Fly Like an Eagle: Silver's Thrills and Chills

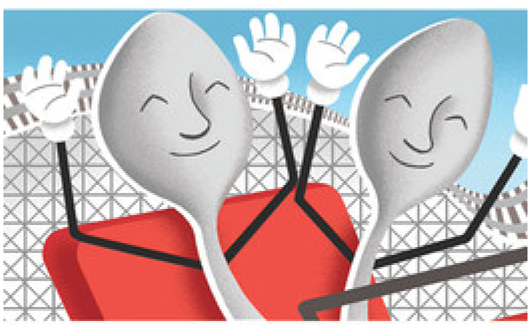
By ROBIN GOLDWYN BLUMENTHAL | **Barron's** (April 21, 2012)

A Silver Institute survey found brisk demand for silver bullion among private investors in China.

Investors with a proclivity for excitement might want to climb aboard the silver roller coaster. It promises to remain an unpredictable ride.

That's the view of Philip Klapwijk, global head of metals analytics for Thomson Reuters GFMS, and an author of the Silver Institute's 2012 world silver survey. Although Klapwijk isn't expecting the extreme price swings of last year, when silver's prices swung between $26.76 and $48.55 an ounce, he does see continued volatility.

"The ebb and flow of investor demand can really drive prices," Klapwijk says. Indeed, physical silver-bar investment jumped 67% in 2011 from 2010, to 95.7 million ounces. An eye-popping 11 million ounces of that went to private investors in China, Klapwijk says.



Close

William Waitzman for Barron's

Coin Crazy: A Silver Institute survey found brisk demand for silver bullion among private investors in China.

U.S. investors certainly did their share of buying. The fabrication of coins and medals, driven by sales of American silver-eagle bullion coins, grew 19% last year, to a record 118.2 million ounces. Including coins and exchange-traded funds, total global investment demand rose to a net $10 billion.

All this helped push the metal's average price to $35.12 an ounce last year, more than double the 2009 average.

This year, investor purchases of bars and coins haven't kept pace, with first-quarter demand "off quite considerably," Klapwijk says. But investors have taken more of a shine to silver ETFs, buying the equivalent of a little less than 14 million ounces through them in the first quarter, more than half the total for all of 2011. Concern about European banks and the like could keep demand hot.