

Private investors buy minor metals as safe havens

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By Simon Price

LONDON, Nov 1 (Reuters) - Growing numbers of investors are turning to the minor metals market as a safe haven for their pension funds as gold and silver prices soar to record highs.

'We've always had a certain amount of interest from the rich in the Anglo-American sector. About four years ago it started to pick up within people with average wealth,' said Gunther Maassen of German trading firm Haines & Maassen.

This year, gold and silver prices have gone up by about 21 percent and 8 percent, respectively, as uncertainty over riskier assets has grown amid the euro zone debt crisis. Investors are moving their profits from gold and silver into minor metals in order to diversify their portfolios.

Traders operating in this sector say the trend will continue and grow as investors look for ways to keep their money safely outside of the banking system and as high demand from China makes metals an attractive prospect.

This trend appears to be having little effect so far on the minor metals market, traders say.

Frankfurt-based metals trader Tradium has set a 50,000 euro (\$68,380) minimum for private investors to buy physical metal.

Demand for investment has been so strong that it has set up a subsidiary storage business named Metlock, which is located in the Rhine-Main area.

But not all investors are choosing to store their product with Tradium; a few are taking delivery of ingots to their own homes and keeping their investment as close as possible.

'This is only 1 or 2 percent of the customers. Most choose to keep it in our warehouse or in Metlock, our storage facility for private investors. Many do choose to take maybe one ingot home for their desk, so they can see some sign of their investment,' Matthias RÃ¼th of Tradium said.

ALTERNATIVE PENSION FUNDS

The European debt crisis has led a large number of investors to lose their faith in the banks and move their money into metals, predominantly gold and silver.

This surge of interest has pushed prices of gold and silver to record highs over

the last few years, leading some investors to diversify their portfolios further to the minor metals.

The metals being bought include indium, germanium, gallium and hafnium.

Early investments tended to be for roughly three to five years, traders said, but a number of buyers have said they plan to invest indefinitely in order to use the purchases as their pension funds.

At current prices, 50,000 euros worth of indium, for example, would amount to over 100 kg of metal.

All of the metals being bought are used in electronics production and are being used more and more in the blossoming markets for smart phones and tablet computers.

'It's easy for investors to follow the applications of these metals though the items they use on a day-to-day basis. They see it as a good investment because they see everyone using these products,' trader Andrea Bach-Landmann of Tradium explained.

Investment in rare earths is also gaining popularity because of their use in magnet production. Demand for magnets is strong from automakers and companies in sustainable energy. (\$1 = 0.731 Euros)