



5 Catalysts Set to Drive a Rally in Silver

Description

Investors are piling into silver with the price of the lustrous white metal bouncing around its lowest point in four years and it is retail investors who are doing much of the buying. The plunge in silver can be attributed to a resurgent U.S. dollar which is continuing to strengthen on the back of a stronger U.S. economy.

This now sees a number of analysts claiming both silver and gold have further to fall. But I believe there are five key reasons for investors to remain bullish on silver, which over the long term will act as catalysts for rally in silver.

1. Investment demand is outstripping supply

In a recent Bloomberg article, the U.S. mint confirmed that after selling 126 million ounces of silver this month, it has already sold out of American Eagle silver coins. Silver ETFs are also experiencing a resurgence. Investors are piling into the largest silver ETF the **iShares Silver Trust** (NYSE: SLV) at an astonishing rate. For this month it has accumulated the largest amount of physical silver it has held in three years.

2. Gold-to-silver ratio is severely disconnected from the historical average

The ratio has moved to its widest point in over five years, with it now requiring 74 ounces of silver to buy one ounce of gold. This is well above the 100-year historical average of 47 ounces and the 45 ounces required at the height of the gold bull market.

Precious metals and rare coin dealer Blanchard have recommended investors sell gold and buy silver because of the significant price disconnect between the two precious metals, making silver much more attractive.

3. Silver price are more volatile than gold

Silver is far more volatile than gold, which is why silver offers greater upside with historical silver prices moving faster in percentage terms than gold. From their 2011 peaks, gold is down 32%, whereas silver

has plunged a massive 66%, highlighting that when silver breaks out it has the potential to gain at a far greater rate than gold, offering investors superior returns.

4. Industrial demand for silver continues to grow

In 2013 demand for silver outstripped supply and I expect this to continue through to 2015. More promising are signs that industrial demand for silver will grow exponentially over coming years.

It is fast becoming a key component used in the manufacture of a range of technology applications because of its conductive capabilities, with its use in flexible touch screens, LED chips, and semiconductor stacking to jump a massive 275% by 2018.

Silver is also a key component used in the manufacture of photovoltaic cells and with demand for photovoltaic cells expected to skyrocket so too will demand for silver. Currently the manufacture of photovoltaic cells accounts for around 10% of total silver consumption and this is expected to grow by 45 million ounces or 5%, between now and 2018.

5. Wall Street has bet heavily on silver

Despite claims institutional investors see silver as having further to fall, a number of Wall Street investors have made some big bets on silver investing in beaten-down silver miners.

One of the biggest bets by Wall Street is on precious metals streamer **Silver Wheaton Corp.** (TSX: SLW)(NYSE: SLW), with George Soros, John Hussman, and Ray Dalio investing US\$9 million, US\$5 million, and US\$6 million respectively. Another favourite is **Pan American Silver Corp.** (TSX: PAA)([NYSE: PAAS](#)) with Soros betting US\$11 Million, Hussman US\$3 million, and Dalio US\$9 million.

Wall Street has also bet heavily on gold miner **Goldcorp Inc.** (TSX: G) (NYSE: GG), which with silver reserves of 818 million ounces, more than many of the primary silver miners, offers investors exposure to both silver and gold.

While I don't expect silver to bounce back overnight, all of the signs are there for a concerted rally over the long-term. This makes now the time for investors to consider taking the plunge and investing a portion of their portfolio in my [preferred pick](#) Silver Wheaton or for a [contrarian play](#), Goldcorp.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:PAAS (Pan American Silver)
2. TSX:WPM (Wheaton Precious Metals Corp.)

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