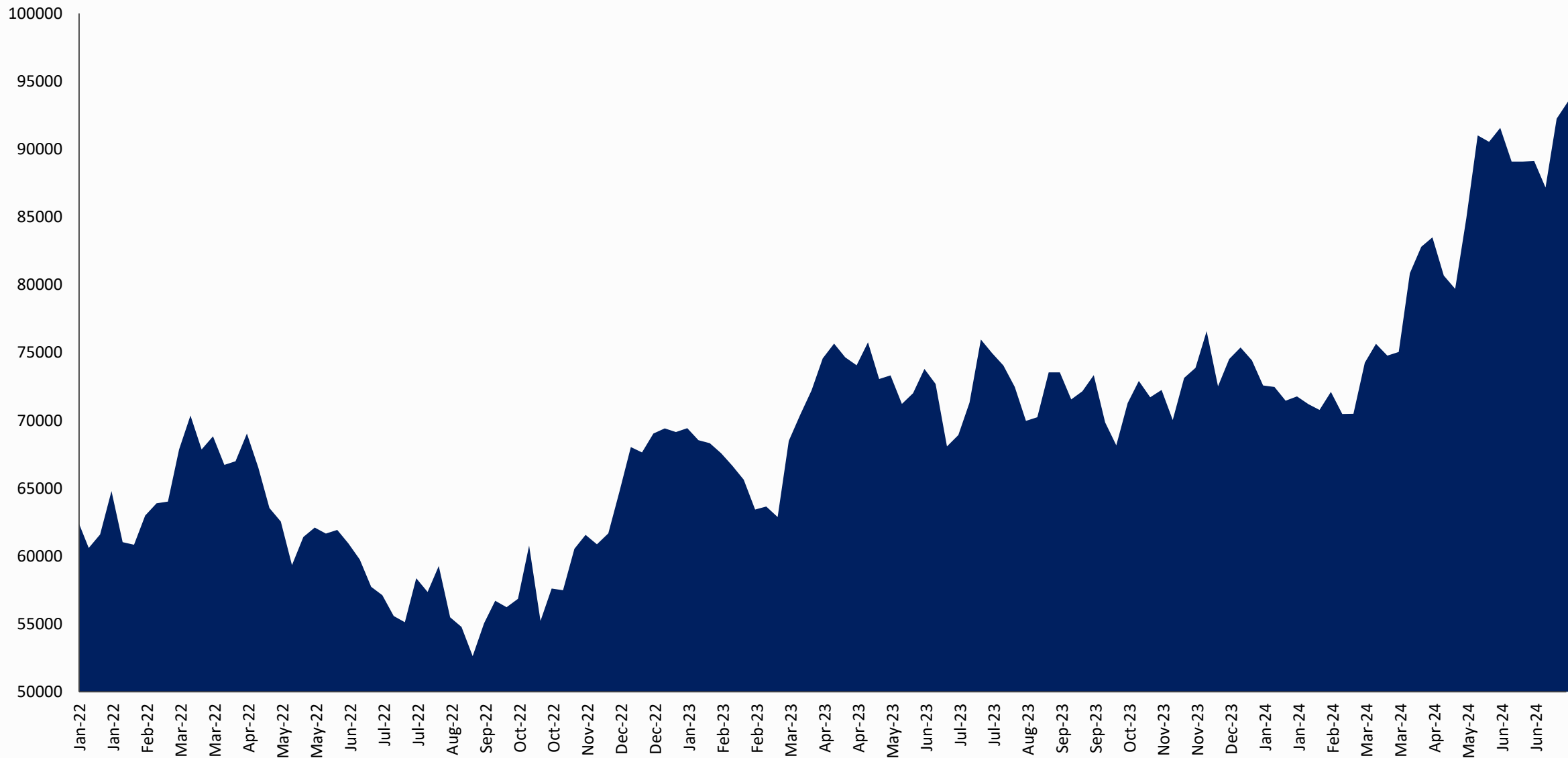


Riding the Silver Bull Run



Silver's (₹) Price from 2022-2024

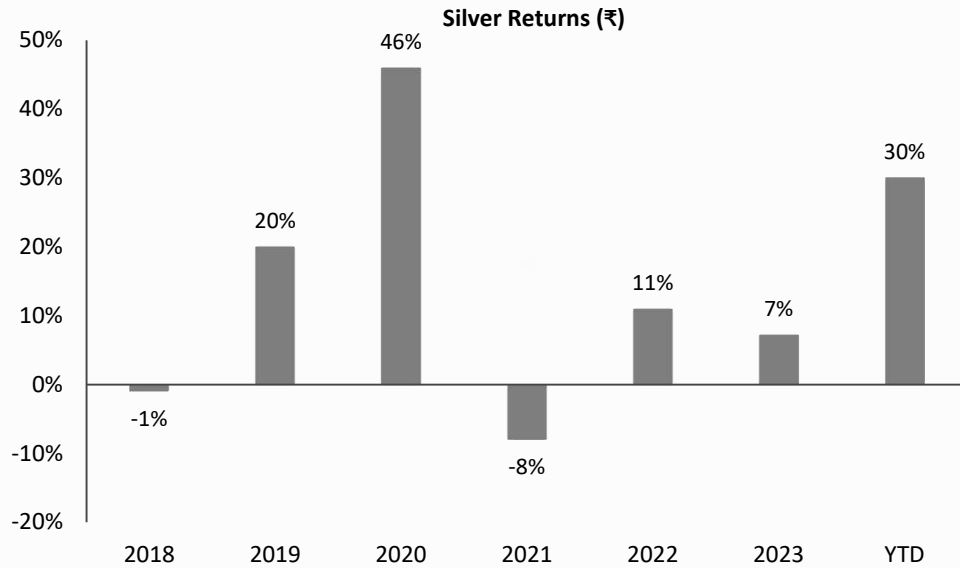


Source: Reuters

Silver's performance in different currencies

Silver's Performance in Major Currencies (2000-2024 YTD)

Year	USD	EUR	GBP	CNY	JPY	INR	Average
2000	-15.0%	-9.1%	-8.4%	-15.0%	-5.0%	-8.9%	-10.2%
2001	0.4%	6.2%	3.3%	0.4%	15.7%	3.8%	5.0%
2002	3.3%	-12.4%	-6.8%	3.3%	-6.9%	2.7%	-2.8%
2003	24.6%	3.9%	12.5%	24.6%	12.6%	18.6%	16.1%
2004	14.5%	6.3%	6.6%	14.5%	9.3%	8.6%	10.0%
2005	29.7%	48.5%	44.6%	26.5%	49.3%	35.0%	38.9%
2006	46.1%	31.1%	28.4%	41.3%	47.4%	43.3%	39.6%
2007	14.8%	3.8%	13.3%	7.4%	7.4%	2.5%	8.2%
2008	-23.5%	-20.2%	3.9%	-28.5%	-37.7%	-5.6%	-18.6%
2009	48.9%	45.4%	34.7%	49.0%	52.7%	42.3%	45.5%
2010	83.4%	96.2%	89.9%	77.0%	60.2%	76.6%	80.6%
2011	-10.3%	-7.2%	-9.9%	-14.3%	-14.9%	6.4%	-8.4%
2012	9.5%	7.3%	4.8%	8.4%	23.4%	13.6%	11.2%
2013	-36.0%	-38.5%	-37.2%	-37.8%	-22.3%	-24%	-32.6%
2014	-19.3%	-8.3%	-14.2%	-17.3%	-8.3%	-18%	-14.2%
2015	-11.7%	-1.6%	-6.7%	-7.6%	-11.2%	-7.2%	-7.7%
2016	15.2%	19.0%	37.6%	23.2%	11.9%	17.3%	20.7%
2017	6.4%	-6.8%	-2.9%	-0.3%	2.5%	-0.1%	-0.2%
2018	-8.7%	-4.4%	-3.2%	-3.5%	-11.2%	-1%	-5.3%
2019	15.2%	17.8%	10.8%	16.6%	14.2%	20%	15.8%
2020	47.8%	35.7%	43.4%	38.6%	40.5%	46%	42.0%
2021	-11.7%	-5.2%	-10.8%	-14.1%	-1.4%	-8%	-8.5%
2022	3.0%	9.4%	15.2%	11.8%	17.3%	11%	11.3%
2023	-0.9%	-3.0%	-5.8%	2.0%	6.7%	7%	1%
2024 YTD	30.2%	32.5%	30.1%	33.0%	48.0%	30.0%	33.4%



Source: Reuters

Correlation and Returns against Silver (\$)		
	Correlation (2024)	YTD Gains
Silver (\$)	-	30%
Dollar Index	65%	3.8%
Gold (\$)	94%	14.6%
Crude (\$)	48%	13.6%
Copper (LME)	93%	15.3%
Nifty	74%	12.4%

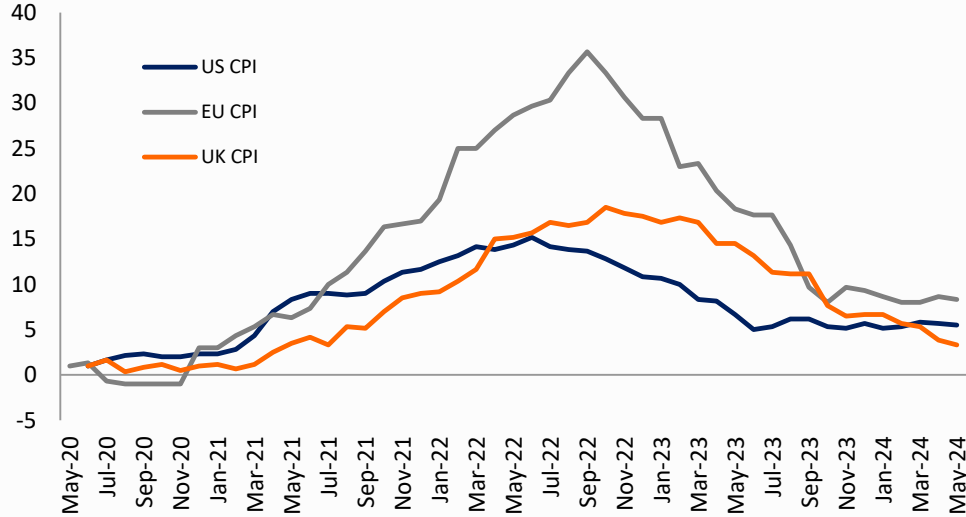
Source: Reuters

- Silver moves away from the slow mover tag, having moved swift and steadily for this year
- After a steady start, silver has gained by ~30% YTD
- It looks set to win the gold – silver race, despite wearing rabbit shoes
- Ambiguity regarding Fed interest rate cuts this year has kept investors on edge
- In recent Fed meeting interest rates were kept unchanged
- The Dot plot showed only 1 rate cut in 2024, down from 3 signalled in March
- Fed officials now await further evidence of easing inflation
- Weak US Economic data from the US are supporting precious metals
- Probability for a rate cut is at 70% for September Fed meeting
- Geo-political tensions have also been providing jerks to market from side-lines
- Domestic import in 2024 has also increased significantly, up by ~4000 tonnes
- ETF flows are modest, but speculative buying has cushioned prices
- Silver institute suggests that market balance for silver could remain in deficit
- Positive signals from China on economic growth or industrial demand could further support prices.

Inflation and Growth

Inflation: Down from the peak, but away from target

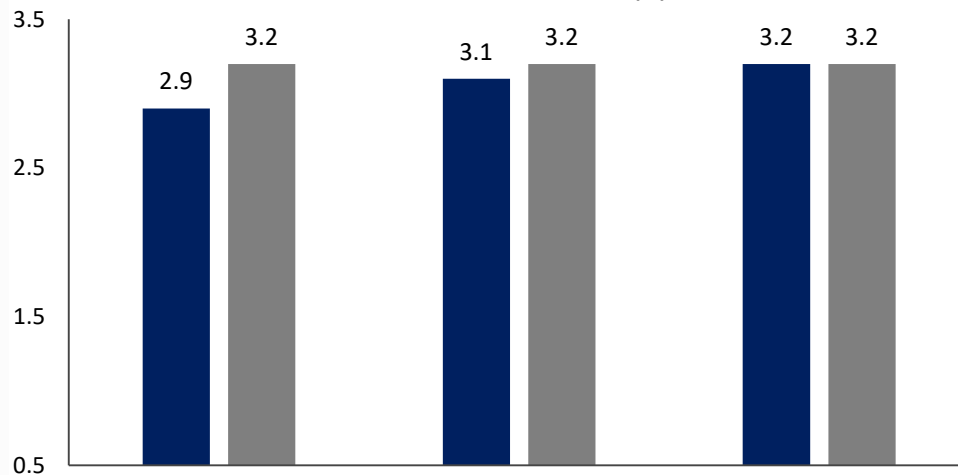
Inflation Trends of US, EU, and UK (May'20=1)



Source: Reuters

Higher Growth Forecasts, despite rate hikes and qualms

IMF Global Growth Forecast (%):

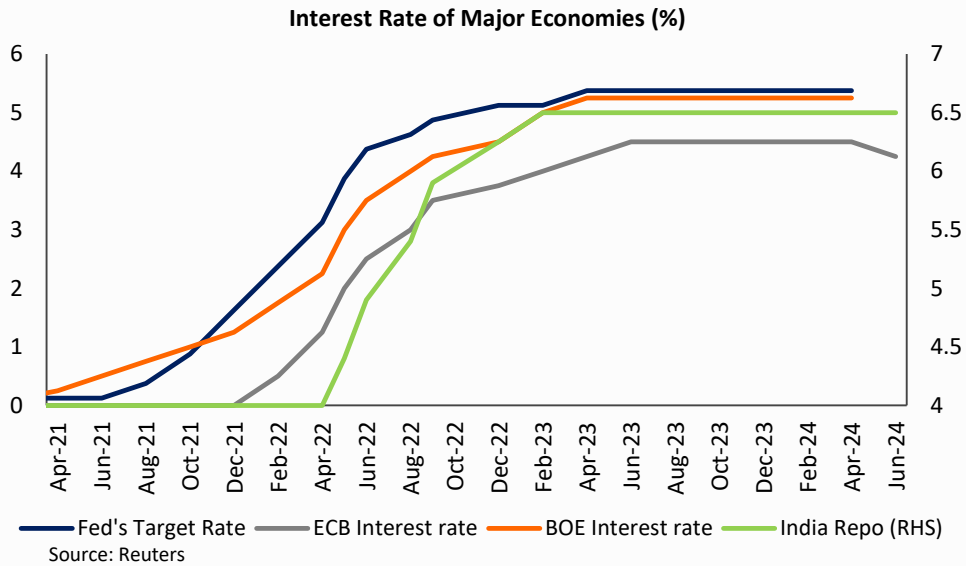


Source: IMF

- Central Banks (CB's) around the globe have been in limelight since past few years
- Inflation has been under scrutiny ever since it went up in 2021
- Post QE in 2020, inflation of major economies had reached near double digits
- To calm these inflationary pressures, major CB's have raised interest rates by ~1600bps since 2022
- Fed announced QT measures to reduce their already bloated balance sheet
- Amidst these measures, inflation pressures eased off significantly
- Even after spike in rates, no major economic impact was seen on economies
- Recent economic numbers have started to show sign of weakness
- ECB recently announced a hawkish cut of 25bps, further updates will be important to watch for.
- However, IMF's recent report showed steady growth trajectory in 2024 and 2025
- US GDP was also reported recently at 1.4%
- It will now be important for the Fed to strike a balance between Inflation and Growth

Major Central Banks Action

Interest Rates holding ground near recent peak



Fed's first rate cut is being priced in the month of September

Fed interest rate probabilities (%)					
	425-450	450-475	475-500	500-525	525-550
31-07-2024	-	-	-	4.7%	95.3%
18-09-2024	-	-	3.3%	70.0%	26.7%
11-07-2024	-	1.4%	31.3%	51.8%	15.5%
18-12-2024	1.1%	25.3%	47.7%	22.8%	3.1%

Source: cmegroup

- US central bank raised rates from 0% to ~5% in a year and is now steady
- In 2024, Fed has not announced any change in interest rate yet
- As inflationary concerns dropped market participants are bracing for rate cut
- Policymakers on other hand, want the inflation to reach around their target of 2%, Fed has announced reduction in the pace of their QT
- Governor Powell has mentioned that either fall in inflation or slowdown in growth could ignite the rate cut cycle
- From bets of around 3-4 rate cut at the start 2024, we are down to just one
- Interest rate probabilities has played a crucial role this year
- The rate cut probability has shifted from March to May to July to now Sep'24 supporting an up-move in precious metals
- Sharp difference in what the market is pricing and Fed's action is really intriguing
- CME Fed watch tool suggests, market is pricing ~70% chance for a rate cut in September Fed meeting

China and its impact on Silver (Precious + Industrial metal)

China property sector continue to struggle



Source: tradingeconomics

10% fall in China's Reserve Requirement Ratio in last 8 years



Source : Reuters

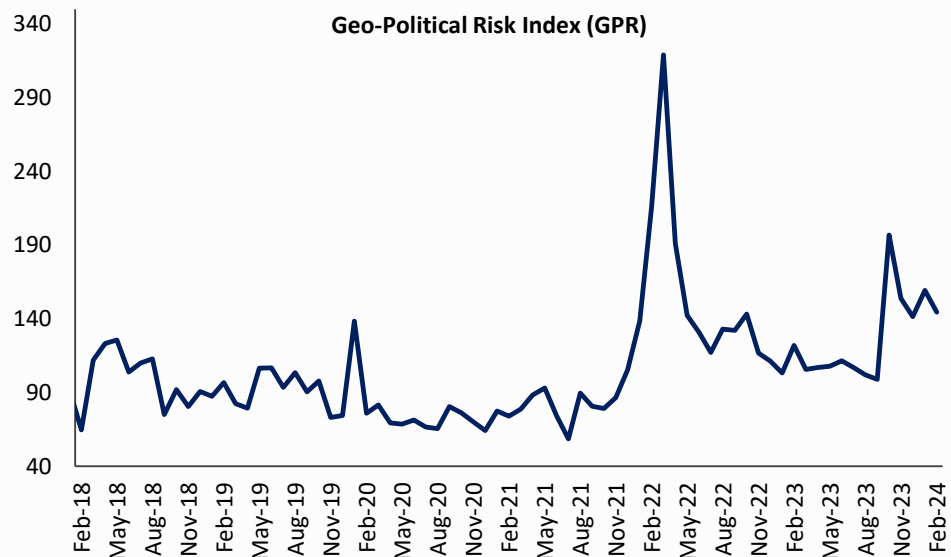
- **China** is one of the largest consumer and producers of several industrial metals
- Hence, any major move in industrial metal also triggers a move in Silver
- It was one of the only economy to have had a three year lockdown during pandemic
- Amidst this extended shutdown, economic activities had come to bare minimum
- Property sector which was under distress earlier, fell further into the hole
- China property investments fell by ~10% in first half of 2024, despite drop in prices
- Lack of FDI and slower growth increased pressure in other sectors as well
- Manufacturing PMI has been consolidating around the psychological 50 mark
- On positive side, market participants are hopeful for a liquidity push by PBoC
- Chinese inflation is near 0% so, the central bank has lot of room to cut rates
- RRR has dropped significantly over the years, but no major change in LPR has been announced
- Government has announced several measures to boost property sales and overall economy
- Chinese equity market have reversed significantly - crude, copper and gold imports are also quite high giving some confidence of the freshly brewing China story.
- Can read more about in our insight report "[The China Story](#)"

Geo- Political Tension

Geo-political tensions increase the risk premium



Geo-political risk index increased significantly since 2022

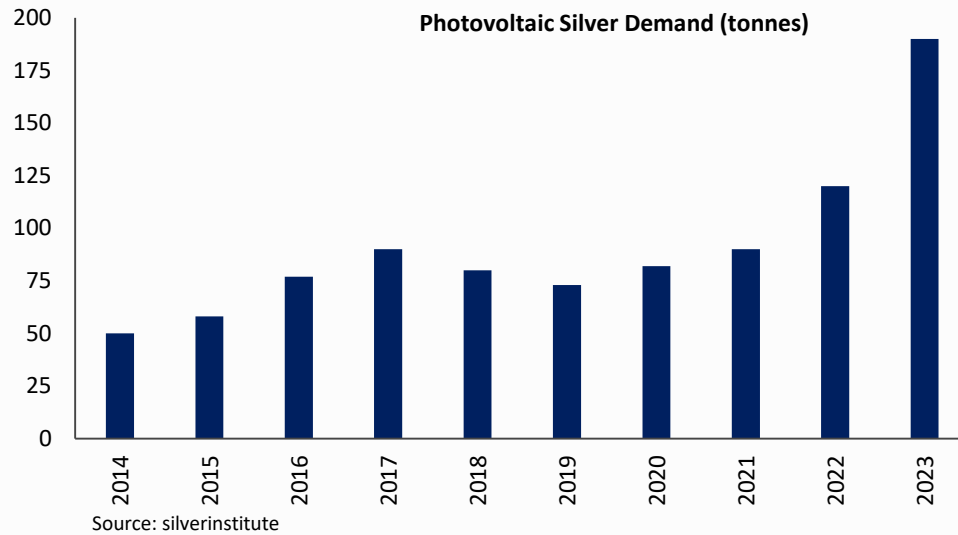


Source: Bloomberg

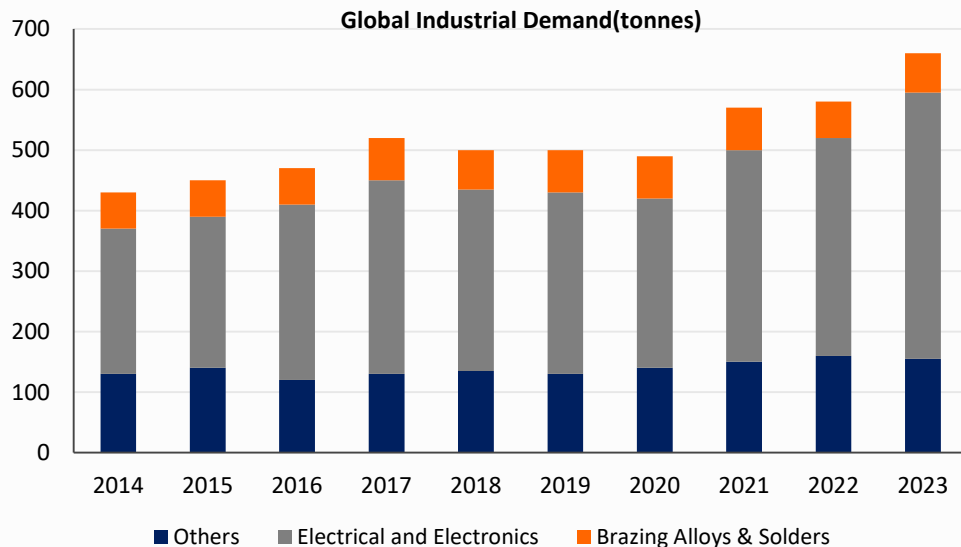
- Panic, distress or black swan events are supportive for safe haven assets
- Since 2022, i.e. Russia invaded Ukraine the risk premium in the market have been elevated
- Be it trade tensions in 2019, Russia-Ukraine 2022, Israel-Hamas 2023, all geo-political tensions are still active and providing jerks to market from side-lines
- Being an election year in the US, economic uncertainty could also boost safe haven appeal for Silver
- Before US elections, all efforts are towards a possible ceasefire – an ease off in the current tensions
- However, Israel continues to attack borders of Gaza and increasing tensions in the Middle east
- There are also updates regarding possible tensions between China and Taiwan
- To top it up, if possibility of former President Trump wining increases, we could once again see a spike in volatility
- It is safe to say that Geo-political tensions have helped precious metal pack to keep shifting its range higher

Green Technological Advancements

PV Silver Demand supporting overall industrial demand



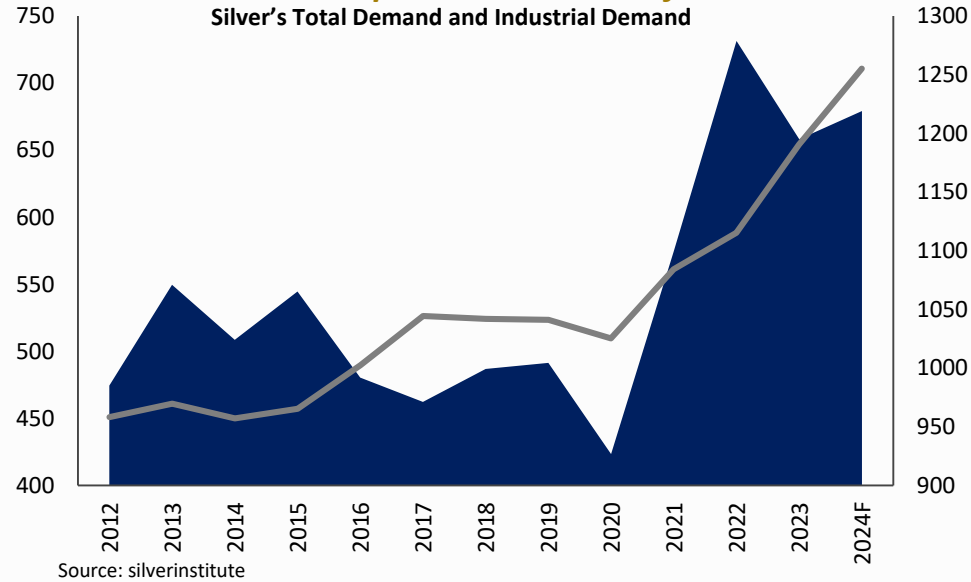
Electronics and Electrical demand grew by 20% in 2023



Silver institute report suggest the following:

- Green Tech advancement has always been supportive to the silver story
- Green Economy applications are one of the main reasons for a 11% industrial demand rise in 2023
- From Solar Panels, EV vehicles to 5G technology, silver demand is everywhere
- China accounts for 90% of global panel shipments
- China’s newly added installations hit a record of 216GW bringing the world to 400GW
- Also, Industry is seeing a shift in cells i.e from PERC to TOPCon and HJT where silver requirement is higher
- In 2024, global additions are expected to be in range of 550-600GW
- There was growth in electronics for automotive applications in 2023
- The electrical sector benefited from the ramping-up investment in power grids and 5G networks
- Given the promising outlook for PV and the solid gains from power grids and 5G/6G networks, total demand in the electrical and electronics segment is expected to enjoy double-digit growth in 2024

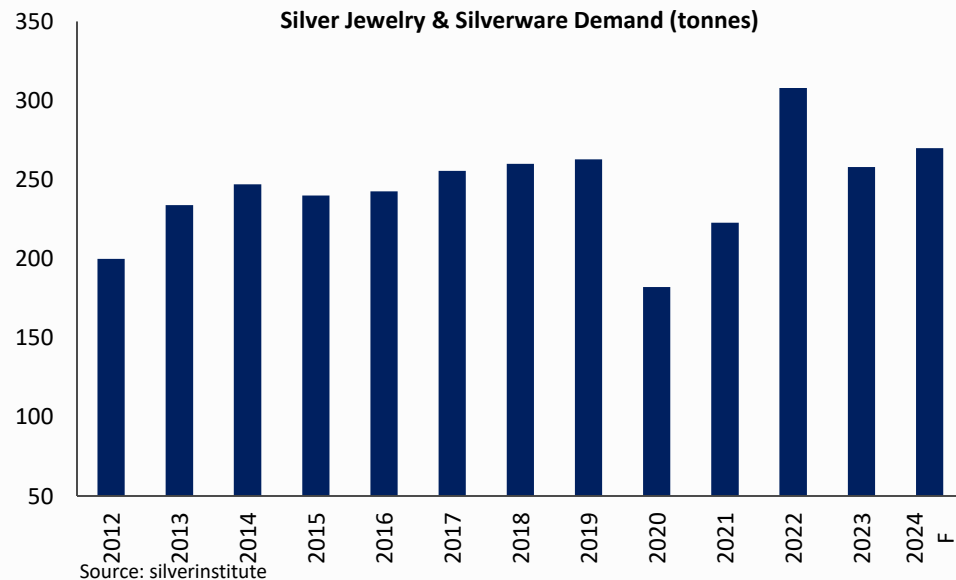
Industrial Demand is expected to be 60% of total demand



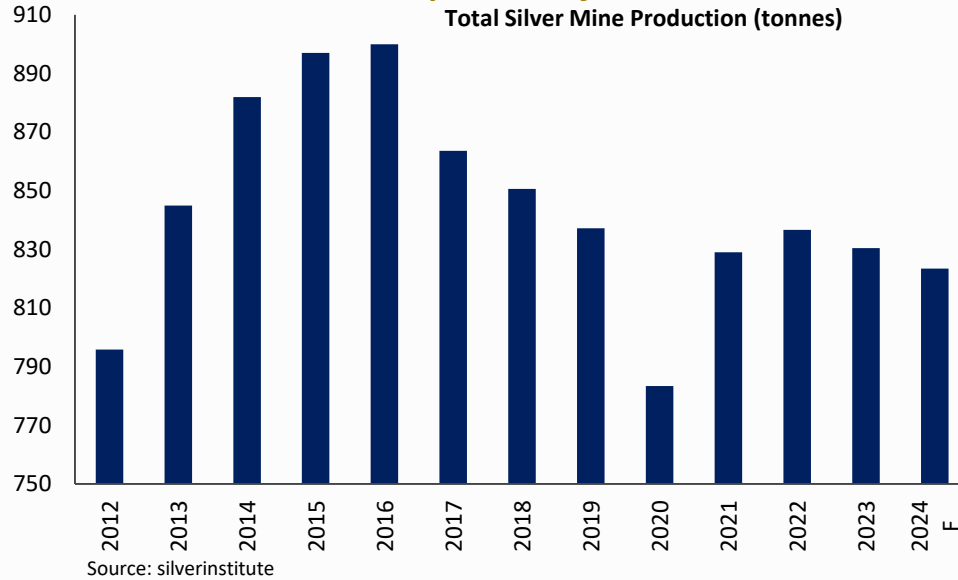
Some interesting Silver demand numbers from Silver institute forecast report

- Total Demand is expected to grow by ~2% from 2023 to 2024
- Total Demand in 2024 is expected to be ~1219 tonnes, while 2022 demand was ~1279 tonnes
- Industrial Demand is expected to be at the highest @ ~710.9 tonnes
- Industrial Demand is expected to grow by ~8.5% since 2023 and ~40% since pandemic
- Jewellery and silverware is expected to increase by ~4.5%
- Net physical and photography demand are expected to fall

Slight pick-up in Silver Jewellery and Silverware Demand



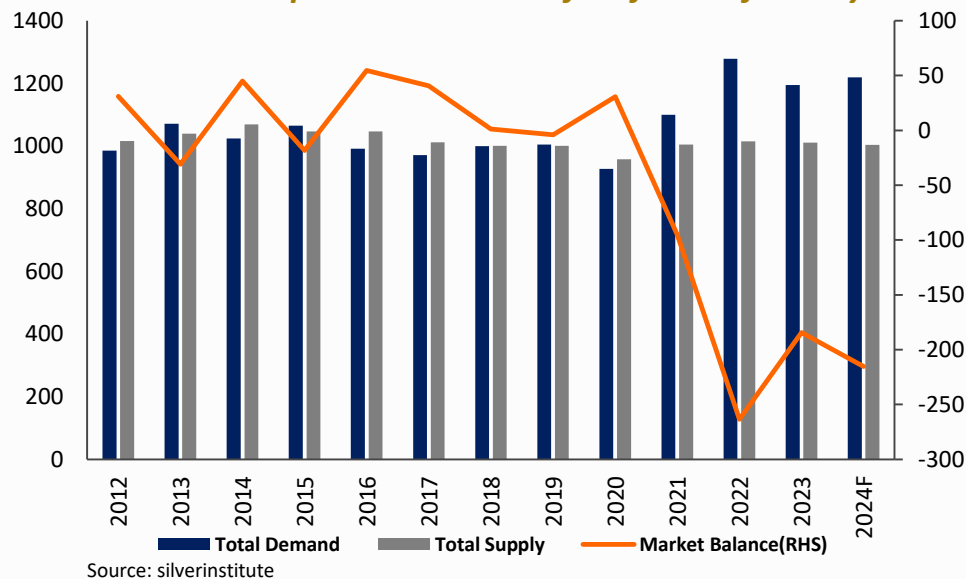
Silver Mine Production expected to fall in 2024



Interesting Silver Supply number from Silver institute forecast report

- Total Supply is expected to fall by ~1% from 2023 to 2024
- Total Supply in 2024 is expected to be ~1004 tonnes, similar to what it was in 2021
- A fall of 1% is expected in Mine production from previous year
- Mine Production is expected to be @ 823.5 tonnes, amidst several challenges in mines increasing supply constraints
- Interestingly, life time high prices at domestic front is also not supporting the case for recycling
- Recycling is expected to be steady on Yearly basis
- Positive case for silver is its market balance
- Silver demand for the fourth year is expected to surpass Silver's supply
- That means market balance for Silver is expected to remain in deficit this year as well

Market Balance expected to be in deficit for the fourth year

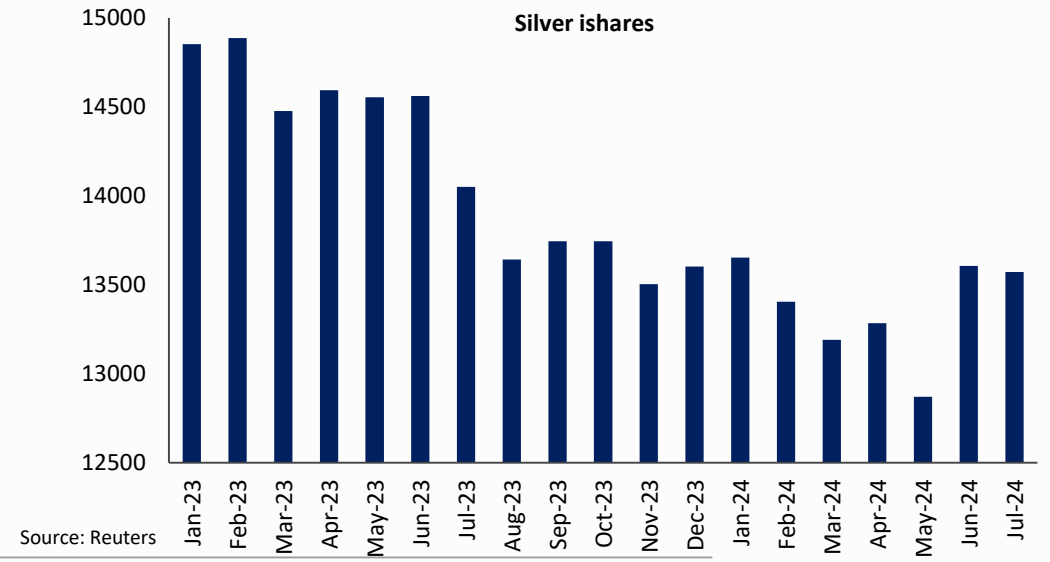


Silver Flows

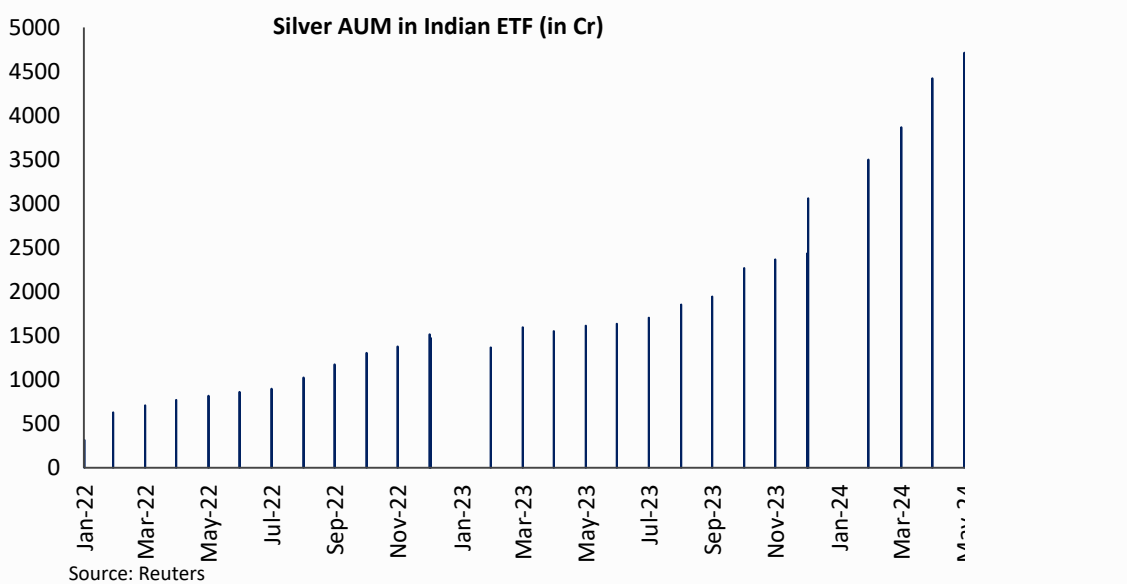
Domestic Silver imports surpassed last years inflow



Two months of relief after sharp outflows in Silver ishares



Significant jump in Silver AUM of major mutual funds



Long built up than short covering in Silver



Parity Price of Silver in Rupees at various dollar levels

Silver in \$ Rs/\$	26	28	30	32	34	36	38	40
80	76599	82491	88384	94276	100168	106060	111953	117845
81	77557	83523	89488	95454	101420	107386	113352	119318
82	78514	84554	90593	96633	102672	108712	114751	120791
83	79472	85585	91698	97811	103924	110038	116151	122264
84	80429	86616	92803	98990	105177	111363	117550	123737
85	81387	87647	93908	100168	106429	112689	118950	125210
86	82344	88678	95012	101347	107681	114015	120349	126683

 Most Probable path

 Alternative levels on weaker USD:INR correlat

- ***With over 30% gains in recent months, we are likely to see some profit booking at certain intervals, however any major dips could be used as an buying opportunity.***
- ***Important support is near ₹86,000-86,500; while we revise our targets higher from ₹1,00,000 to ₹1,25,000 on domestic front and \$40 on Comex, from a 12-15 month perspective.***
- ***Buying on dips is recommended for Silver***

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