which saw a decline in 2022 and 2023, is forecasted to rebound, reflecting renewed investor interest in silver as a hedge against economic uncertainty.

The geopolitical landscape and monetary policy decisions will play critical roles in shaping silver's market trajectory. With global policies increasingly emphasizing low-carbon strategies, silver's role in green technologies, such as solar energy and electric vehicles, is becoming more pronounced. As these sectors continue to expand, silver's industrial demand is poised for sustained growth, reinforcing its dual role as both an industrial and precious metal.

Performance

Commodity	Price	Period (% Change)					
		1 Week	1 Month	3 Month	6 Month	1 Year	Ytd
MCX Silver	83213.00	3.31	-11.34	-4.68	16.70	18.85	11.80
Silver $	29.00	5.67	-7.14	-1.88	26.36	27.89	21.98
Dollar Index	102.41	-0.79	-1.75	-2.00	-1.79	-1.00	1.16



The table provides a snapshot of silver's price performance on the MCX (in INR) and in USD, along with the US Dollar Index, highlighting significant volatility over various periods influenced by global economic factors and investor sentiment.In the past week, silver prices have shown an upward trend, with MCX Silver rising by 3.31% and Silver in USD by 5.67%. This increase is likely driven by a surge in safe-haven demand amid geopolitical tensions and concerns over economic slowdowns. The decline in the US Dollar Index by 0.79% further supported this rise, as a weaker dollar typically boosts silver's appeal to investors. However, over the one-month period, both MCX Silver and Silver in USD saw declines of -11.34% and -7.14%, respectively. This drop can be attributed to profit-taking after previous gains and stronger US economic data, which bolstered the dollar and reduced silver's attractiveness.Over the last six months, silver has performed robustly, with MCX Silver up by 16.70% and Silver in USD by 26.36%, reflecting ongoing inflation concerns and sustained demand from the green technology sector, particularly photovoltaics.Year-to-date, MCX Silver has gained 11.80%, and Silver in USD has surged 21.98%, supported by a relatively weaker dollar, as indicated by the modest 1.16% increase in the Dollar Index. Overall, silver's price movements illustrate short-term volatility driven by market sentiment and strong long-term gains fueled by macroeconomic trends and industrial demand.

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Silver Supply and Demand

Million ounces	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024F	Year on Year 2023	Year on Year 2024F
Supply												
Mine Production	896.8	899.8	863.6	850.6	837.2	783.4	829.0	836.7	830.5	823.5	-1%	-1%
Recycling	147.0	145.7	147.2	148.7	148.2	164.3	173.7	176.9	178.6	178.9	1%	0%
Net Physical Disinvestment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na	na
Net Hedging Supply	2.2	0.0	0.0	0.0	13.9	8.5	0.0	0.0	0.0	0.0	na	na
Net Official Sector Sales	1.1	1.1	1.0	1.2	1.0	1.2	1.5	1.7	1.6	1.5	-6%	-9%
Total Supply	**1,047.0**	**1,046.5**	**1,011.8**	**1,000.5**	**1,000.3**	**957.4**	**1,004.3**	**1,015.4**	**1,010.7**	**1,003.8**	**0%**	**-1%**
Demand												
Industrial (total)	457.1	489.5	526.4	524.2	523.5	509.7	561.3	588.3	654.4	710.9	11%	9%
Electrical & Electronics	272.3	308.9	339.7	331.0	327.3	322.0	351.2	371.3	445.1	485.6	20%	9%
...of which photovoltaics	*59.6*	*81.6*	*99.3*	*87.0*	*74.9*	*82.8*	*88.9*	*118.1*	*193.5*	*232.0*	64%	20%
Brazing Alloys & Solders	51.1	49.1	50.9	52.0	52.4	47.5	50.5	49.2	50.2	51.8	2%	3%
Other Industrial	133.7	131.5	135.8	141.2	143.8	140.2	159.6	167.8	159.0	173.5	-5%	9%
Photography	38.2	34.7	32.4	31.4	30.7	26.9	27.7	27.5	27.0	26.1	-2%	-3%
Jewelry	202.5	189.1	196.2	203.2	201.6	150.9	182.0	234.5	203.1	211.3	-13%	4%
Silverware	58.3	53.5	59.4	67.1	61.3	31.2	40.7	73.5	55.2	58.8	-25%	7%
Net Physical Investment	309.3	212.9	155.8	165.9	187.4	208.1	284.3	337.1	243.1	212.0	-28%	-13%
Net Hedging Demand	0.0	12.0	1.1	7.4	0.0	0.0	3.5	17.9	12.2	0.0	-32%	na
Total Demand	**1,065.4**	**991.8**	**971.3**	**999.2**	**1,004.4**	**926.8**	**1,099.6**	**1,278.9**	**1,195.0**	**1,219.1**	**-7%**	**2%**
Market Balance	-18.4	54.7	40.5	1.3	-4.1	30.6	-95.4	-263.5	-184.3	-215.3	-30%	17%
Net Investment in ETPs	-17.1	53.9	7.2	-21.4	83.3	331.1	64.9	-125.8	-42.1	50.0	-67%	na
Market Balance less ETPs	**-1.3**	**0.8**	**33.3**	**22.7**	**-87.4**	**-300.5**	**-160.3**	**-137.7**	**-142.2**	**-265.3**	**3%**	**87%**
Nominal Silver Price (US $/oz, London price)	15.68	17.14	17.05	15.71	16.21	20.55	25.14	21.73	23.35	-	7%	na

Source: Metals Focus

Major Highlights:

- **Supply:** Silver mine production is expected to decrease slightly by 1% in 2024, following a peak in 2022. If this trend continues, it could tighten the market further, especially if demand pressures increase.
- **Demand:** Industrial demand, particularly from the electronics and photovoltaic sectors, is projected to grow by 9% in 2024. The 20% rise in photovoltaic demand suggests that silver could see sustained or even heightened demand in green technologies, potentially driving prices higher.
- **Market Balance:** The market deficit is anticipated to widen by 17% in 2024, reaching -215 million ounces. If this deficit continues to expand, it could lead to upward pressure on silver prices as supply struggles to meet growing demand.
- **ETPs:** A recovery in net investment in Exchange-Traded Products (ETPs) is forecasted for 2024 after previous declines. This could indicate a renewed investor focus on silver, potentially boosting market liquidity and prices.

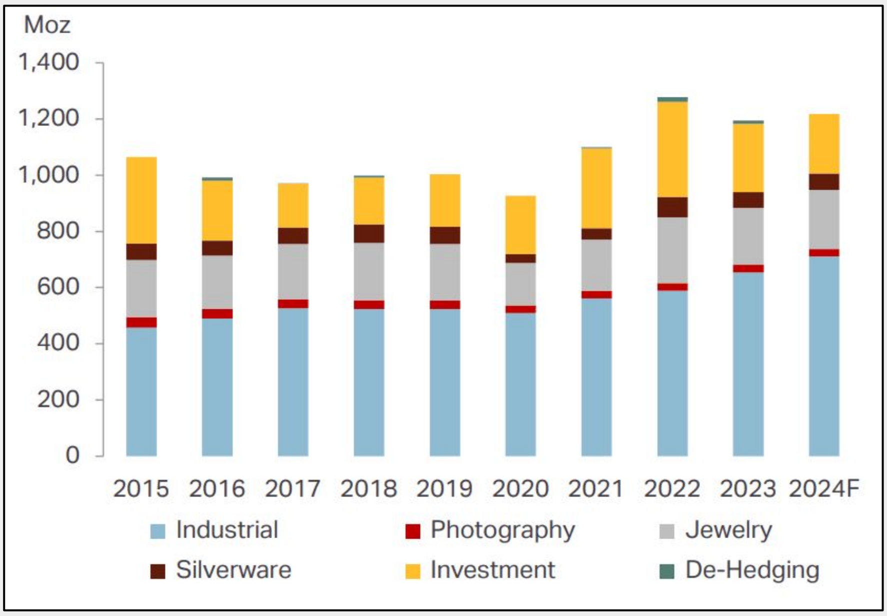
Approaching a Fourth Consecutive Year of Supply Deficit

Silver's market outlook over the coming months hinges on two pivotal factors: monetary policy and geopolitical tensions. Investors are closely monitoring the rate and pace of interest rate hikes by the US Federal Reserve and other central banks, as these decisions will significantly influence the trajectory of precious metals, including silver. The anticipation of these moves adds uncertainty, potentially impacting investor sentiment and market dynamics. Geopolitical developments, particularly in the Middle East and Russia, also play a critical role in shaping silver prices. The ongoing conflicts have driven a surge in safe-haven demand for silver, a trend that is likely to persist amid expectations of slowing global economic growth and a mild recession. These factors have underscored silver's dual role as both a precious metal with monetary value and an industrial metal with diverse and expanding applications.

We see evaluating the silver market focus on four key areas: mine supply, traditional industrial demand, investment demand, and green demand. As silver approaches its fourth consecutive year of supply deficit, the interplay of these factors will be crucial in determining the metal's price trajectory. The balance between these forces will dictate whether silver can maintain its pivotal position in both industrial and financial sectors.

Silver Demand Poised for a New Record High

According to the Silver Institute's annual analysis, the global silver market is set to experience a fourth consecutive year of supply shortfall. In 2023, silver outpaced gold in gains, driven by soaring demand in industrial applications. The World Silver Survey, released in mid-April, highlights that global industrial demand for silver reached a record 654.4 million ounces, marking an 11% increase. This surge is largely attributed to the solar industry's use of silver in photovoltaics and other green economy applications. The report notes that silver demand "massively exceeded" supply last year, and this trend is expected to persist into 2024, contributing to the ongoing supply deficit.

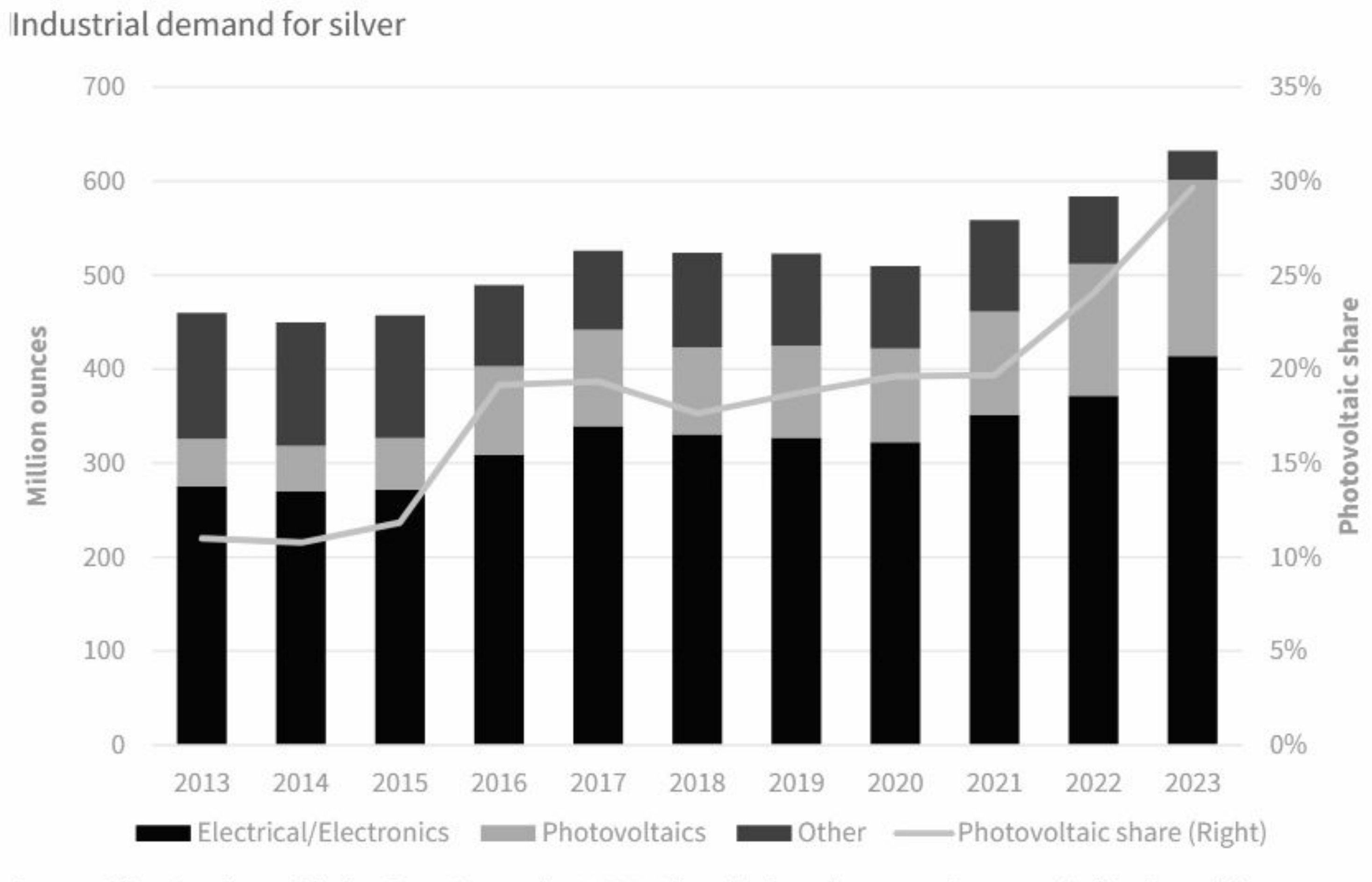


Industrial Demand

Surging Industrial Demand for Silver Driven by Solar and Automotive Innovations

Industrial demand for silver is reaching new heights, fueled by growth in photovoltaic installations and increased usage in 5G technology and automotive electronics. In 2023, photovoltaic demand exceeded expectations, with new capacity additions forecasted to hit record levels in 2024. The mass production of N-type solar cells, featuring higher silver loadings, is set to further boost silver offtake.

In the automotive sector, the expanding use of electronic components and the development of battery charging infrastructure are key drivers of silver demand. While consumer electronics saw a dip in silver demand in 2023, the anticipated growth in artificial intelligence applications in 2024 is expected to rejuvenate this segment. As these sectors continue to evolve, silver's industrial demand is poised for sustained growth, underscoring its crucial role in modern technology.



Source: Silver Institute, WisdomTree, November 2023. **Historical performance is not an indication of future performance and any investments may go down in value**

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Rising Industrial Demand for Silver Driven by Global Manufacturing Recovery

Global manufacturing PMIs have recently recovered, reaching the crucial 50 mark that separates contraction from expansion. This recovery is expected to continue, bolstered by anticipated interest rate cuts in developing countries. China, which had been a significant drag on global PMIs over the past year, may introduce a new stimulus package following recent economic challenges. The Chinese government is focusing on the "new three" — solar cells, lithium-ion batteries, and electric vehicles (EVs) — as key export drivers.

These technologies are heavily reliant on silver, particularly photovoltaics, which has been a major growth driver for silver demand. As China seeks to leverage its manufacturing advantage in these sectors, the global demand for silver in industrial applications is poised to increase, further supporting the metal's market outlook in the coming months.

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Green Demand: Silver to Outshine Gold: Green Technology Fuels Demand Surge

Outperformance Potential: Silver is forecasted to surpass gold in the coming years, thanks to its vital role in green technologies and responsiveness to manufacturing activity. Bank of America analysts predict silver could reach $35 per ounce by 2026, up from its current price of $28.40. So far in 2024, silver has gained nearly 20%, on par with gold.

Demand Drivers

Green Technology: Silver's growing demand is driven by its essential use in electric vehicles and solar energy. The China Photovoltaic Industry Association reports that new technologies adopted by Chinese manufacturers are boosting silver consumption.

Global Import Trends: China has recently become a net importer of silver, driven by increased solar industry demand and a decline in domestic production. The U.S. and Japan have also ramped up their silver imports to meet rising fabrication needs.

Supply Challenges

Ongoing Deficit: Silver is now experiencing its fourth consecutive year of market deficit, largely due to a supply shortfall and escalating industrial demand. U.S. Global Investors CEO Frank Holmes highlights this deficit as an opportunity for investors, with the shortfall expected to widen by 17% to 215.3 million ounces in 2024.

Production Growth: Global silver mine production is expected to grow by 4.1% in 2024, reaching 916.1 million ounces. However, this still falls short of the forecasted 1.2 billion ounces in demand, indicating that the supply-demand imbalance will likely persist, driving prices higher.

Silver's crucial role in green technologies, coupled with its ongoing supply deficit, positions it to outperform gold in the near future. As demand continues to rise and supply struggles to keep pace, investors may find significant opportunities in the silver market.

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Surging Silver Demand: A Looming Supply Crisis by 2025

The Growing Demand: Silver demand is accelerating rapidly across both industrial and military sectors, raising concerns about the depletion of global inventories. For three consecutive years, demand has outstripped supply, with the Silver Institute forecasting another substantial deficit in 2024. The projected shortfall for this year stands at around 215 million ounces, potentially marking the second-largest deficit in history.

Driving Factors

Industrial Demand: The solar energy sector remains the primary driver of silver demand. In 2023, the sector alone consumed 654.4 million ounces, a record high. This demand is expected to grow, with solar manufacturers likely requiring over 20% of the annual silver supply by 2027. By 2050, solar panel production could consume 85–98% of the world's silver reserves.

Military Demand: Silver's superior conductivity and resistance to corrosion make it indispensable for advanced defense systems, including weaponry and communication devices. As global militaries ramp up their technological advancements, silver demand in this sector continues to rise.

Supply Challenges: Even as demand surges, silver production is declining. New silver deposit discoveries are becoming increasingly rare and costly, leading to concerns about a severe supply-demand imbalance by mid-decade. Without significant investments in new mining projects or recycling initiatives, the market could face serious shortages.

Market Implications

- **Price Volatility:** The impending supply crunch could lead to sharp fluctuations in silver prices.

- **Investment Opportunities:** With silver currently undervalued compared to gold, there may be significant investment potential.

- **Supply Chain Strain:** Industries reliant on silver may face challenges in securing adequate supplies, potentially disrupting production.

As silver inventories edge closer to depletion, the metal's market dynamics suggest potential for significant price increases and investment gains. Given the current undervaluation of silver relative to gold, this presents a strategic opportunity for forward-thinking investors. In short with surging demand and shrinking supply, silver inventories could be depleted by 2025, leading to increased price volatility, investment opportunities, and supply chain challenges. Silver's undervaluation relative to gold further underscores its potential as a strategic investment.

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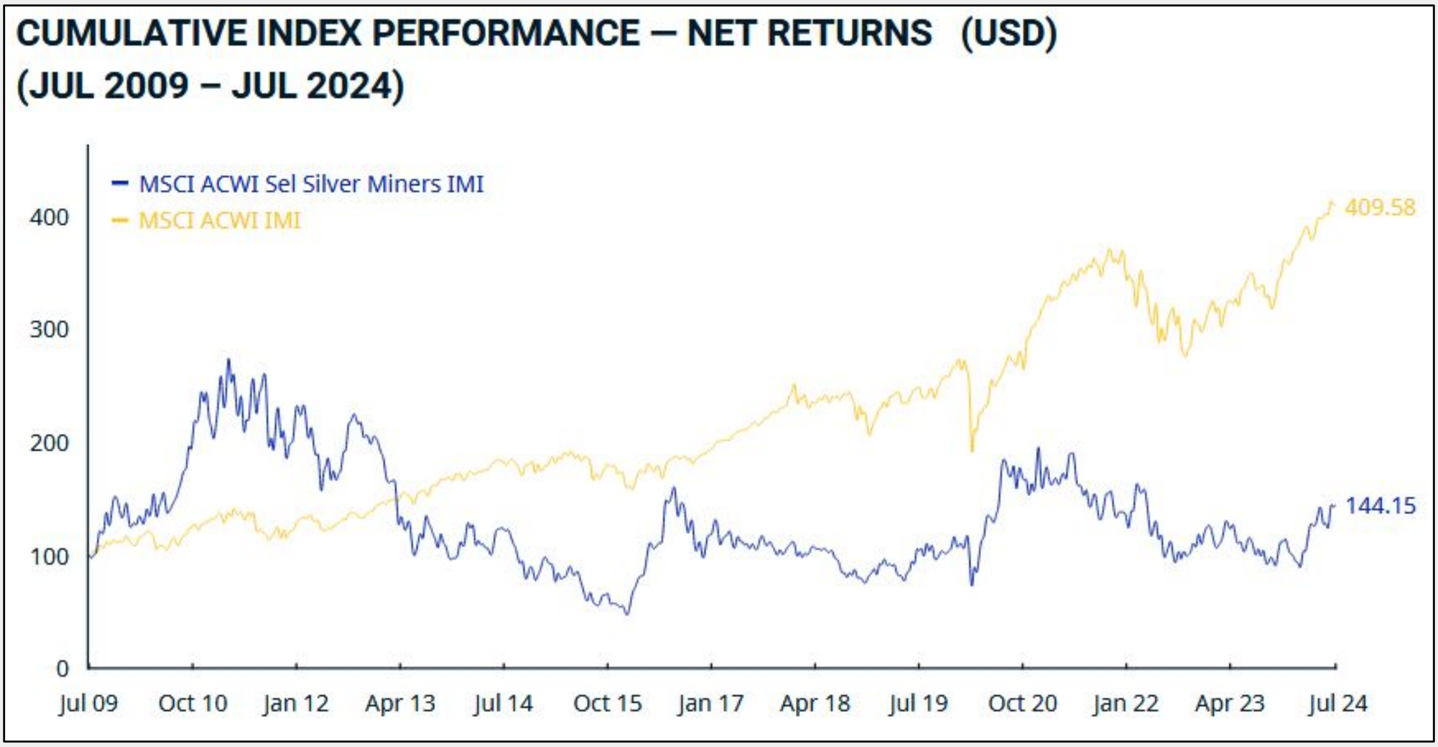
Seizing the Moment: Silver Presents a Great Buying Opportunity

Silver mining stocks have surged dramatically in 2024, making silver a prime buying opportunity. This article explores why now might be the ideal time to invest in silver, driven by exceptional market performance and favourable conditions.



Silver is presenting a golden opportunity for investors in 2024. The MSCI ACWI Select Silver Miners IMI Index has experienced a remarkable surge, climbing by an impressive 28.23% year-to-date. This exceptional performance outshines the broader MSCI ACWI IMI index, indicating that silver is gaining substantial traction in the market. The recent momentum in silver mining stocks signals a strong bullish trend, making now an ideal time to buy. With a robust 25.68% annual gain, the silver market is on a powerful upward trajectory, fueled by rising demand and positive market sentiment. Investors looking to capitalise on this trend should consider silver as a strategic addition to their portfolios.

Although the market's high price-to-earnings ratio of 58.74 reflects optimism, it also underscores the strong confidence in silver's continued growth. For investors seeking to take advantage of this momentum, silver offers a compelling opportunity with the potential for significant returns. Now is the time to act and seize the opportunity in silver, as the market's dynamics align for what could be a rewarding investment. The index emphasises silver as a prime buying opportunity, driven by the strong performance of the MSCI ACWI Select Silver Miners IMI Index.

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Silver: A Key Catalyst in the Green Energy Transition

As global policies increasingly emphasize low-carbon strategies to move away from fossil fuels, silver emerges as a critical mineral essential for the transition to a sustainable future. Silver's unique properties make it indispensable in renewable energy technologies and electric vehicles (EVs). Its high electrical conductivity and reflectivity are vital in solar panels and battery components, positioning silver as a cornerstone in the green energy revolution.

Beyond its established uses, silver is gaining attention in novel low-carbon technologies like carbon capture and storage (CCS). Researchers at University College London are exploring silver's potential to enhance CCS technologies by leveraging its stability at high temperatures. This stability could make silver a cost-effective component in innovative membranes that separate carbon dioxide from other gases, enabling efficient storage of carbon dioxide and reducing greenhouse gas emissions.

However, the industry is also investigating more affordable alternatives, such as copper. Despite being cheaper, these alternatives face uncertainties regarding their reliability and performance compared to silver. Thus, while the search for substitutes continues, silver's unique properties ensure its crucial role in driving the global transition to a low-carbon economy.

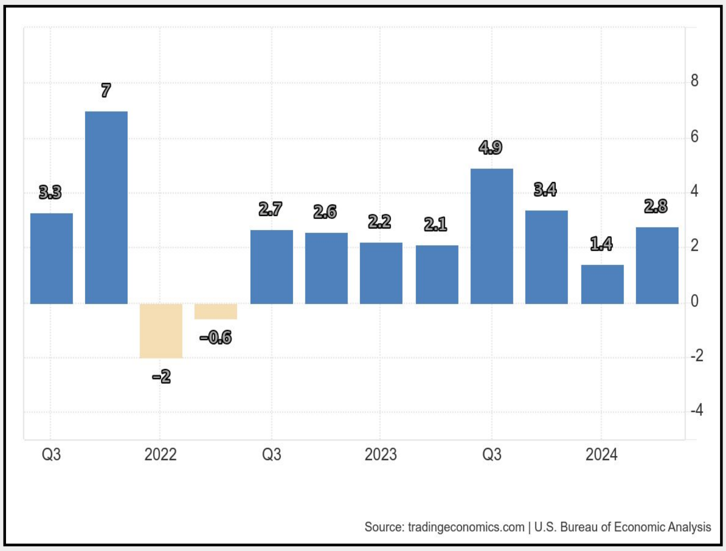
Leading indicators supporting the silver forecast & price predictions

- The price of gold (positively correlated to silver).
- The Euro (inversely correlated to the USD).
- Inflation expectations (positively correlated to silver).
- The futures market positioning (CoT).

U.S Macroeconomic Factors

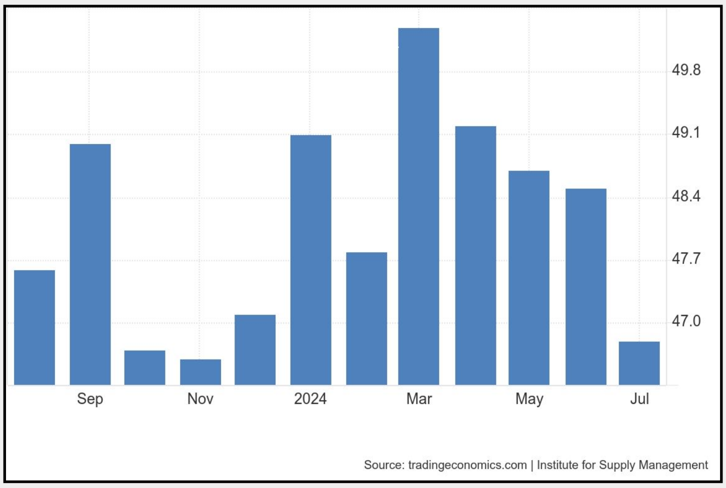
GDP Growth Rate (Q-O-Q)

The US economy expanded by 2.8% in Q2, above forecasts of 2%. Consumer spending rose faster, driven by a rebound in goods consumption, while services slowed. Private inventories contributed to growth, driven by wholesale trade and retail trade industries. Nonresidential investment accelerated, with equipment investment increasing, while intellectual property products eased. However, residential investment contracted for the first time in a year, and net trade dragged down growth for the second consecutive quarter, with imports rising faster than exports.



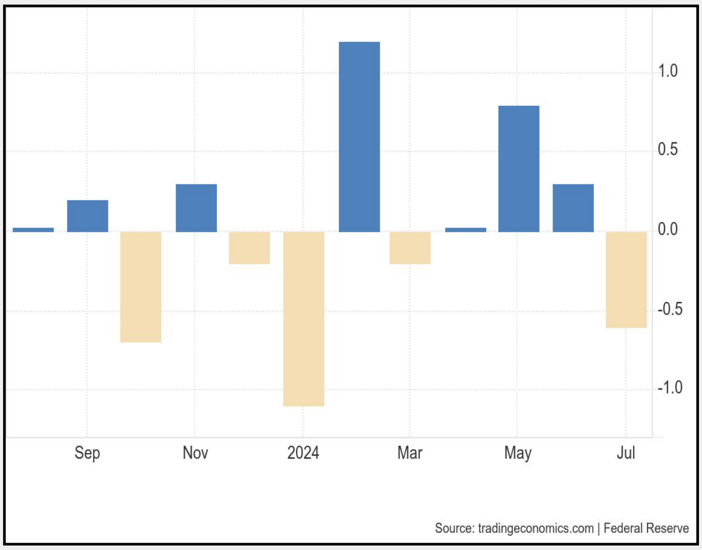
Manufacturing PMI (M-o-M)

The ISM Manufacturing PMI fell to 46.8 in July 2024, the 20th decline in US factory activity since November 2023. This was due to high interest rates on goods demand and a contraction in new orders. Backlogs fell, leading to a sharp decline in production and employment. Factory prices rose at a faster pace, largely due to the cost of metals and pressure on electrical component availability. This data reflects a moderating labour market.ket.



Industrial Production (M-o-M)

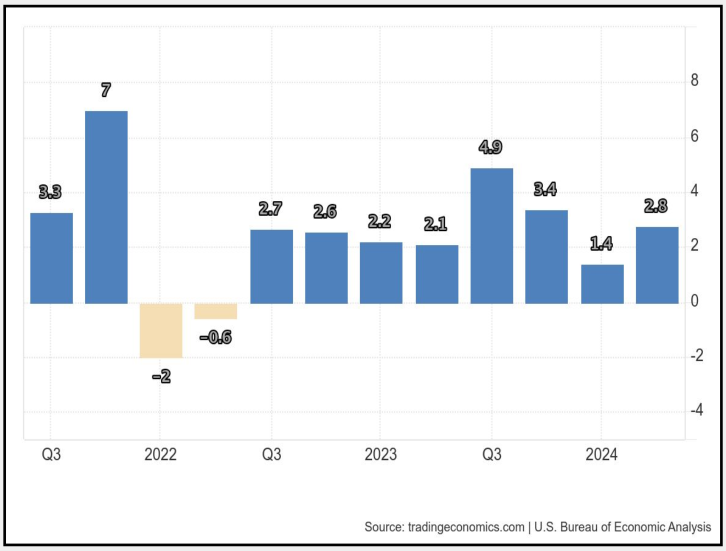
In July 2024, U.S. industrial production experienced its steepest decline in six months, dropping by 0.6%, which wiped out the modest 0.3% growth seen in June. The manufacturing sector, responsible for almost 80% of the total output, saw a 0.3% decrease, highlighting ongoing challenges. While mining output remained stable, utility generation sharply fell by 3.7%, reflecting a significant pullback. Additionally, capacity utilisation decreased by 0.6 percentage points, bringing it down to 77.8%, indicating underused industrial capacity amid weakening economic conditions.



Euro Macroeconomic Factors

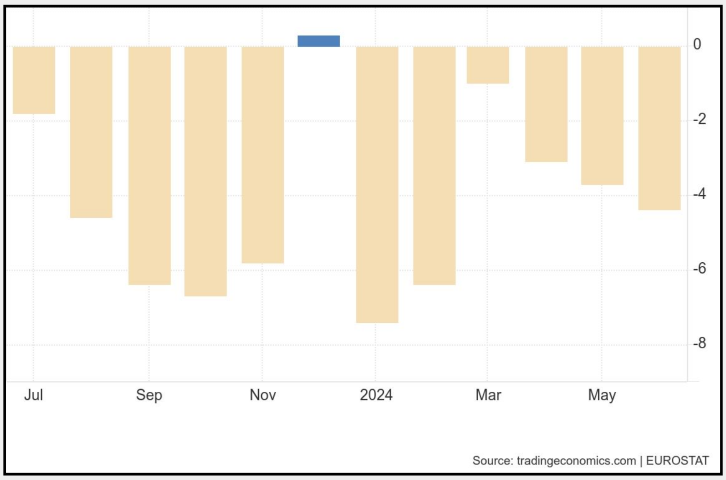
GDP Growth Rate (Q-O-Q)

In Q2 2024, the Euro Area GDP saw a 0.3% quarterly expansion, consistent with the previous quarter and preliminary estimates. Growth was driven by key economies like France, Italy, and Spain, while Germany, the region's largest economy, unexpectedly contracted by 0.1% due to ongoing industrial sector challenges. Positive growth was also recorded in Ireland, Portugal, and Finland, among others. On an annual basis, GDP growth reached 0.6%, marking the strongest performance in five quarters. The European Commission forecasts a 0.8% growth for 2024, following stagnation in 2023.



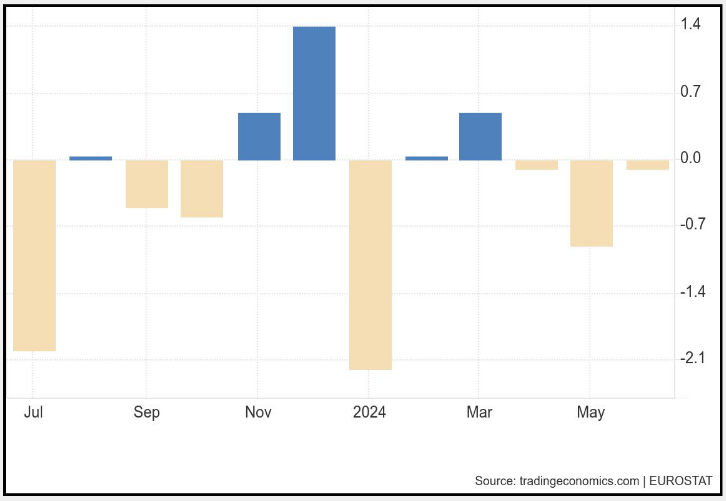
Manufacturing PMI (M-o-M)

The HCOB Eurozone Manufacturing PMI was at 45.8, unchanged from the previous month and slightly higher than the preliminary estimate of 45.6. This result consolidated the poor momentum for manufacturing in the European currency bloc, with major economies experiencing faster downturns. New orders contracted faster, leading to 14 consecutive declines. Lower demand for capacity led to firms decreasing net employment and trimming purchasing levels.



Industrial Production (M-o-M)

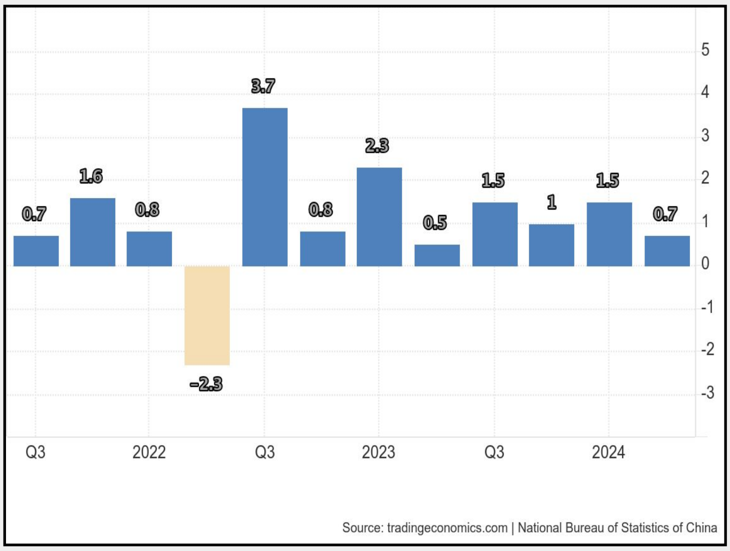
The Euro Area's industrial production witnessed a modest decline of 0.10 percent in June 2024, a notable deviation from the long-term average monthly growth rate of 0.08 percent observed between 1990 and 2024. This downturn is part of a broader trend marked by significant volatility in the sector, including an unprecedented surge in May 2020, followed by a historic low in April 2020. These fluctuations underscore the sector's sensitivity to economic shocks and the challenges of maintaining consistent growth amidst varying global conditions.



China Macroeconomic Factors

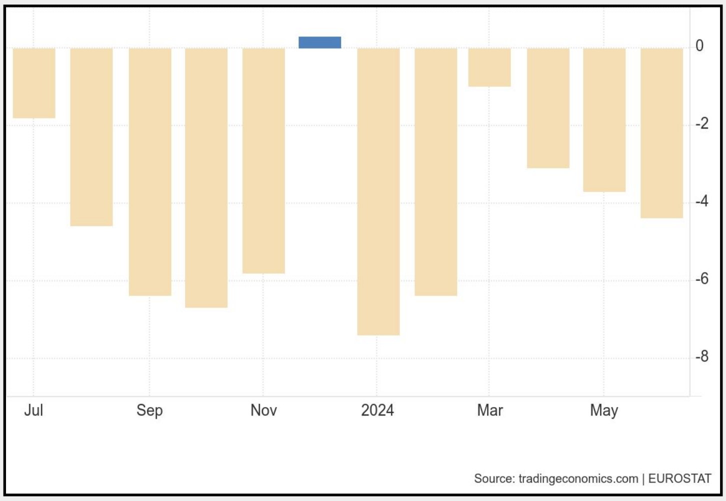
GDP Growth Rate (Q-O-Q)

The Chinese economy grew by 0.7% in Q2 2024, the weakest since Q2 2023, due to domestic challenges like extreme weather, weak consumption, high local government debts, and property weakness. Tensions with the US and its allies have deepened. Premier Li Qiang has emphasised the need for gradual recovery and no shock therapy. The People's Bank of China pledged to maintain a supportive monetary policy, but economists believe it is hesitant to further trim lending rates due to potential capital outflows and pressure on the yuan.



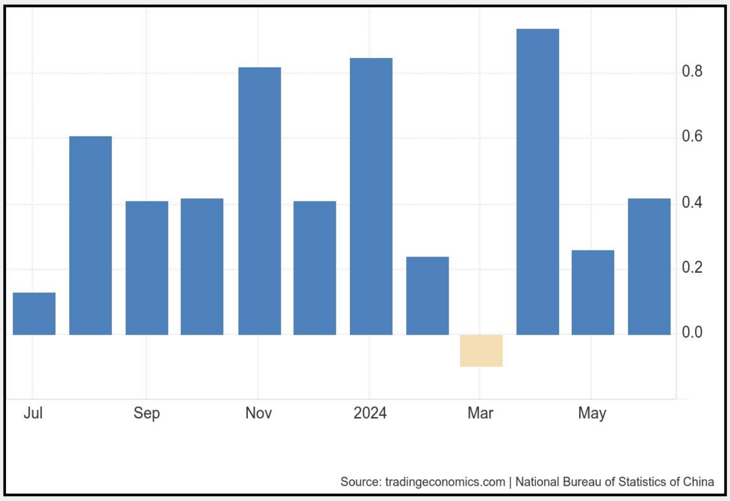
Manufacturing PMI (M-o-M)

The NBS Manufacturing PMI in China fell to 49.4 in July 2024, the third consecutive month of contraction, due to weak demand, deflation risks, a property downturn, and an elevated youth jobless rate. New orders, foreign sales, and buying levels dropped for the third consecutive month. Employment weakness persisted. Output rose for the fifth month, but its pace was the softest in the sequence. Delivery time shortened slightly. Input prices fell after rising in June, while output prices declined steeply.



Industrial Production (M-o-M)

In June 2024, China's Industrial Production rose by 0.42 percent compared to the previous month. This figure, though positive, falls below the long-term monthly average growth rate of 0.65 percent observed between 2011 and 2024. The highest recorded increase in this period was an extraordinary 36.56 percent in March 2020, while the lowest was a dramatic decline of -22.10 percent in February 2020. These extremes reflect the significant impact of the COVID-19 pandemic on China's industrial output during that period.



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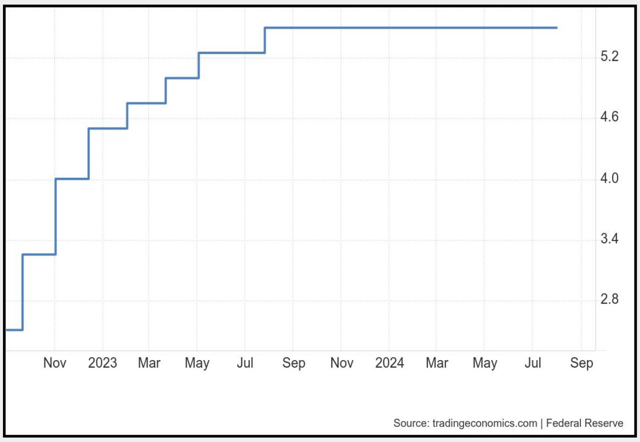
Federal Reserve Officials Signal Strong Support for Potential September Rate Cut Amid Economic Uncertainty

The Federal Reserve maintained its federal funds rate at a 23-year high of 5.25%-5.50% for the 8th consecutive meeting in July 2024, in line with expectations. Policymakers noted progress towards the 2% inflation goal, but noted that the risks to achieving employment and inflation goals are in better balance. The Fed does not expect to reduce rates until it has gained confidence that inflation is moving sustainably toward 2%. Chair Powell suggested a September cut if inflation moves down in line with expectations.



Highlights

- St. Louis Fed President Alberto Musalem and Atlanta Fed President Raphael Bostic are considering an interest rate cut next month.
- Musalem believes inflation is returning to the central bank's 2% target rate, indicating a shift in inflation and unemployment risks.
- Investors are pricing in a 75% probability of a quarter-percentage-point cut next month.
- The declining demand for a large rate cut could allow Fed policymakers to calibrate policy restrictiveness amid inflation slowdown.
- Atlanta Fed President Raphael Bostic is open to a rate cut at the September meeting, changing his previous expectation of a quarter-percentage-point reduction in borrowing costs.

Technological Advancement

Photovoltaic Demand Surge: Global solar energy capacity reached 440 GW in 2023, driving significant demand for silver in photovoltaic (PV) cells.

Industrial Demand Increase: The Silver Institute projects a 9% rise in industrial silver demand in 2024, reaching a record 711 million ounces.

PV Sector Growth: Demand from the PV sector alone is expected to increase by 20% in 2024, adding an extra 40 million ounces of silver consumption.

China's Role: China’s PV production, responsible for over 90% of global panel shipments, led to a 44% increase in its silver demand, totaling 261.2 million ounces in 2023.

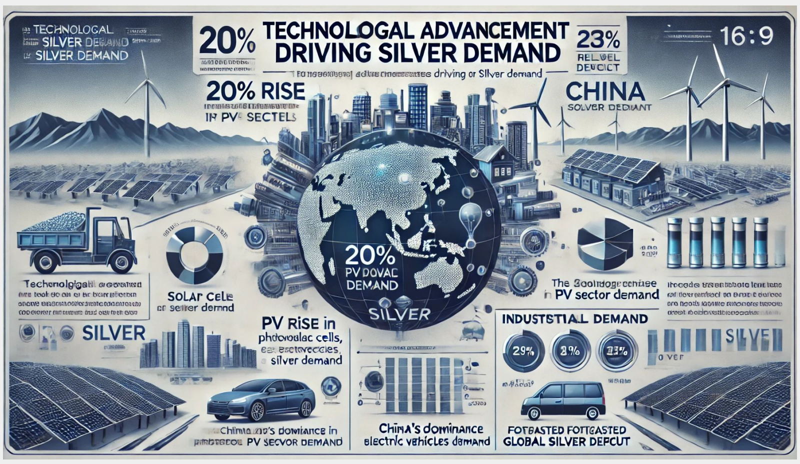
Next-Generation Solar Cells: Advancements in N-type solar cells, which require higher silver loadings, are straining global supply further.

Widening Deficit: The global silver deficit is forecasted to widen by 17% to 215.3 million ounces in 2024 due to increased demand and a 0.8% decline in mine production.

Declining Mine Production: Mine production is expected to fall to 823.5 million ounces in 2024, influenced by temporary closures in key producing regions like Peru.

Electronics and EVs: Rising demand from the electronics and electric vehicle (EV) sectors is boosting silver consumption, particularly for its high conductivity and durability.

Technological advancements, especially in green energy and electronics, are driving unprecedented demand for silver, significantly impacting its market dynamics. China's dominance in photovoltaic (PV) production and the rapid adoption of next-generation solar cells have substantially increased silver consumption, contributing to a projected 20% rise in PV sector demand in 2024. This surge, alongside expanding use in electric vehicles (EVs) and electronics, is expected to push industrial silver demand to a record 711 million ounces. Meanwhile, supply constraints, including a forecasted 0.8% decline in mine production, are widening the global silver deficit, anticipated to grow by 17% to 215.3 million ounces in 2024.



Global Silver Forecast and Price Predictions for 2024

- Global experts at the Silver Institute predict that silver may reach as high as $48 in 2024, driven by geopolitical issues and significant elections throughout the year. They forecast global silver demand to hit 1.2 billion ounces, marking the second-highest level recorded.

- Citigroup anticipates silver prices could rise to $30 per ounce in the second half of 2024, supported by value-seeking buyers after a sharp price decline in May. They expect silver to rally as U.S. interest rates and real yields fall, weakening the dollar further.

- Commerzbank also projects silver to surpass $30 by the end of 2024. They highlight that the fading of high-interest rates and weaker investment demand, combined with strong industrial demand, will support this price increase.

- The World Bank's commodity price index forecasts a 4% decline in silver prices in 2024, but this appears unlikely after a 40% surge in the first half of the year. In contrast, Bank of America sees steady support for silver from the EV and solar sectors in 2024, with a potential boost from a rebound in industrial demand.

- Investingheaven.com forecasts silver to reach $34.70 in 2024, with a possible peak at $48 by mid-2025. This optimism is based on confirmed trends in yields and a weakened U.S. dollar.

- JP Morgan identifies silver as a top metal for 2024, expecting it to break the $30 mark soon due to expected Federal Reserve rate cuts and declining U.S. yields. Similarly, ANZ Research's experts predict silver will follow gold's lead, with prices exceeding $25 per ounce in the first half of 2024 due to strong industrial and investment demand.

- Trading Economics expects silver to trade at $29.88 by the end of this quarter and $32.05 by August 2024, while Gov Capital predicts a rise to $27 by the end of 2024 and up to $40 by late 2025. Wallet Investor is more conservative, forecasting silver to close 2024 at $27 and trade between $26.00 and $28.00 in 2025.

While predictions vary, the overall sentiment for silver in 2024 is bullish, though high market volatility requires careful consideration and research before investing.

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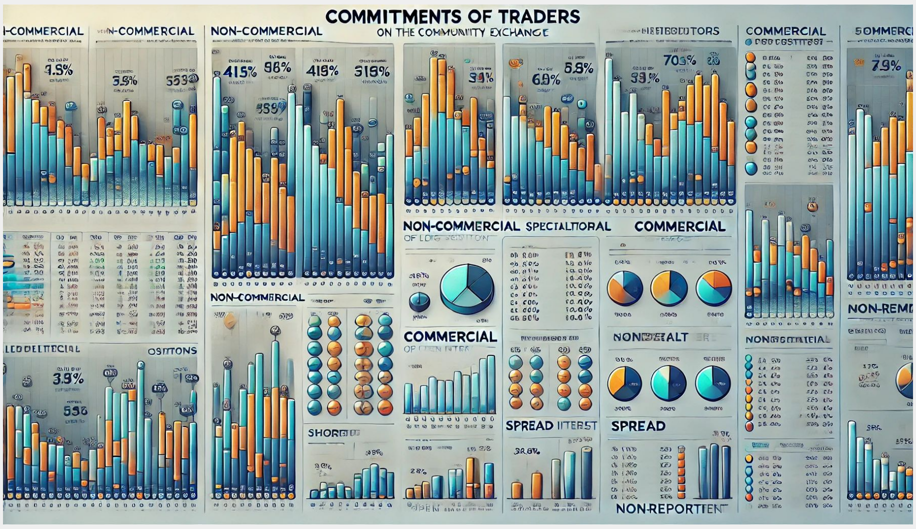
Commitments of Traders (COT) report

Category	Non-Commercial	Commercial	Nonreportable	Total
Long (Contracts)	61,458	38,079	31,934	115,925
Short (Contracts)	16,169	104,855	10,447	137,412
Spreads (Contracts)	16,388	-	-	-
Total Long (%)	41.60%	25.80%	21.60%	78.40%
Total Short (%)	10.90%	70.90%	7.10%	92.90%
Change in Long (Contracts)	-3,116	3,775	1,240	-918
Change in Short (Contracts)	676	920	303	19
Change in Spreads (Contracts)	-1,577	-	-	-
Percent of Open Interest Long	41.60%	25.80%	21.60%	78.40%
Percent of Open Interest Short	10.90%	70.90%	7.10%	92.90%
Number of Traders Long	113	31	-	165
Number of Traders Short	36	41	-	110
Number of Traders Spreads	53	-	-	-

The table provides a detailed breakdown of the futures positions for silver on the Commodity Exchange as of August till date. It categorizes the positions into non-commercial (speculators), commercial (hedgers), and non reportable positions, showing the distribution of long, short, and spread contracts across these groups. Non-commercial traders hold a significant portion of the long positions (41.6% of open interest), indicating strong speculative interest in silver. In contrast, commercial traders dominate the short positions (70.9% of open interest), reflecting their role in hedging against price fluctuations. The total open interest stands at 147,859 contracts, with minor changes since the previous week, including a decrease in non-commercial long positions by 3,116 contracts and an increase in commercial long positions by 3,775 contracts. The non reportable positions, typically representing smaller traders, account for a smaller share of the market. The table underscores the contrasting strategies between speculators and hedgers in the silver market.



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Open Interest

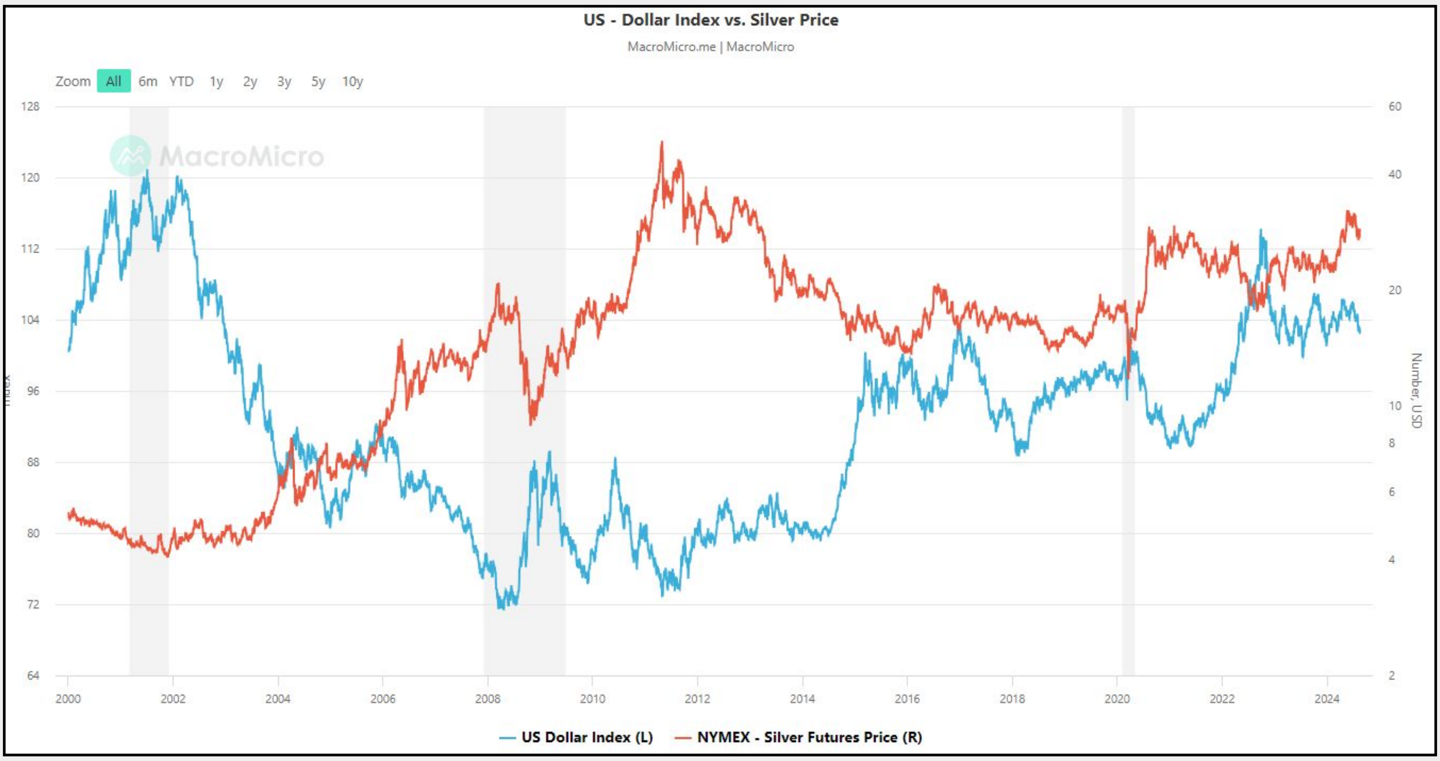
SILVER OPEN INTEREST ANALYSIS

Date	Open	High	Low	Close	% Change	Cumulative OI	% OI Change
Aug-24	83769	84700	78270	83213	-0.46	35412	9.50
Jul-24	89453	94590	80271	83596	-4.10	32339	18.58
Jun-24	91125	94610	86156	87167	-4.81	27272	-4.06
May-24	80935	96493	80275	91570	13.26	28425	10.91
Apr-24	75450	86126	75010	80851	7.73	25629	1.74
Mar-24	71346	78323	71000	75048	5.29	25190	-8.24
Feb-24	72146	72435	68854	71279	-1.34	27451	2.92
Jan-24	74279	75000	70351	72247	-2.93	26672	62.37
Dec-23	77777	78549	71234	74430	-3.98	16427	-31.31
Nov-23	71325	77725	69053	77515	8.16	23916	15.77
Oct-23	69255	73599	65666	71669	2.59	20658	-20.53
Sep-23	75748	76614	69754	69857	-7.70	25996	58.68
Aug-23	75330	77200	69376	75682	0.34	16383	-15.79
Jul-23	70060	76674	69802	75427	7.71	19456	47.29

The cumulative open interest (OI) analysis of silver prices on the MCX over the past year reveals a dynamic market with notable fluctuations in both price and market participation. Starting from July 2023, cumulative OI was at 19,456 contracts, with prices opening at ₹70,060 and closing at ₹75,427, marking a significant price increase of 7.71% and a substantial OI change of 47.29%. This suggests strong bullish sentiment during that period. Moving into the later months, January 2024 stands out with an exceptional 62.37% increase in cumulative OI, reaching 26,672 contracts, as prices fluctuated within a high range, closing slightly lower at ₹72,247. This surge in OI reflects heightened investor interest and increased market activity, possibly driven by macroeconomic factors and expectations for silver.

In contrast, the following months saw more moderate changes, with cumulative OI peaking in May 2024 at 28,425 contracts, alongside a significant price rally of 13.26%, closing at ₹91,570. This increase in both price and OI indicates robust market participation and bullish sentiment. However, by August 2024, cumulative OI reached its highest level at 35,412 contracts, even as prices slightly declined by 0.46%, closing at ₹83,213. This suggests that while market interest remained high, the bullish momentum may have slowed, possibly due to profit-taking or shifts in market sentiment. Overall, the data reflects a highly active and fluctuating silver market on the MCX, driven by various macroeconomic and market factors.

Correlation with Currency



- **Inverse Correlation:** Strong inverse relationship between the US Dollar Index and silver prices.
- **2008 Spike:** Silver prices surged during the 2008 financial crisis as the dollar weakened.
- **2020-2024 Volatility:** Post-pandemic volatility shows fluctuations in both the dollar and silver prices.
- **2024 Stability:** In 2024, both the dollar and silver prices are relatively stable, with silver prices elevated.
- **Historical Patterns:** Peaks in silver prices align with troughs in the dollar index.
- **Current Outlook:** High silver prices in early 2024 suggest ongoing concerns about dollar stability.

The chart highlights the strong inverse correlation between the US Dollar Index and silver prices, with silver historically rising when the dollar weakens. This relationship is evident in key periods like the 2008 financial crisis and the post-2020 pandemic era. In 2024, both the dollar and silver prices have shown relative stability, though silver remains elevated, reflecting ongoing investor interest and concerns over potential dollar weakness. The trend suggests that silver continues to serve as a hedge against currency volatility, with its price movements closely tied to expectations of the dollar's future performance. As the year progresses, any significant changes in the dollar index could lead to corresponding shifts in silver prices, making it a crucial asset to watch.

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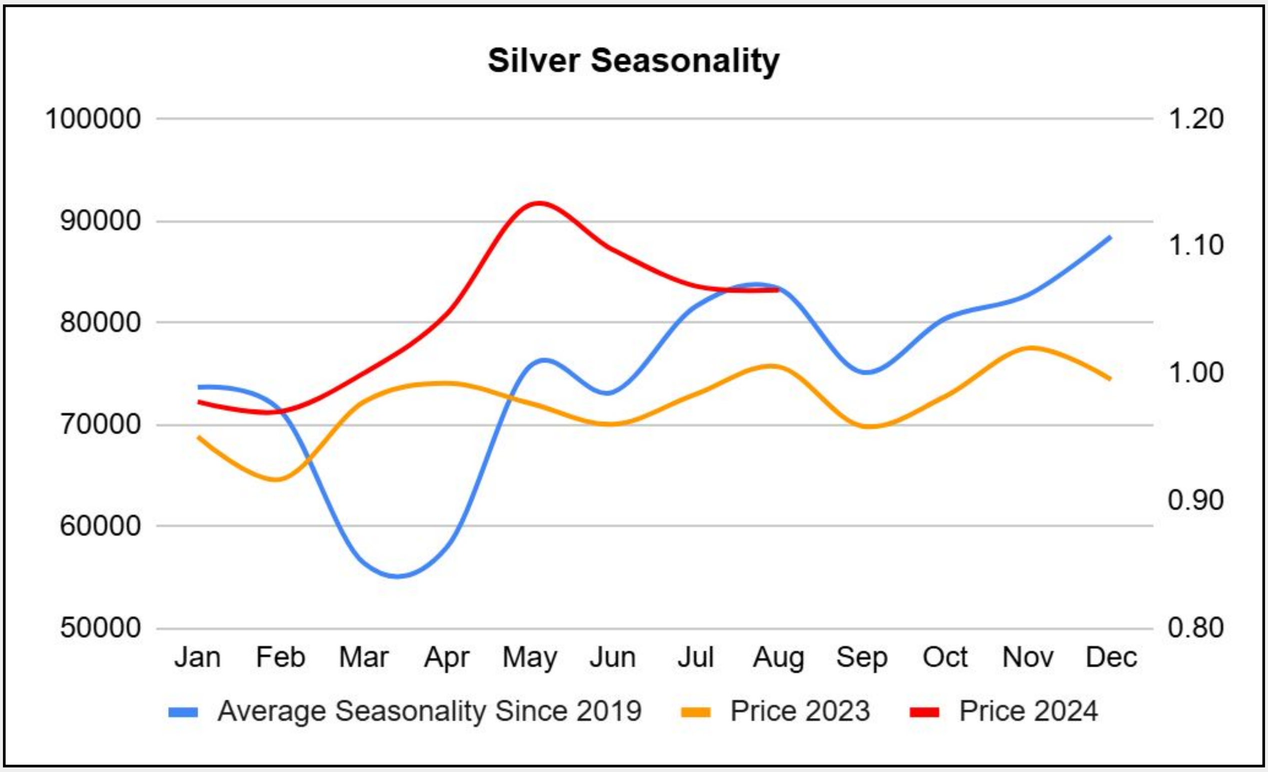
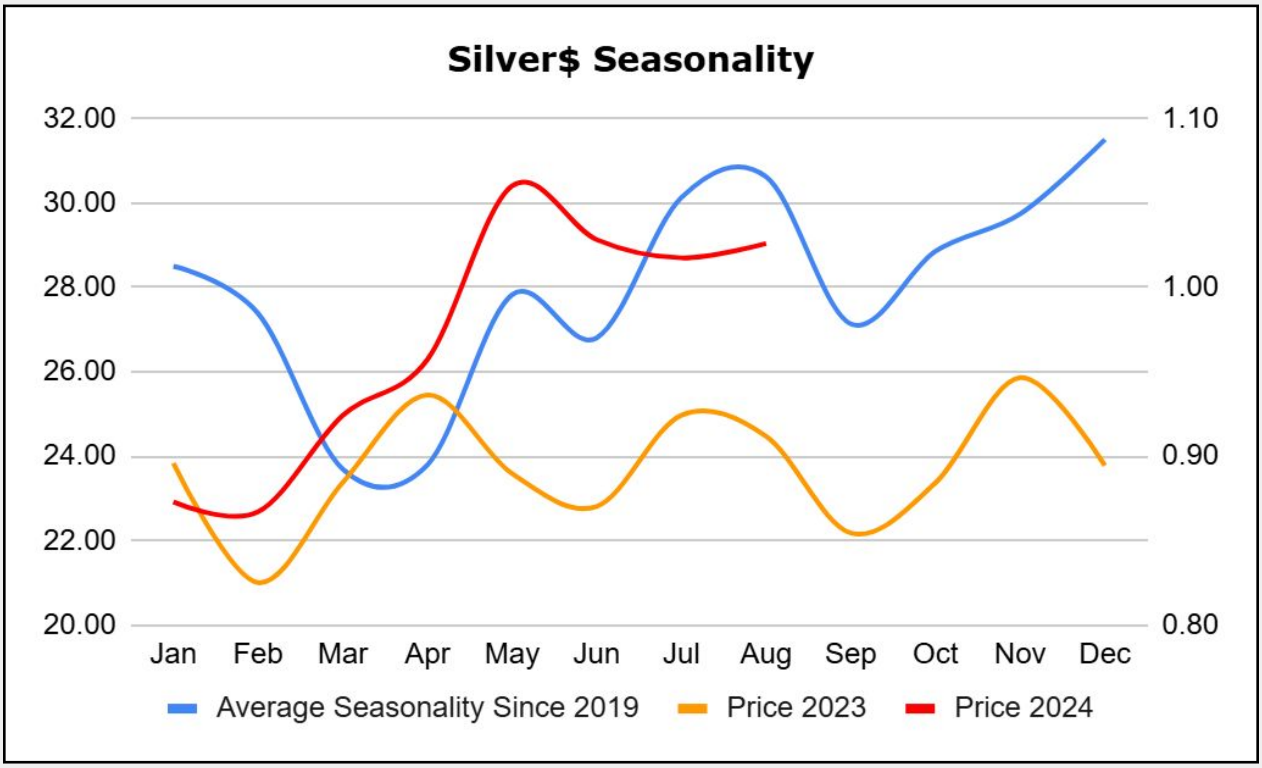
Seasonality





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Ratios

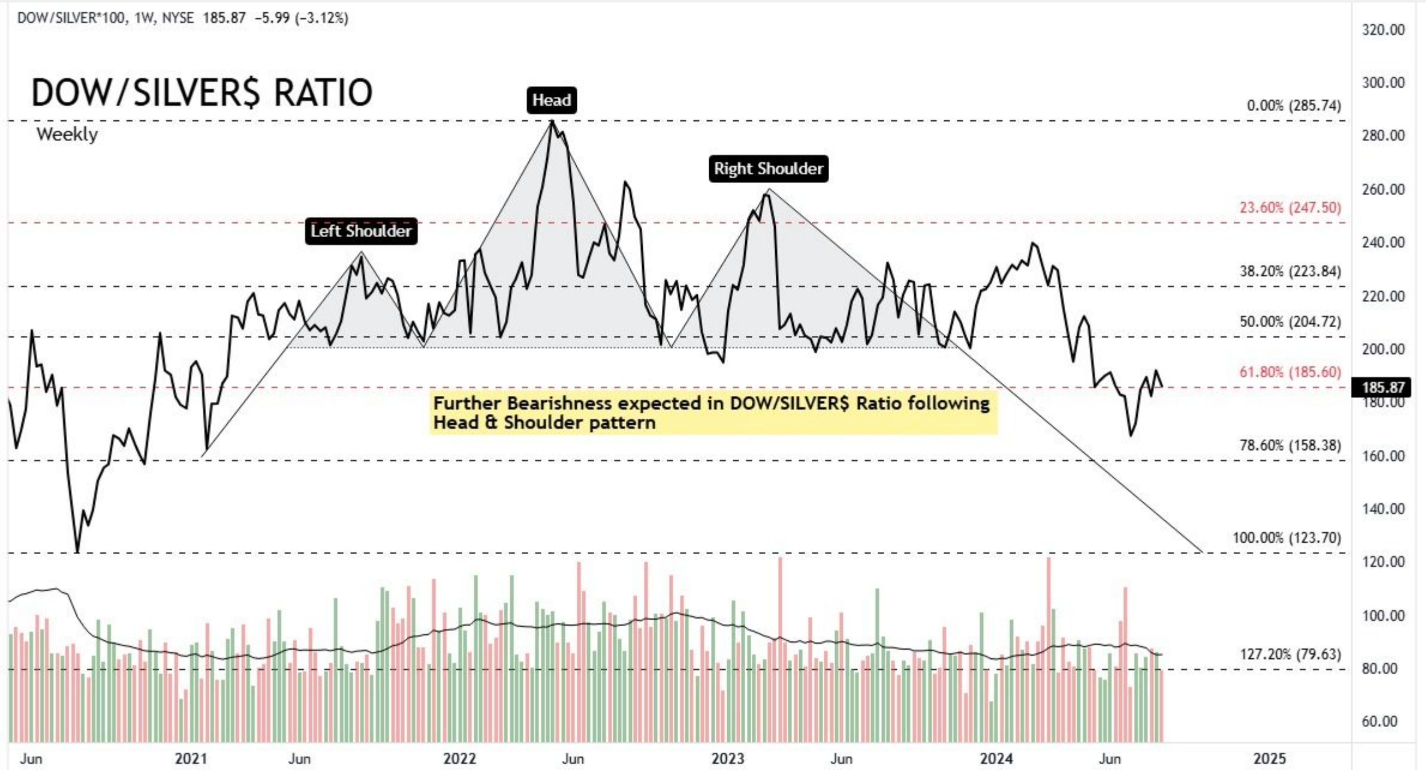
Gold Silver Ratio - Silver may outperform Gold

Silver Copper Ratio - Silver may outperform Silver

Ratios

Silver Crude oil Ratio - A bounce back in the ratio can be expected

Dow Silver Ratio - With the ratio likely to decline as the trend unfolds



Outlook

Dollar Index

The weekly chart of the Dollar Index shows a trend line breakdown, with prices currently trading below the 50-day moving average and descending towards the 200-day moving average. Given the prevailing trend, a further bearish move is anticipated, with the Dollar Index appearing weak and likely to test the 99.00 to 95.00 levels in the upcoming sessions. Strong resistance is observed above the 107.00 level.

Silver Market Outlook

KEDIA ADVISORY

19 Aug 2024

MCX Silver

Silver MCX has formed a bullish harmonic pattern on the daily chart, indicating a potential reversal to the upside. This pattern typically signals the end of a downtrend and the beginning of a new upward move. A bullish move can be anticipated if prices break above the 23.60% Fibonacci level at 83,975, with potential to test the 61.80% Fibonacci level at 93,209 in the short term.

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MCX Silver

The weekly chart of Silver MCX highlights a critical technical setup with a symmetrical triangle pattern breakout followed by a retest, which typically indicates a potential continuation of the prior trend. Despite prices currently trading below the 50-day moving average and above the 200-day moving average, the chart suggests a firm bullish outlook. The successful retest of the breakout level supports the idea of an impending upward movement, particularly if silver can sustain above the 200-day moving average and reclaim the 50-day moving average.

The symmetrical triangle pattern is a consolidation formation characterized by converging trendlines, which results from a series of lower highs and higher lows. This pattern often represents a period of indecision in the market, where neither buyers nor sellers are in control. The eventual breakout from this pattern usually leads to a significant price movement in the direction of the breakout, as it signals a resolution of the prior indecision. In this case, the breakout to the upside and subsequent retest suggests that the bulls may be preparing for a more pronounced move higher.

Given this context, silver's ability to stay above the crucial 200-day moving average and break back above the 50-day moving average will be key to confirming a bullish continuation. Traders and investors should keep a close watch on these levels, as they could indicate the start of a new upward trend in silver prices in the coming sessions.

19 Aug 2024

Silver $

The weekly chart of Silver $ shows a significant technical development with a triangle pattern breakout, which is often a precursor to strong price movements. Currently, silver prices are trading above both the 50-day and 200-day moving averages, which generally indicates a bullish trend. The recent price action shows that silver has taken support from the 50-day moving average, suggesting that this level is acting as a strong base for further upward movement. This support, coupled with the triangle pattern breakout, suggests that the market is gearing up for a potential bullish move in the coming sessions.

A triangle pattern breakout occurs when the price moves out of the converging trend lines that form the triangle. These patterns can either be ascending, descending, or symmetrical. In this case, the breakout signals the end of a period of consolidation and the start of a new trend. The fact that silver has broken out of this pattern and found support at a key moving average strengthens the bullish outlook.

Given the technical indicators, silver appears to be well-positioned for a rally. Aa prices continue to hold above both 50 & 200 moving averages, it would reinforce the bullish sentiment and potentially lead to higher prices in the near term.

Conclusion

- **Federal Reserve Interest Rate Decisions:** The Fed's monetary policy will significantly impact silver prices. If the Fed lowers interest rates, as some expect, it could weaken the US dollar, making silver more attractive as a non-yielding asset.

- **Inflation Trends:** Rising inflation rates often drive investors to seek protection in precious metals like silver. With inflation concerns still prevalent, any increase in inflation expectations could lead to higher silver prices as a hedge against eroding purchasing power.

- **US Dollar Strength:** A weakening dollar could push silver prices higher, as it makes the metal cheaper for foreign investors. Watch for any signs of dollar depreciation.

- **Global Economic Growth:** The Silver Institute projects industrial demand to reach 711 million ounces in 2024, driven by a 20% increase in the PV sector. Strong global economic growth could sustain or increase this demand.

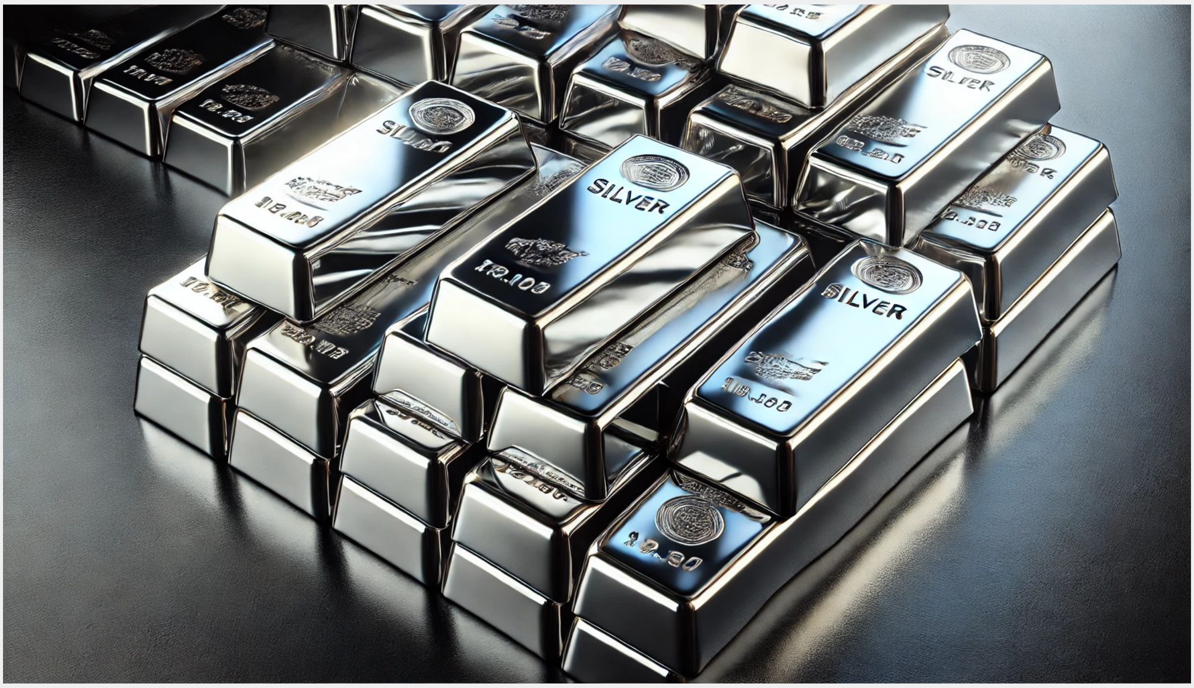
- **Geopolitical Tensions:** Ongoing geopolitical conflicts, particularly in regions like the Middle East and Eastern Europe, could lead to increased safe-haven demand for silver. This would support higher prices, especially if tensions escalate.

- **China's Industrial Demand:** China's silver demand, which rose by 44% to 261.2 million ounces in 2023, will continue to be a key driver. Any slowdown or acceleration in China's industrial output, particularly in the green technology sector, could significantly impact silver prices.

- **Supply Constraints:** Global mine production is forecasted to decline by 0.8% to 823.5 million ounces in 2024, exacerbated by temporary mine closures in key producing regions. This supply shortfall could widen the silver deficit, driving prices higher.

In the next six months, silver prices will be influenced by a complex interplay of factors, including central bank policies, inflation trends, and global economic growth. The weakening US dollar, rising industrial demand, particularly from China, and supply constraints will play pivotal roles. Additionally, geopolitical tensions and technological advancements in green energy will further drive demand. Investor sentiment, particularly in ETP flows, and revised price forecasts by major financial institutions will also be critical indicators to monitor.

Exchange	Price	Support	3 Months	6 Months	Trend
Comex	29.00	26.00	31.20	34.85	Positive
MCX	83200	74900	89500	100000	



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