



# COMMODITY INSIGHT

■ SILVER ■

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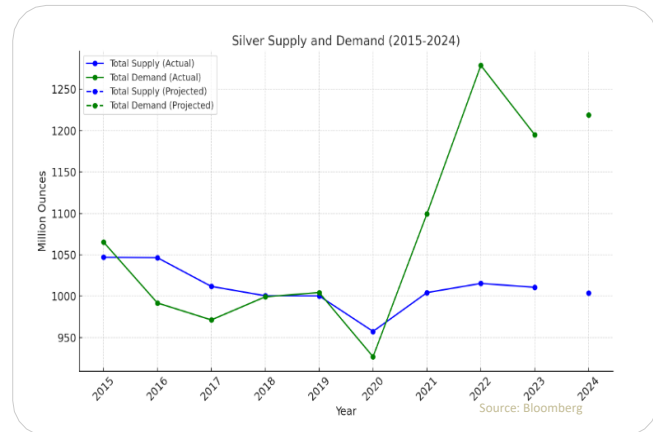


## Silver: A Promising Investment with a Supportive Outlook

Silver continues to shine as a compelling investment option, benefiting from its dual role as both a precious metal and a vital industrial resource.

The global silver market has been grappling with a persistent supply deficit, due to mining disruptions. Last year's production was further impacted by lower by-product output from lead and zinc mines, particularly in China and Peru.

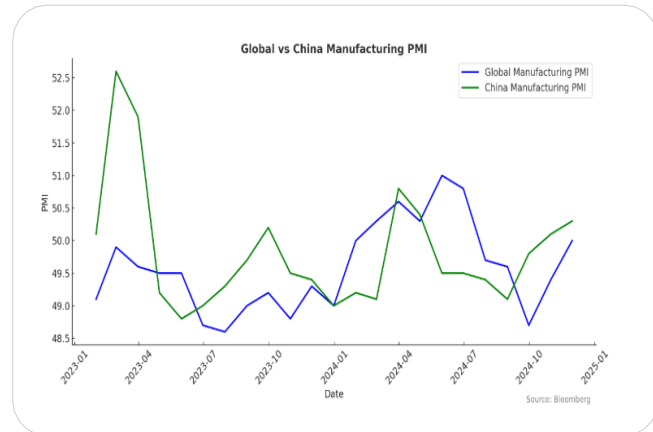
This supply constraint, combined with silver's rising industrial demand, has driven a significant rally in silver prices, with market optimism likely to persist in the near term. Silver plays a pivotal role in the industrial sectors, representing a dominant 55.8% of global consumption, let's have a look at the global industrial activity.



## Manufacturing sector overview

The global manufacturing figures have been seen hovering close to the 50 levels with signs of a decent recovery in the recent month. Looking at China, its economic policies and recovery efforts is expected to have a significant influence on the silver market.

The recent meeting of China's top officials at the Central Economic Work Conference emphasized a shift to a "moderately loose" monetary policy, aiming to stimulate economic growth. While China's consumption levels are improving with the manufacturing activity entering in the expansionary zone i.e. above 50 in November, but the sector still struggles to catch up with the factory output which is a sign of caution.



## Recent Market Volatility

Silver prices have seen impressive gains, with a peak increase of nearly 36% and a year-to-date rise of 25%. While these high levels have made silver sensitive to market fluctuations, its underlying strength remains robust. Since reaching a high on Thursday, silver prices have fallen by over 4%, driven by mixed U.S. economic data that triggered profit-taking after a four-day rally.

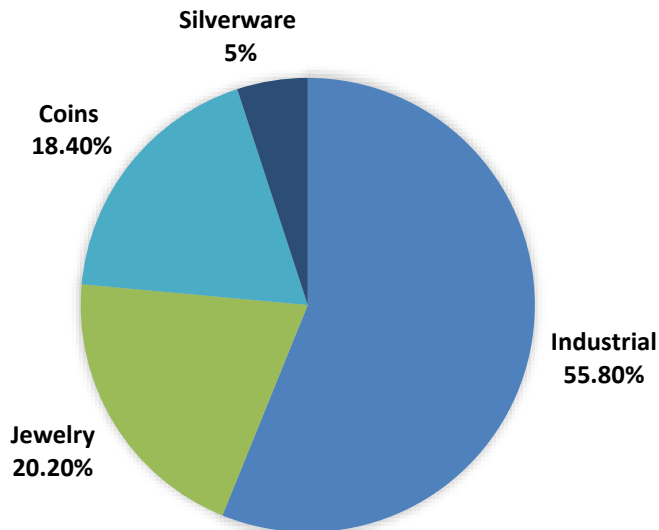
November's unexpected rise in wholesale inflation, coupled with U.S. jobless claims hitting a two-month high, has raised concerns about the labor market and created uncertainty regarding the Fed's stance in its upcoming meeting.

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## SILVER DEMAND BY SECTOR



Source: Bloomberg

## OUTLOOK

Despite short-term volatility, the long-term outlook for silver and other bullion metals remains positive. The global silver market is expected to stay in deficit, driven by strong growth in photovoltaic applications, the expansion of 5G and the electronics sector pushing industrial demand to record levels, further supporting silver's price trajectory.

We recommend buying silver at the current levels or accumulating if it dips by 1% to the downside. With strong near-term demand prospects, we anticipate a price target of 10-12% upside from current levels in the near term.

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## Technical View

Comex Silver spot has traded within a tight range of \$30.30 - \$31.50 over the course of past couple of weeks. The price has breakout the range hurdle in this week however found resistance at \$32.32 after steep profit-booking. On downside, crucial support would be at \$29.64.

After a mild correction from the peak, Dollar Index (DXY) has resumed its upward momentum after finding support at 105.11. The Gold / Silver ratio, which is also known as Mint Ratio has remained stable over 86 level.

MCX Silver March future has traded in Rising channel formation on Weekly chart. The price has remained over all key averages i.e. 50, 100 and 200-DMA levels placed at 91,552, 90,037 and 86,688 respectively. Daily SAR (Stop & Reverse) level is placed at 90,897. On the other hand, key hurdle is placed at 97,344 and breaching of this level will accelerate upward momentum in Silver and next hurdle would be at 100,081. The Relative Strength Index (RSI) on all major timeframes is above the 50 level, indicating bullish sentiment.

The outlook for Silver is Sideways to Bullish. Traders are recommended to buy Silver at the current market price or on dips to 90,900. A stop-loss can be placed below 85,300 and a target of 103,000.



Support 2

Support 1

CMP

Resistance 1

Resistance 2

86,688

89,000

92,065

94,100

97,334

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