



## Americans feather nests with silver Eagles

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At Stack's, a coin dealer in midtown Manhattan, the shop floor is filled with glass cases displaying coins and banknotes ranging from recently-minted pieces to 18th-century antiques. These days, however, customers mainly have eyes for one product: the silver American Eagle.

"Silver's hot. People want it. People don't want to have money in the bank," says Eric Streiner, the shop's manager. Buyers include everyone from "business executives to lunatics", he adds.

The same story is being repeated across the US. Silver has become the favoured investment of disaffected Americans. The recent wave of disenchantment with the economic stewardship of the country's institutions – from the government and the Federal Reserve to big Wall Street banks – has sent demand skyrocketing.

With that, the price of silver has more than doubled since the Fed first raised the prospect of a second round of quantitative easing – effectively, printing money to prop up the economy – in late August. That has made it the [best performing precious metal](#), with nominal prices rising to levels only seen during the height of the Hunt brothers' famous squeeze in 1980.

Daniel Brebner, commodities analyst at Deutsche Bank, says silver investors "don't like where their country is going – particularly in the US but elsewhere as well.

"They are looking at other political alternatives, but they're also looking at diversifying away from conventional assets they've held in the past."

Nowhere is the unbridled enthusiasm for silver clearer than at the level of coins and small bars – the type of product most accessible to smaller investors. All the world's top mints are selling silver coins at record pace: the US Mint has sold 12.4m ounces of silver American Eagles in the first three months of the year – equivalent to about 6 per cent of quarterly global mine output.

David Madge, head of bullion sales at the Royal Canadian Mint, says sales of silver Maple Leaf coins "remain robust with demand still exceeding our supply".

The level of demand means dealers are sold out of popular products. "Anything you can get right now you can sell," says Michael Kramer, president of Manfra, Tordella & Brookes, a New York-based coin dealership. "If I want to, I can sell my [weekly] allocation in five minutes."

The level of demand for products such as 100 ounce bars and silver American Eagles has caused premiums – the cost of particular products over and above the

value of the metal they contain – to jump to the highest levels since 2008, dealers said.

Silver has even outshone gold, which shares its perceived quality as a [hedge against the debasement of paper currencies](#). In part that is because the grey metal also has industrial characteristics, which mean it has benefited from the global economic rebound. More important, dealers say, is the perception that silver, with its lower headline price, may have further to rally than gold.

Jonathan Potts, managing director of Fidelity, another US bullion dealer, draws a parallel with equity markets, where some investors prefer to invest in cheaper stocks. “We’re seeing people from all walks of life, all income levels,” he says.

“A lot of people believe that silver has a lot more upside potential than gold right now.”

### **Industrial boom**

It is not just investors that are driving silver demand higher, writes Jack Faricy.

Industrial use of silver, in everything from electrical circuits in mobile phones to plasma television screens, has risen sharply, accounting for more than half of total silver consumption.

According to forecasts from consultancy GFMS this week, industrial silver demand is set to rise 37 per cent between 2010 and 2015, with much of that coming from the use of silver in solar power cells, which is expected to double from 2010 levels.

Disenchanted Americans are not the only driver for silver’s rally. Consumption in other countries has also jumped, led by China and India. Over the past three years China has shifted from being a net exporter to a significant importer of the metal.

Nonetheless, many traders confess to bafflement at the strength of the grey metal, pointing to rising supply from mine production and growing scrap levels as factors that ought to damp price gains.

Some investors appear to be equally wary. According to Edel Tully of UBS, “while many market participants are impressed by silver’s industrial and retail demand, and are concerned about physical shortages, another portion believe there is too much speculative noise in the market right now”.

But for every investor or analyst concerned about silver’s fundamentals, there are plenty of others calling for much higher prices.

Mr Brebner of Deutsche Bank is expecting silver to average a record \$50 a troy ounce next year, compared with current prices of \$37. Others are even more bullish, calling for the ratio of gold to silver prices to fall in line with the relative abundance of the two metals in the earth’s crust – about 19:1 – or for silver to surpass its inflation-adjusted high of 1980, which stands at about \$150.

For the time being, at least, the silver bugs are making more noise than their detractors.

On a recent call to discuss the results of Pan American Silver, the fourth-largest miner, one private investor's comment was less a question than a rallying call: "With the entire United States of America, the states going bankrupt, which means they'll have to unleash QE3 because the Federal Reserve will not allow them to go [bankrupt], and [with] silver [above] \$35, the sky is the limit."