

Inflows into Silver-Backed Exchange-Traded Products Nearly Triple Year-on-Year over the First Three Quarters of 2020

Silver Bullion Coin Sales Rise 65 Percent Over Same Period

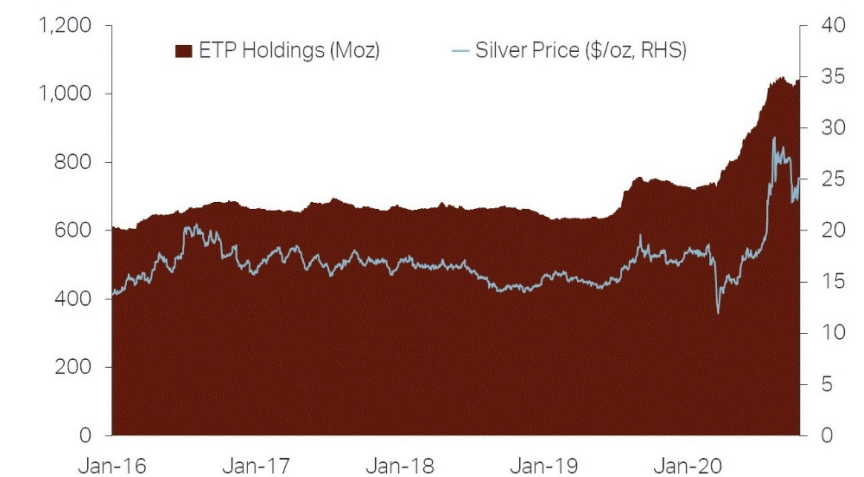
(Washington, D.C. – October 15, 2020) Investors sought security in silver-backed Exchange-Traded Products (ETPs) in the first nine months of 2020, nearly tripling the amount amassed compared to the comparable period in 2019. Investors have also had a strong appetite for investment in silver bullion coins and bars during the first three quarters of this year. Overall, this reflects both silver’s role as a safe haven asset and as a leveraged play on gold, as some investors expect silver to outperform the yellow metal.

Global silver ETP holdings rose by 297 million ounces (Moz) through the third quarter of this year, nearly tripling the growth in the comparable period last year (297 Moz v 103 Moz). ETP holdings through the end of September stood at 1.026 billion ounces (Boz), slightly off the high of 1.052 Boz recorded in August. Global ETP holdings are on the rise again, and as of October 12, totaled 1.045 Boz.

Globally, silver bullion coin demand is up strongly, with a 65 percent increase in demand over the first three quarters. This was due to strong sales in the two key bullion coin markets, the U.S. and Germany, with both seeing substantial double-digit gains over the first nine months.

Silver bar demand has also risen sharply this year, led again by the U.S. and Germany. This growth has been partly offset by weaker demand in India, particularly in recent months where price-led liquidations have emerged.

Global Silver ETP Holdings Through October 12, 2020



- Source: Bloomberg, respective ETP issuers

Industrial and Jewelry Demand

There were indications of a partial recovery in global industrial demand during the third quarter. Going into the fourth quarter, this has gained further momentum, with several key economies emerging from mandated COVID-19-related shutdowns. Even so, and entirely as a result of the COVID-19 pandemic, silver industrial offtake is forecast to soften this year by around 10 percent year-on-year.

Looking at the sector in more detail, silver's use in photovoltaics has been robust this year. While some projects were delayed in the first half of 2020 due to lockdown measures, many are being delivered in the second half. Finally, silver-bearing electronics in the automotive segment have struggled this year due to weaker car sales.

Unsurprisingly, the pandemic is having a protracted impact on global jewelry demand, which is expected to drop by around 20 percent this year and perhaps to its lowest level since 2012. Losses are widespread, but most significantly in India and across East Asia.

Silver Price in 2020

The macroeconomic backdrop should continue to underpin silver investment demand for the rest of 2020. Dramatic monetary easing policies and fiscal stimulus measures seen in several key markets, and potentially again in the U.S. before the end of 2020, could boost inflationary expectations and weigh on the U.S. dollar, continuing to raise the appeal of safe haven assets, including precious metals.

More importantly, should the rally in gold resume later this year, silver's high beta relationship with the yellow metal is likely to encourage aggressive tactical buying. This could result in the silver price rebounding to the \$30 threshold, and sending the gold:silver ratio toward the 70:1 level.

The Silver Institute is a nonprofit international industry association headquartered in Washington, D.C. Established in 1971, the Institute's members include leading silver producers, prominent silver refiners, manufacturers, and dealers. The Institute serves as the industry's voice in increasing public understanding of the value and many uses of silver, including its role in numerous green technologies. For more information on the Silver Institute, please visit www.silverinstitute.org