



## 5 Things Investors Should Know About Silver

### Description

Here are five things prospective silver investors need to know.

#### 1. It is still about supply & demand

**Bank of Nova Scotia** noted in its “Precious Metals 2014 Forecast” (November 2013), “Silver’s fundamentals remain bearish, the supply surplus has grown as less metal has been absorbed by ETFs.”

The report also discussed silver demand. Fabrication demand encompasses silver’s use in industry (55% of fabrication demand), photography (7%), jewellery manufacturing (22%), silverware (5%) and in coin and medals making (11%). According to the World Silver Survey, fabrication demand fell 6.6% to 26,340 tonnes in 2012. Bank of Nova Scotia’s report was not optimistic for this year, expecting no robust recovery.

#### 2. Silver is volatile; price pressure continues

Silver’s price dropped 36% in 2013. Some of this price fall was due to the weaker U.S. dollar and a cutback in demand.

**Endeavour Silver** ([TSX: EDR](#))([NYSE: EXK](#)) is a mid-tier silver mining company operating in Mexico. For Q1 2014, it saw its realized silver price drop 30% to \$20.50 per ounce sold. This is consistent with the average spot price. Its revenue decreased 24% to \$53.0 million in Q1.

For Q1 2014, **First Majestic Silver’s** ([TSX: FR](#))([NYSE: AG](#)) mine operating earnings totaled \$16.6 million. This represents a drop of 52% from Q1 2013. This was mainly because of the decrease in the price of silver.

#### 3. Controlling silver production costs is essential to survival

Silver producers must get a handle on the cash cost of silver production. For Q1 2014, **Pan American Silver** (TSX: PAA)(NASDAQ: PAAS) had consolidated cash costs of \$8.25 per silver ounce, net of by-

product credits. This represents a decrease of 27% year-on-year.

Mr. Geoff Burns, Pan American's President & CEO said, "We have had a very strong start to 2014, recording increased silver and gold production at lower than forecast costs. The excellent production results are really just an extension of the operating efficiencies and momentum we generated over the second half of last year, in response to falling metal prices, and I fully expect it to continue throughout the year.

#### **4. Governments like taxing the mining sector**

Countries around the globe are battling crippling debt. Most are looking for ways to get out of the mess by aggressive means. Investors must understand what Deloitte noted in a 2012 report: "Notably, the bid to increase national revenues now extends beyond the introduction of new tax legislation. In addition to mining royalties, which tend to be charged against revenues rather than profits, many governments have begun to impose super-profit taxes, discovery bonuses, resource rents, licence fees, indigenization quotas, environmental levies and reconstruction tolls."

#### **5. There are silver investing alternatives**

**Silver Wheaton** (TSX: SLW)(NYSE: SLW) is the world's largest precious metals streaming company. It helps finance mining projects in exchange for the right to buy future silver production at a set price. The company offers investors a different way to invest in silver as it does not mine properties itself.

For Q1 2014, its attributable silver equivalent production increased 8% to 9 million equivalent ounces. However, as stated above concerning price, its average realized silver equivalent prices decreased 31% to \$20.38 per ounce. Silver Wheaton anticipates that its annual attributable production will increase to roughly 48 million silver equivalent ounces by 2018.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. NYSE:AG (First Majestic Silver)
2. TSX:EDR (Endeavour Silver Corp.)
3. TSX:FR (First Majestic Silver)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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#### **Date**

2025/08/25

#### **Date Created**

2014/05/19

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