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Silver Price Trends

Given we are very near to the time last year when the Covid-19 Pandemic became globally widespread, this month's deeper dive reviews longer-term and more recent trends in silver prices, related indices and broader commodities.

Longer-Term Prices (a brief history)

Figure 1 displays annual inflation adjusted silver prices (or in real terms) since 1800, with 10-year rolling average prices also displayed as the blue line). With the end of the War of 1812 in the U.S., real silver prices generally climbed from less than \$15 per ounce over the subsequent half-century, where prices peaked at over \$45 per ounce at the midst of the U.S. Civil War in 1864. Two overall factors led to a prolonged downtrend in prices over the next 70 years. With the culmination of the war and the previous discovery of the Comstock Lode (in 1859) during the 1860s, \$30M of silver was extracted from the mine (which compares to the

Sections:

Longer-Term Prices (a brief history)

Relative Performance of Silver

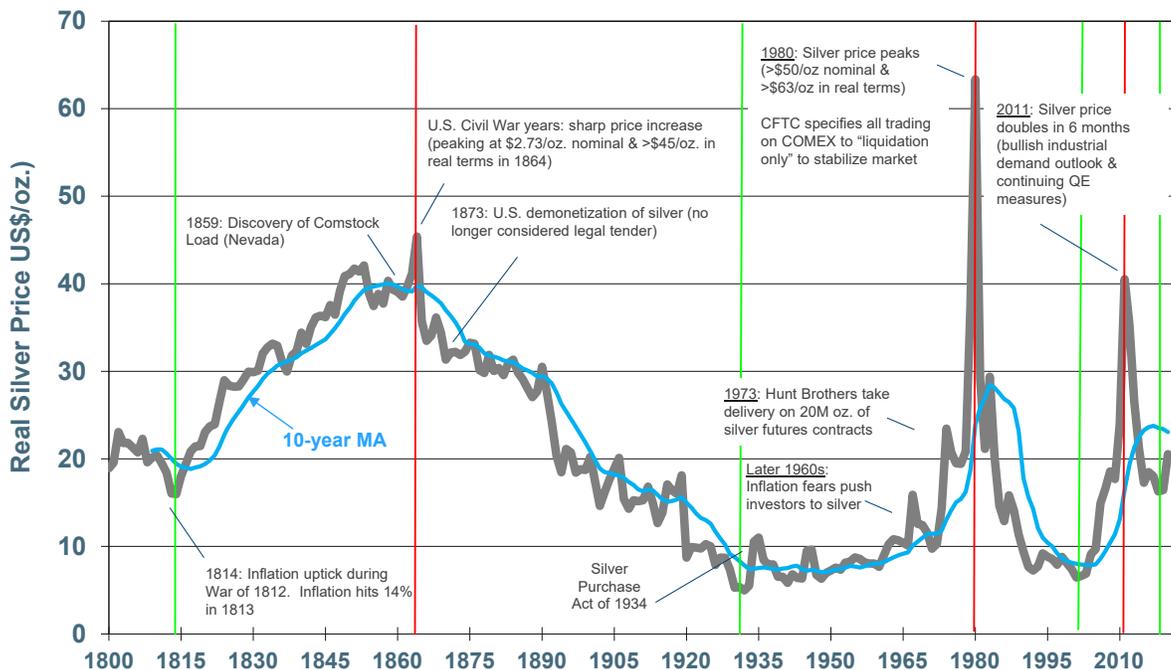
Silver Price Outlook

Charts:

Silver Price in Commodities

Silver Price In Currencies

Figure 1: Inflation Adjusted Silver Prices



Real prices in 2020 U.S. dollar terms, deflated by the US CPI index.

Source: Federal Reserve, USGS, LBMA, Bloomberg, Capitalight Research

cumulative total in the U.S. equal to just \$2M since the founding of the Republic to that point). Lower prices were also driven by The Sherman Act of 1873 which resulted in silver no longer considered as legal tender in the U.S. and thus the backing of the U.S. dollar was in gold terms only). Real prices dropped below \$5 per ounce in the early 1930s. To stabilize the value of silver, in 1934 Congress enacted the Silver Purchase act whereby all U.S. mined silver was sold to the U.S. Mint for either storage or to be made into coins.

Through World War II and over the subsequent 30 years, average real silver prices were less than \$8 per ounce. During the Vietnam War years increased inflation fears triggered higher investment demand for silver with real prices climbing to nearly \$16 per ounce in 1967. Also note that during this period, private investors were still banned from purchasing gold and thus relied on silver as an inflation hedge². Through purchasing silver futures contracts and subsequently taking physical delivery on 20M ounces in 1973, the Hunt brothers initiated their famous attempt to squeeze (or corner) the silver market. This activity gained pace later in the decade when the brothers and their Saudi partners took physical delivery of 50M ounces during the 2nd half of 1979, bringing their ownership to ~200M ounces. A speculative frenzy ensued buoyed by the Iranian Revolution where real prices peaked at over \$63 per ounce. To calm markets, the CFTC limited all trading on the Comex to "liquidation only" thus limiting further accumulation of physical silver. The price spike aggressively retreated and by the early 1990s real silver prices were approximately \$7.25 per ounce, only then to sink to a recent low of below \$7 per ounce in 2003.

As shown on the Figure, silver prices climbed (along with other precious metals and most commodities) during the metals super cycle. Following the Global Financial Crisis, real silver prices peaked in April 2011 due to uncertainties associated with continuing quantitative easing monetary policies by key global Central Banks and bullish expectations for the industrial uses of silver. More recently the average real price has climbed from approximately \$16.25 per ounce in 2018 to over \$20.50 per ounce in 2020.

Switching to more recent price trends, Figure 2 displays nominal (or non-inflation adjusted) silver over the last 14 months. From the beginning of 2020 through March 11th (when the World Health Organization first characterized Covid-19 as a pandemic), silver prices averaged ~17.80 per ounce. On March 13th, then President Trump declared a national emergency. Subsequently,

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¹ See, W. Silber, "The Story of Silver – How the White Metal Shaped America and the Modern World."

² The Gold Reserve Act of 1933 (later amended as the 1933 Emergency Banking Act was still effective. This was result of the President Roosevelt executive order (The gold Reserve act of 1933), whereby private citizens in the U.S. were forbidden from owning/hording gold coins, bullion and certificates. This remained enforce until President Gerald Ford signed a bill legalizing private ownership which went into effect December 31, 1974.

Figure 2: Silver Prices Over the Months of Covid

Source: Bloomberg, Capitalight Research

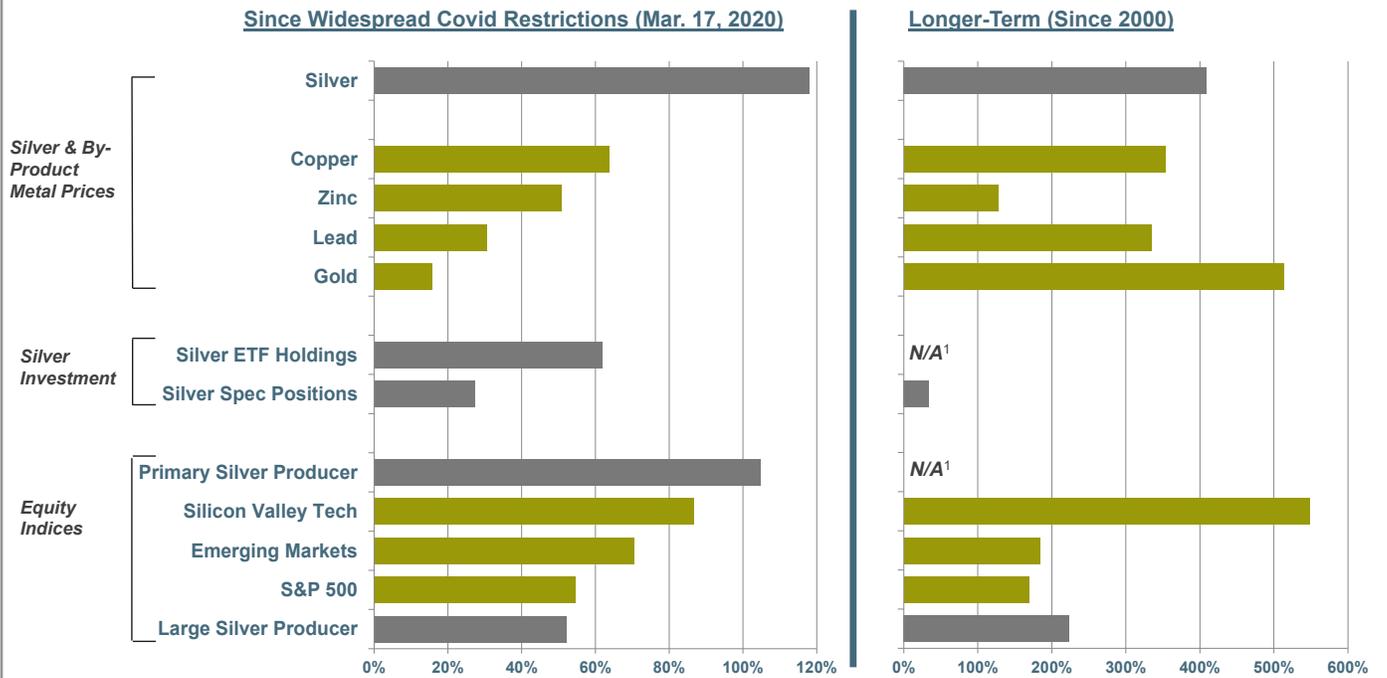
California issued the nation's first "Stay at Home" order, silver prices aggressively declined, with the gold-to-silver ratio hitting an all-time high of 123 (meaning based on current prices at the time, it would take over 123 silver ounces to buy one ounce of gold) on March 17th. By March 19th silver sank to a low of just over \$12 per ounce. Driven by strengthening safe-haven investment demand, silver prices progressed upwards. From mid-June, over the next two months, prices climbed by approximately 48 percent (from slightly over \$17 per ounce to well over \$28 per ounce on August 7th). Driven by strong investment demand and a weakening U.S. dollar, on September 1st, silver prices climbed to an 8-year high of slightly under \$29 per ounce. Later in the month, prices dropped to nearly \$22 due to continuing uncertainties associated with the Trump Administration response to the Pandemic and a stronger U.S. dollar. In December, silver prices regained upward traction, climbing to over \$27.50 in early January, 2021. On February 1st, following an attempted short squeeze (driven primarily by the WallStreetBets and Robinhood crowd following the GameStop shorting activity), prices peaked at nearly \$29.60 per ounce. Overall, since the Covid-19 Pandemic became widespread and more thoroughly recognized by global markets, silver prices have climbed by over 120 percent.

Relative Performance of Silver

Figure 3 provides comparisons of the price appreciation of silver relative to key metals for which silver is an important by-product and with related investment and equity indices over the Covid-19 Pandemic. Also shown is a longer-term perspective since the turn of the millennia. As previously mentioned, silver prices

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Figure 3: Relative Performance – Silver Related Prices and Indices



¹The Capitalight Primary Silver Producer equity index begins in 2008 while the 1st Silver ETF began trading in 2006.
 Source: Bloomberg, Capitalight Research

have climbed nearly 120 percent since Covid restrictions became more widespread. This has far exceeded price gains recognized by key by-product metals, led by copper prices that are up over 60 percent.

Global holdings in silver ETFs have also increased by over 60 percent and speculative net-long positions on the Comex are up nearly 30 percent. Primary silver producing company equities as represented by the *Capitalight Primary Silver Producer Index* have outperformed relative to other key equity indices³. The Primary index is up over 100 percent during Covid, outweighing those gains in the Silicon Valley High Tech Index which is up 87 percent and includes notable companies such as Apple, Facebook, Intel, among others. Also of note is the outperformance of the primary equities relative to the large silver producing equity index (composed of the largest silver producers that generally produce silver as a by-product) and is up only slightly over 50 percent.

Since the turn of the millennia, silver prices have gained over 400 percent from \$5.33 in January 2000 to over \$27 per ounce currently. As shown, this gain has been eclipsed by the increase in gold prices (up over 500 percent). By comparison, The High Tech index has climbed nearly 550 percent, with the wider S&P 500 only up ~170 percent.

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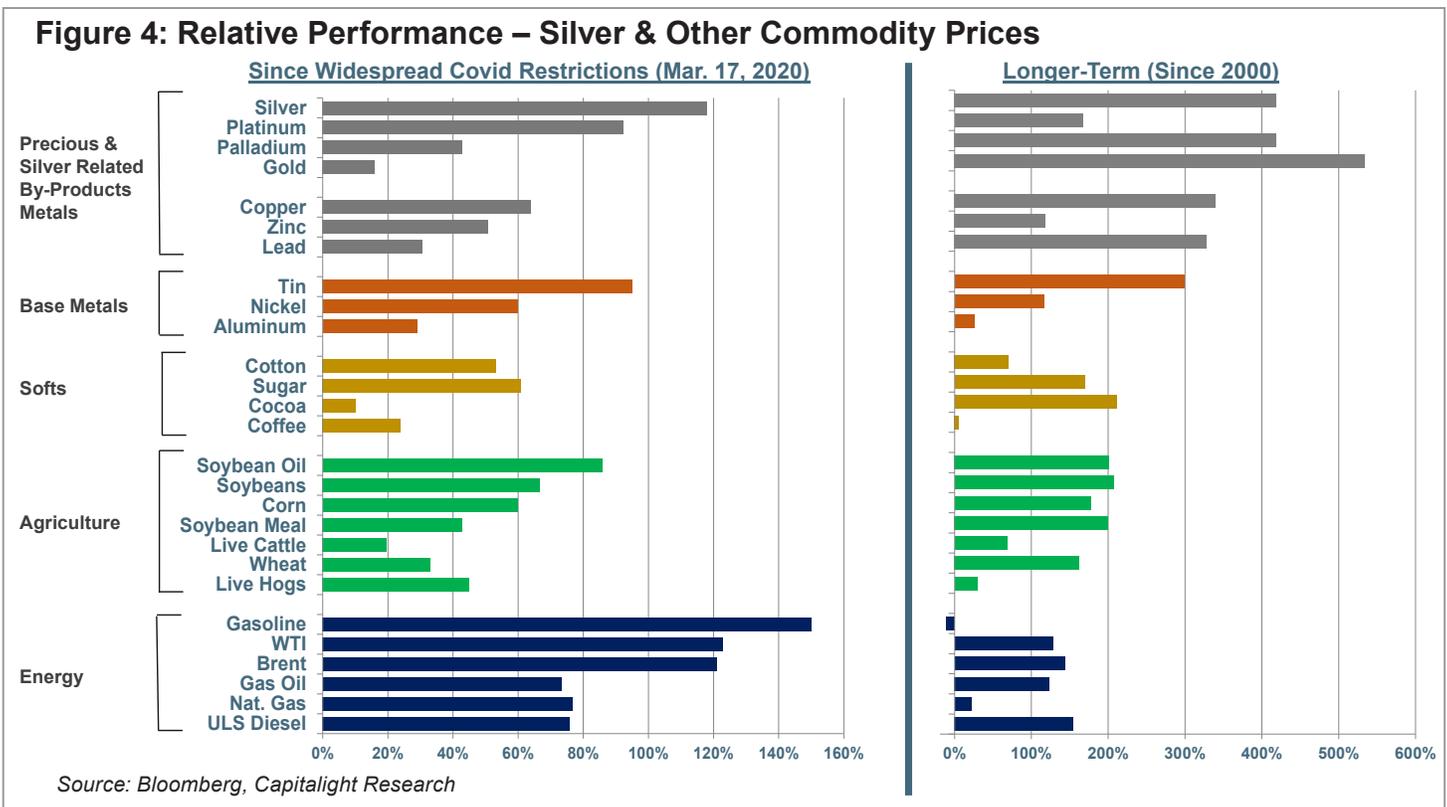
³ For further information the Capitalight Primary and Large Silver Producer Indices, please see the [January 2021 Silver Monitor](#)

Figure 4 provides performance comparisons for the prices of silver relative to other commodities. Across the wider commodity sector during Covid, the impressive silver price gain of nearly 120 percent has only been outmatched by gasoline, West Texas Intermediate and Brent crude prices. Initially during the Pandemic, crude prices (as well as the prices for refined products) were severely impacted by both a Covid driven demand shock and from the threat of oversupply due to disagreements between Saudi Arabia and Russia over OPEC output restrictions early on in the Pandemic. Of note, since the U.S. Presidential election, crude oil prices are up nearly 70 percent due to lower economic uncertainty and improved expectations for global economic activity.

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Silver Price Outlook

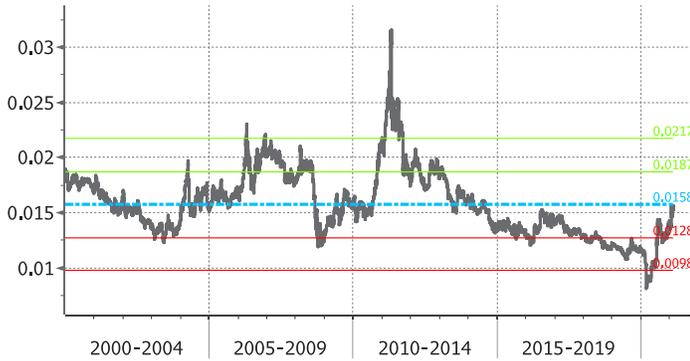
As discussed, during Covid silver’s price gains have been impressive. We continue to remain bullish on our outlook for prices. Year-to-date, silver prices have averaged \$26.50 per ounce which has slightly exceeded our most recent forecast of approximately \$25 per ounce for the 1st quarter of the year. Driven by continuing low interest rates and increased global liquidity, we expect further gains, with prices averaging over \$29 per ounce during the 4th quarter of 2021 .



4 Capitalight’s most recent price outlook is detailed in the [December 2020 Silver Monitor](#)

Silver Price in Commodities

Silver in Gold



Silver in Copper



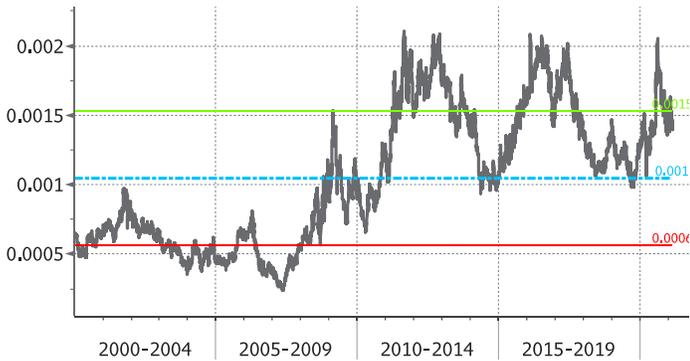
Silver in Lead



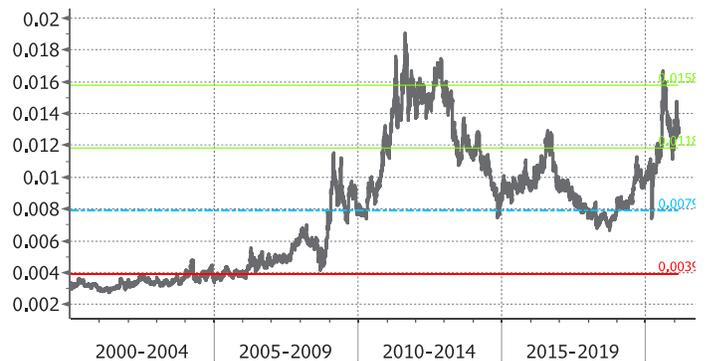
Silver in Zinc



Silver in Nickel



Silver in Aluminum



Silver in Platinum



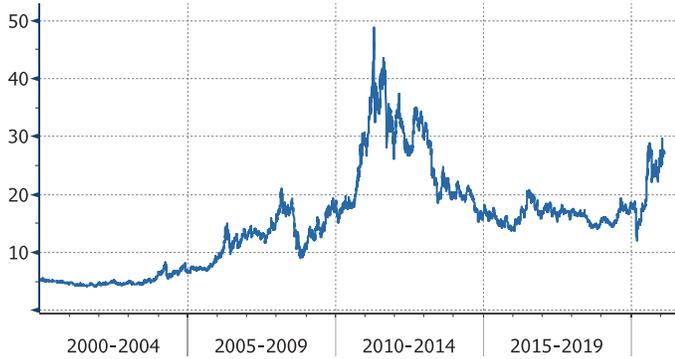
Silver in Oil



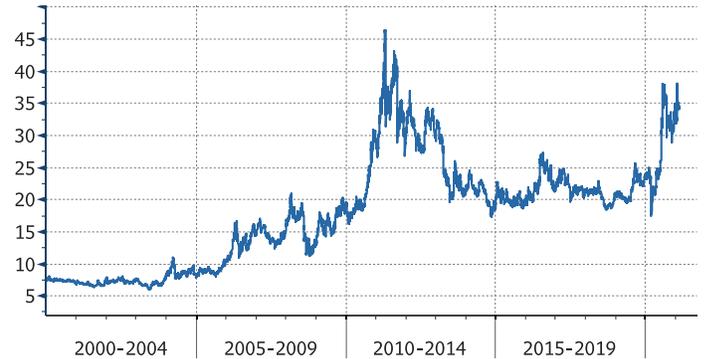
Source: Bloomberg, Capitalight Research

Silver Price in Currencies

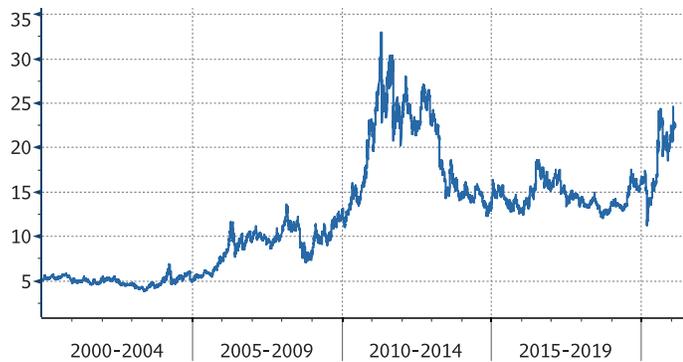
Silver Price in US Dollars



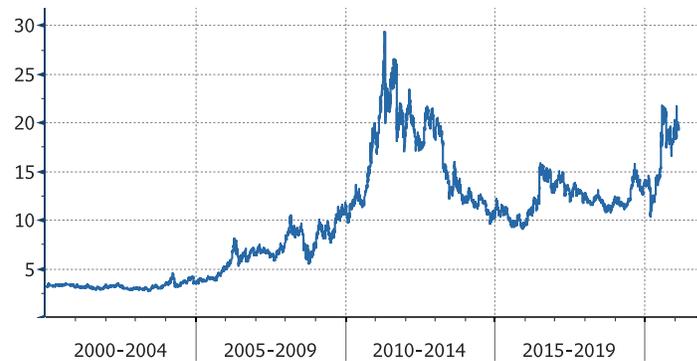
Silver Price in Canadian Dollar



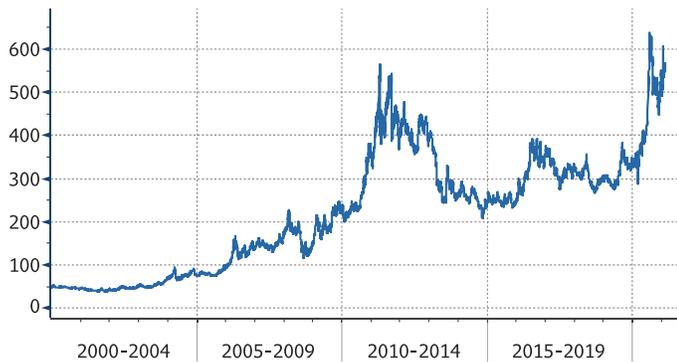
Silver Price in Euros



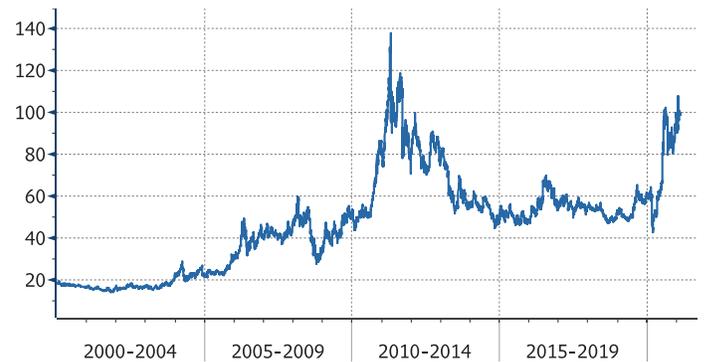
Silver Price in UK Pounds



Silver Price in Mexican Pesos



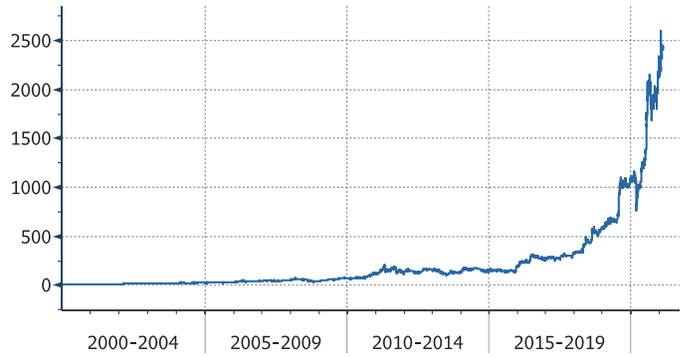
Silver Price in Peruvian Nuevo Sol



Silver Price in Chilean Peso



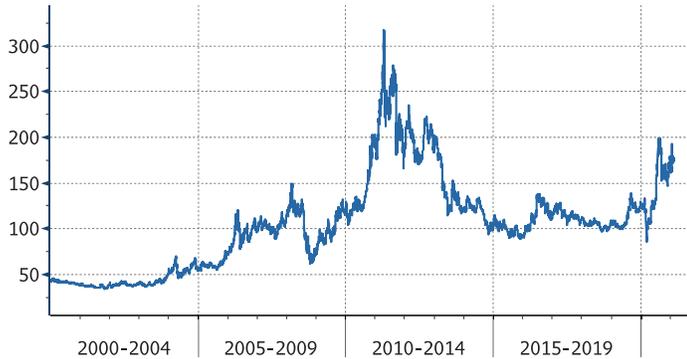
Silver Price in Argentine Peso



Source: Bloomberg, Capitalight Research

Silver Price in Currencies (continued)

Silver Price in Chinese Renminbi



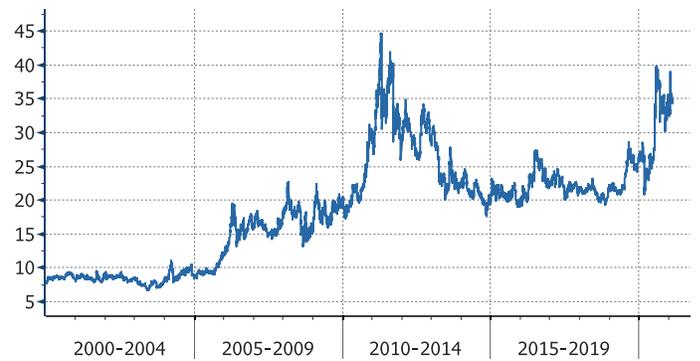
Silver Price in Indian Rupees



Silver Price in Russian Ruble



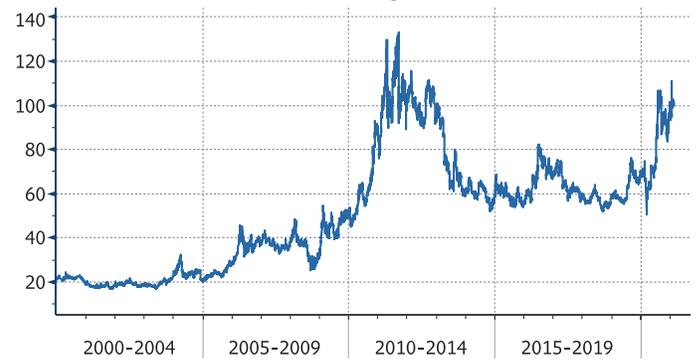
Silver Price in Australian Dollar



Silver Price in Turkish Lira



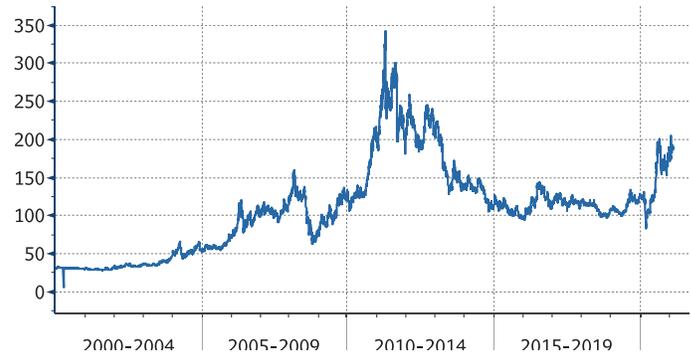
Silver Price in Polish Zloty



Silver Price in Swedish Krona



Silver Price in Bolivian Boliviano



Source: Bloomberg, Capitalight Research