

## A Confluence Of Events in Silver Have Come Together

### Part 2 of 3

5<sup>th</sup> March 2018

By D Mitchell

As the second instalment of our small series on why we are seeing optimal buying opportunities in silver, we look at industrial metal and the incredible historical undervaluation of silver.

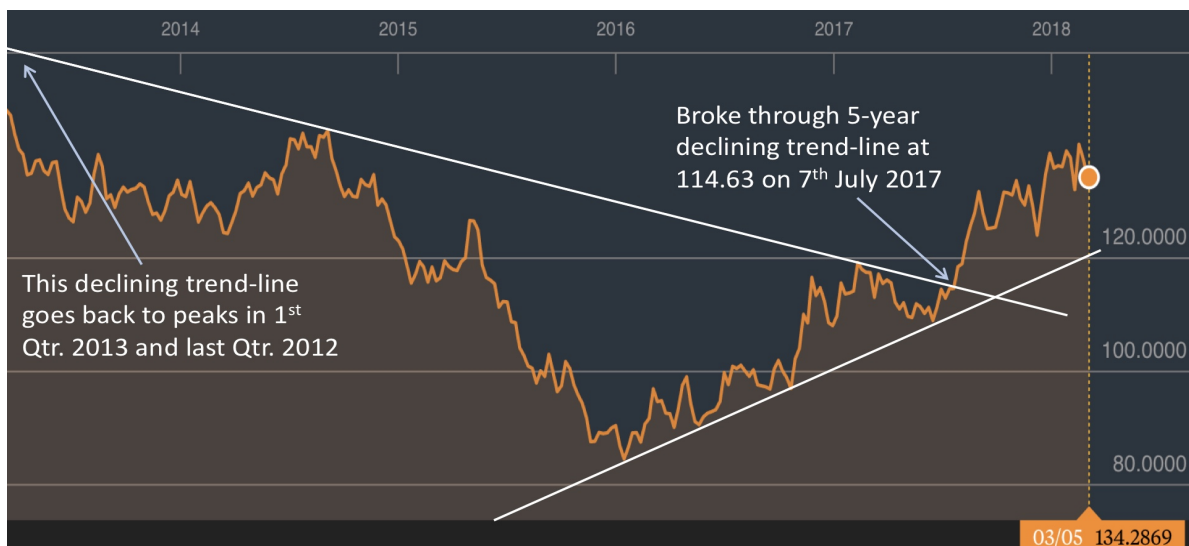
## Industrial Metal Pricing Surges Higher

Industrial metals broke higher through an important five-year down trend line as of 7<sup>th</sup> July 2017 and is solidly within a significant uptrend. Copper has been one of the driving forces with futures trading on the Comex market raced higher as global supply disruptions come back into view and large-scale speculators place huge bets on rising prices.

The price chart below is a Bloomberg index BCOMIN:IND

Formerly known as Dow Jones-UBS Industrial Metals Subindex (DJUBSIN), the index is composed of futures contracts on aluminum, copper, nickel and zinc. It reflects the return of underlying commodity futures price movements only. It is quoted in USD.

So why am I concentrating on this particular index and metals group ? Quite simply, apart from 30% of silver production coming from primary mining and 12% from gold mining, near 57% of silver production comes from bi-product mining of Lead, Zinc and Copper.



This index has surged **+65.6 %** since its lows on 15th January 2016 of 84.5825, presently trading at 134.31 or **+58.8%** from January lows.

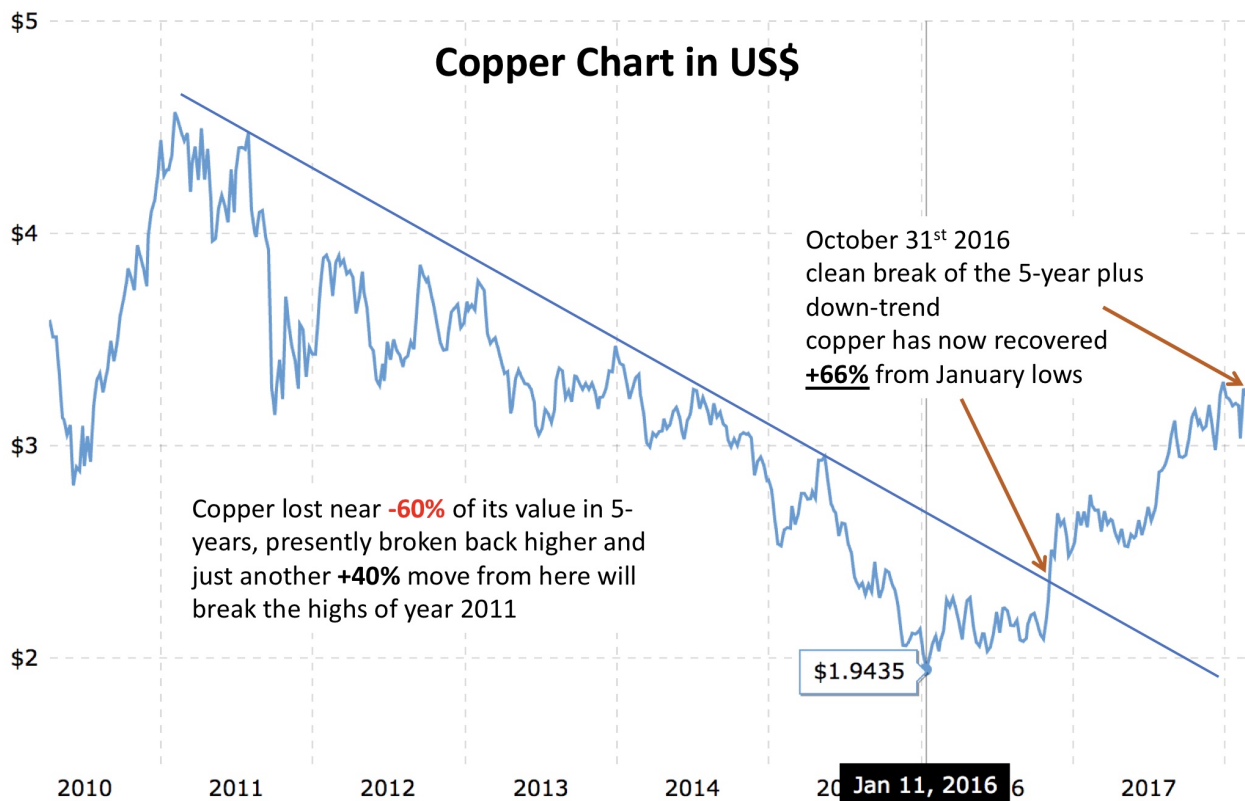
**SILVER OUTPUT BY SOURCE METAL**

(million ounces)	2015	% of	2016	% of
	Output	Total	Output	Total
Primary	262.4	29%	265.1	30%
Gold	116.5	13%	105.5	12%
Lead/Zinc	314.3	35%	309.4	35%
<b>Copper</b>	<b>192.8</b>	<b>22%</b>	<b>200.9</b>	<b>23%</b>
Other	4.9	1%	4.8	1%

Source: GFMS, Thomson Reuters

## Copper Prices

Copper's 2018 year to date gains in percentage terms now top **+25%** and the red metal has recovered **+66%** in value after falling to six-year lows of \$ 1.94 a pound in January 2016



So how well has silver done since its January 2016 low, as of today US\$ 16.57 its trading at only + **21 %**.

**So why do silver investors care what copper or the industrial metals are doing ?**

Well just as a little reminder .....

**Global Copper, Silver & Gold Mining Production Ratios For 2016:**

Copper = 19,400,000 metric tons (**704** times silver)

Silver = 27,551 metric metric tons (**8.5** times gold)

Gold = 3,236 metric tons (Copper / Gold mining ratio is **6,000** times)

Source : USGS, WGC, GFMS & Thompson Reuters  
(Information: 32,150.75 troy ounce in 1 metric ton)

As we can see, the world produces over **700 times** more copper than silver. The premise that the price of gold and silver should be based upon their production ratio of 8.5 to 1, is not currently true as the price ratio is closer to 80 to 1... nearly nine times higher.

Well let's have a look at what the price ratio's are telling us ?

The price of copper as today 5<sup>th</sup> March 2018 is 3.122 US\$ per lb, to covert this to grams you have to divide by 453.5923 (Avoir-Pounds) and then multiply by 31.1035 to derive the price per oz which is 0.21415.

**Gold** (\$ 1,326.70) / **Copper** 0.21415 = **6,195**      Nearly spot on to global production levels.  
**5<sup>th</sup> March 2018**

**Silver** 16.57 / **Copper** 0.21415 = **77**      Over 9 times undervalued compared to  
**5<sup>th</sup> March 2018**      global production levels !

In fact, the low in 2008 of Silver on the 16<sup>th</sup> October after the enormous capitulation of silver before the **+ 500% plus move higher into 2011**, saw a low of US\$ 9 and a copper price of 1.6750 lb on the same day.

$(1.6750 / 453.5923 * 31.1035 = 0.11485)$

**Silver** 9.00 / **Copper** 0.11485 = **78.36** - **16<sup>th</sup> October 2008**

**Now if I have completely lost you, then please let me bullet point as this is a very important and historical, see below .....**

# Conclusion

- Gold / Copper price ratio matches the mine production ratio near spot on.
- Silver / Copper price ratio effectively under-values silver by over 900% compared to mine production.
- The enormous near **-60%** capitulation of silver in 2008 before the enormous revaluation higher into 2011 saw a low of the Silver / Copper ratio of **78.36** and today's its **77** !!!



- The key industrial metals all involved in the bi-product production of silver have broken some significant long-term downtrends and have now made significant moves higher, **silver is a vital strategic industrial metal** - this cannot be ignored and clearly gives us lead indicators.

**It does not get much better than this as a long-term buying opportunity.**

**Part 3 of 3** will be issued very soon.

**Disclaimers** : IPM Group Pte Ltd. 30 Cecil Street, #19-08 Prudential Tower, Singapore, 049712, Company Registration No: 201428070N. All rights reserved. Any reproduction, copying, or redistribution, in whole or in part, is prohibited without written permission from the publisher.

Information contained herein is believed to be reliable, but its accuracy cannot be guaranteed. It is not designed to meet your personal situation – we are not financial advisors, nor do we give personalized advice.

The opinions expressed herein are those of the publisher and are subject to change without notice. It does not take into account the particular circumstances, investment objectives and needs for investment of any investor, or purport to be comprehensive or constitute investment advice and should not be relied upon as such. You should consult a financial adviser to help you form your own opinion of the information, and on whether the information is suitable for your individual needs and aims as an investor. You should consult appropriate professional advisers on any legal, taxation and accounting implications before making an investment.