



## Will Silver Ever Recover?

### Description

As a reformed silver bug and long-term investor in the white metal, I understand the pain felt by many silver investors since its price collapsed in late 2016 after breaking through the psychologically important US\$20 an ounce barrier. There is every sign that silver will [remain stagnant](#) for the foreseeable future, dashing my hopes that bullion will soar to over US\$20 per ounce.

This is bad news for silver miners, who have been punished by the market because of the white metal's weakness continuing with no sign of relief in sight.

The **Global X Silver Miners ETF**, which invests specifically in primary silver miners and counts 10 of the industry's largest among its top-holdings, has been marked down heavily by the market losing more than 26% since the start of 2018. This is almost double the 15% drop in silver over the same period, thereby indicating that the markets are extremely nervous about the prospects for primary silver miners.

Amid such a difficult operating environment, it doesn't pay to be a high cost operator like **Endeavour Silver Corp.** ([TSX:EDR](#))([NYSE:EXK](#)).

### Now what?

The stagnant outlook for silver becomes apparent given that demand has fallen sharply. This has occurred across all-forms of silver consumption, including a noticeable decline in the popularity of silver as an investment. During 2017 the demand for silver coins and bars plummeted by 27% compared to a year earlier. While industrial consumption expanded by 4% during that period, it was still a notable 7% lower than a decade earlier.

Some analysts have posited that the explosion in the [popularity of bitcoin](#) and other cryptocurrencies has attracted large amounts of capital that would otherwise have been invested in silver.

The overall trend appears to be that industrial demand for silver remains flat and could fall as industries that consume large amounts of the precious metal look for less costly substitutes. This scenario has seen the consumption of silver in the fabrication of photovoltaic cells fall recently because of

technological improvements and a push to cheaper silver substitutes.

The demand for silver for the manufacture of solar cells has therefore not expanded at a substantial clip as analysts were predicting in 2013 and 2014. The industry is already using thin-film systems that use less silver than previous thick-film technology. Other initiatives are underway to reduce the amount of silver used per photovoltaic cell, and in some cases replace the white metal with less costly conductive metals such as copper.

It is highly unlikely that the growing demand for solar arrays will drive the exponential growth in the industrial consumption of silver that analysts initially predicted. For these reasons, the past decades has seen some steep declines in the amount of silver consumed for electrical and electronic applications, brazing alloys and other industrial applications.

This long-term trend of weaker industrial demand along with growing mine production, which has shot-up by 24% over the last decade, is keeping a lid on silver prices and weighing heavily on the outlook of precious metals. The considerable impact this is having on the price of silver is magnified by higher interest rates and a firmer U.S. dollar, which are further reducing demand for the precious metal.

Every indication points to the combination of these factors preventing silver from [ever recovering](#) — and potentially causing it to fall further over coming months.

### So what?

In the case of Endeavour Silver silver's spot price, it is 16% lower than its second quarter 2018 all-in sustaining costs of US\$17.28 per ounce produced. This indicates that the miner's profitability will likely suffer because of [weaker silver](#) and the white metal's stagnant outlook, which is highlighted by its second-quarter loss of US\$5.7 million. Thus, Endeavour Silver, like other high cost operators, is an unattractive investment until the underlying fundamentals for silver improve.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:EXK (Endeavour Silver Corp.)
2. TSX:EDR (Endeavour Silver Corp.)

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