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## Claudio Grass on Precious Metals - Part 2: Silver

Precious metals are not only of economic importance, they are also becoming a geopolitical factor. Claudio Grass on silver.

*Claudio Grass*

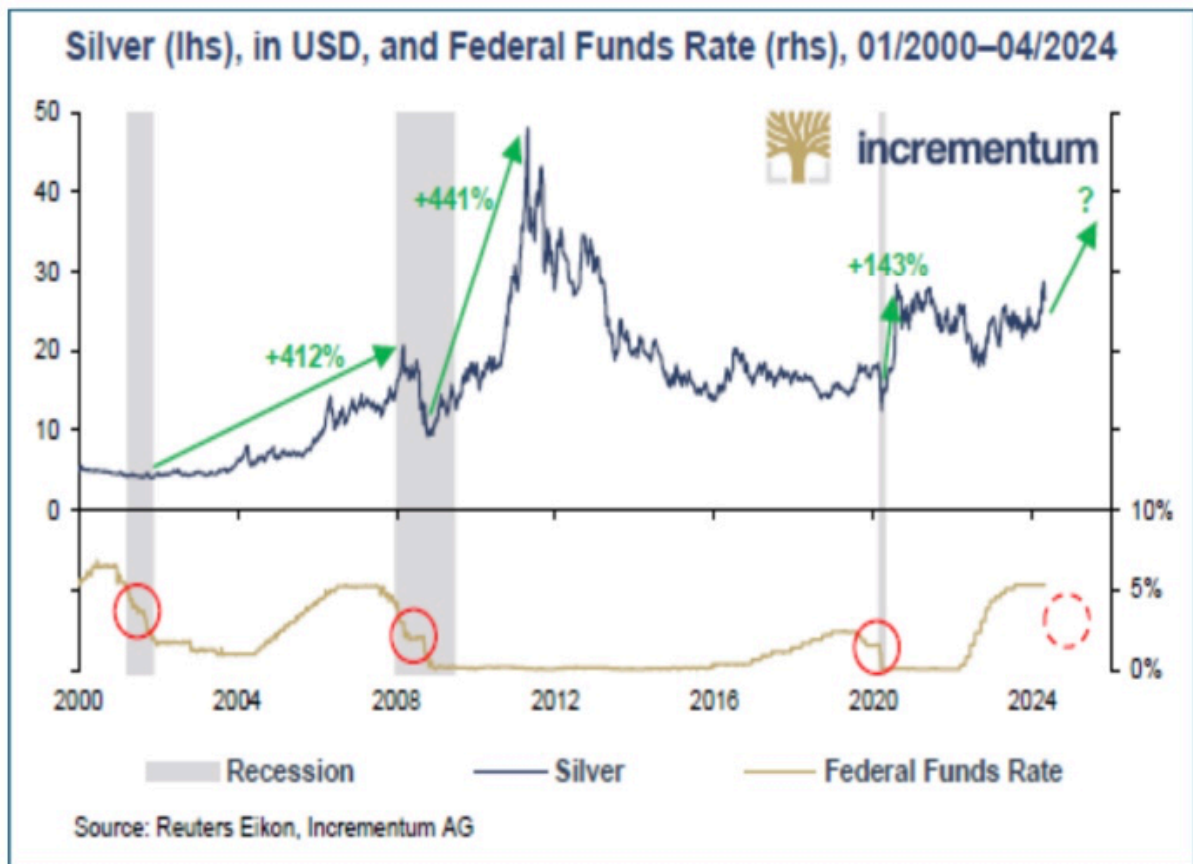
Fri 08 Nov 2024

### Introduction by Peter Hänseler

Claudio Grass wrote about [gold](#) a few days ago - today about silver.

Our blog has written about gold several times, the last time in "[Gold - a geopolitical issue of great personal relevance](#)". There talked about the fundamentals - Claudio Grass writes about the market and its expectations, today about Silver. Claudio can be reached on [claudiograss.ch](https://claudiograss.ch).

## About silver



It's been a fantastic year for physical precious metals owners and by many accounts, the best is yet to come. All the issues we've been warning against for years, including inflation, currency debasement and government suppression of individual financial liberty have started boiling over in a way that is so obvious, that even the most naive citizen can clearly comprehend.

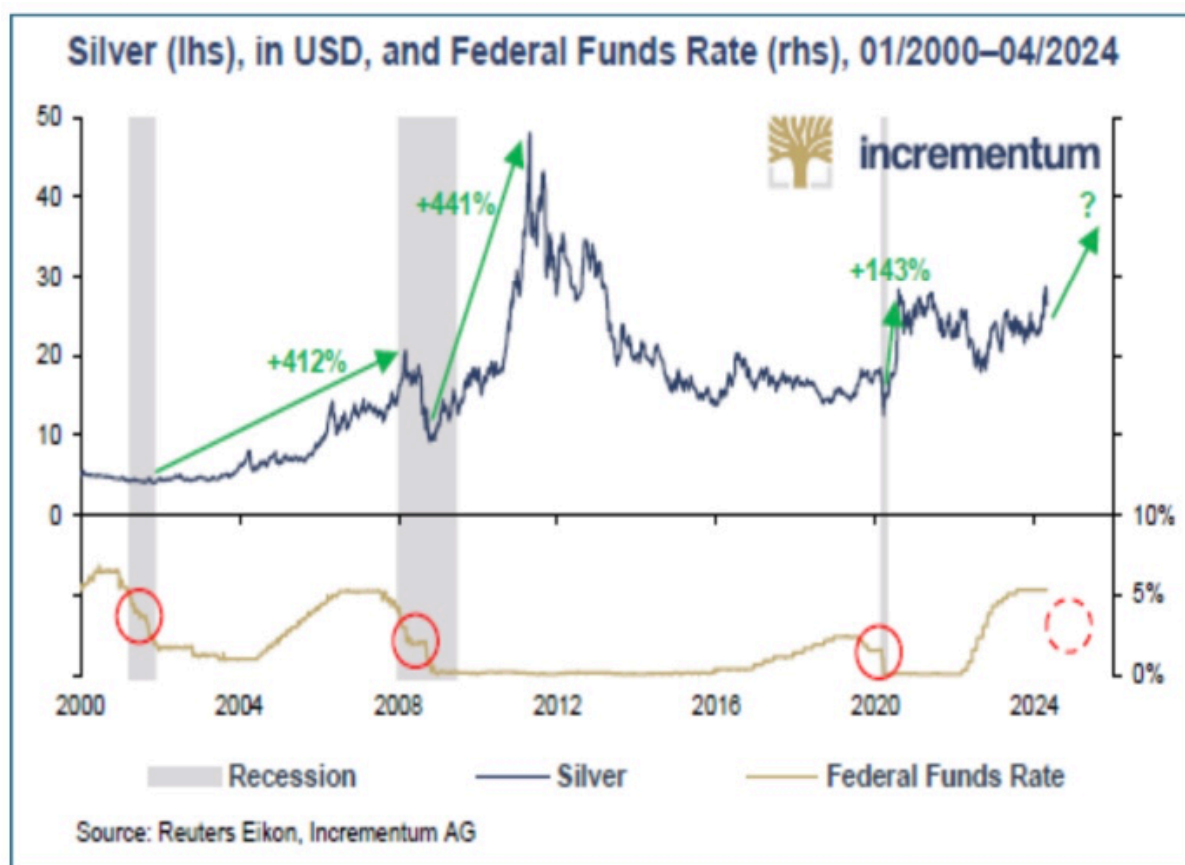
Despite the efforts by politicians and institutional leaders to convince the taxpayers not to trust the evidence of their own eyes and to persuade them that everything is fine and the economy is as robust as ever, the cracks in the machine are now plain for all to see.

Consumer prices continue to be on the rise, especially in the real economy (as opposed to the heavily biased government data). The two ongoing wars continue to disrupt the global market and to fuel domestic social tensions. As for the electoral challenges we're facing worldwide, it so far appears as though the democratic process will involve deepening preexisting rifts. As we already saw in the recent UK election, and even more blatantly in the French vote, both countries were left much more divided after the polls closed than they were before. The US election is set to bring about a lot more of the same thing. After the events that followed the

last election, many shrewd observers are more focused on the reaction to the election outcome rather than the outcome itself, as an indicator of the sociopolitical stability of the country.

Of course, given all this turmoil and uncertainty, gold has been having its moment in the spotlight. It has been jumping from record high to record high and a lot of mainstream investors and analysts who were indifferent or even hostile toward the yellow metal have once again come to recognize its true value – as they always, highly predictably tend to do when confronted with the possibility of a severe crisis.

Gold's "younger brother", silver, has received less press coverage, as is also quite expected. As the monetary policy mood at the Fed is clearly changing and as Fed Chair Powell is seemingly preparing the ground for a return to lower rates and easy money, silver stands to benefit from the upcoming U-turn quite significantly. This opportunity is certainly not lost on ALphaREset 's mid-August update, which highlighted "Silver returned average +332% in last three Fed rate cutting cycles".



It is worth noting that silver is no stranger to sudden price explosions, as this summary from an analysis of the International Banker points out:

"Spiking to \$36 per ounce at the beginning of the 1980s, silver prices spent much of the latter half of that decade and the 1990s in the doldrums. It was only from about 2006 onwards that silver really took off as the supercycle of China's insatiable demand for commodities swung into full gear. Then, the 2007-09 Global Financial Crisis (GFC) drove a major investor flight to safety that sent prices screaming to almost \$50 per ounce by April 2011. After falling back down to earth, silver prices spent much of the latter half of the 2010s in the high teens before finding a new floor in the early 2020s of \$20 per ounce, below which prices have rarely fallen. What's more, 2024 has already seen prices surge above \$30 per ounce, with \$32 per ounce reached in May—which reduced the gold-to-silver price ratio to its lowest since December 2022— since august the silver price entered the next phase and broke through the important hurdle of USD 32.50 where we currently are.

Much of this support has been provided by the global silver-supply deficit that persisted for the three years through 2023, in addition to the expanding supply deficit widely predicted for 2024."

This current shift is something that investors cannot afford to ignore. While all the attention is focused on gold, a lot of smart money is looking at silver's upside. However, that doesn't change the fact that trying to predict and "catch" sudden upswings is a misguided investment strategy (and not just when it comes to silver). Conservative, responsible investors are much better served by concentrating on the long-term prospects of silver, which happen to be even more exciting than its short-term outlook.

Even if we entirely set aside silver's investment appeal, the metal's robust demand from industrial applications is poised to support higher price levels. It was the main fuel of silver's price gains last year and it is expected to grow further, thanks to "green transition" projects, significantly increased electronics and electrical demand and chemical applications. The outlook is so bullish, in fact, that the Silver Institute recently revised its deficit projections, anticipating a larger supply-demand gap going forward, and it expressed great confidence on the prospects of the metal: "From electrical switches and solar panels to chemical-producing catalysts, silver is an essential component in many industries. Its unique properties make it nearly impossible to substitute, and its uses span a wide range of applications".

All this is, of course, vitally important for investors to note. However, what is arguably even more important is the understanding that physical ownership is the only kind of real ownership. Especially given the potentially systemic threats and

the widespread uncertainty we're facing at the moment, it makes very little sense for anyone to lose all the true wealth preservation and real "safe haven" benefits that physical precious metals have to offer by choosing to buy potentially worthless paper metals.

ARTICLE TAGS:

Analysis   Powell, Jerome   Federal Reserve (FED)   Silver Institute