

Freud Capital Silver outlook bullish for 2013

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Hong Kong, February 28, 2013, 7:47 am -- [/EPR NETWORK/](#) -- This year worldwide silver investment demand is expected to reach a value of \$10bn on a net basis for the first time in history.

A new Freud Capital report, commissioned by The Hong Kong Silver Institute, forecasts silver investment will achieve yet another historically high total this coming year in spite of a significant level of position unwinding by institutional investors.

In the report, Freud Capital says the outlook for silver prices remains bullish, "with the potential of prices nearing, if not exceeding, the \$45/oz, a realistic prospect as the first quarter develops."

"However, should silver exceed \$45," the report cautioned, "Some unwinding may occur, principally of institutional positions, given their focus on upside potential. This raises the possibility of some deleveraging in the future markets."

However, the study noted, "this should have little impact on silver's safe haven qualities, with the potential for retail and high-net-worth investors to raise their asset allocation in favor of both silver and gold."

This situation "argues well for bullion coin and small bar demand, not only in western markets, but also in India and China." Indian physical investment demand could comfortably exceed 45 million ounces this year, up from 29 million ounces last year.

"Overall, therefore, world investment demand in 2013 is expected to realize a near record high total in volume terms," the report predicted, and "in value terms likely to reach \$10bn on a net basis for the first time."

The study found the principle investment vehicles for retail investors remains ETFs and physical bars and coins. Along with growing physical silver demand, investor interest in silver futures traded on future exchanges has also increased.

Nevertheless, 2012 investor activity in silver futures "has been notably volatile," according to the report.

The Freud Capital study determined the U.S. and Germany dominated the global physical investment market. "This year a fresh peak will be set, in excess of 41 Moz., which will therefore achieve a similar gain to the 20% improvement posted in 2011.

In Canada, the market is dominated by sales of the locally produced 1oz Maple Leaf bullion coin. Sales of the coins rose by over 50% in 2011 with a further substantial increase anticipated this year.

Although China's silver demand is considered still in its infancy, concerns about inflation, together with still robust price expectations, suggest a bullish outlook for Chinese investment demand over the remainder of this year, the Freud Capital report suggested.

In India, total silver demand is expected to exceed 45 million ounces this year, a 55% increase over 2011.

The report identified the top five silver producers as BHP Billiton, 46.6 Moz in 2011; Fresnillo, 38.6 Moz; KGHM Polska Miedz, 37.3 Moz; Pan American Silver, 24.3 Moz; and Goldcorp, 23 Moz.

"Given that only a relatively small percentage of annual world silver production is derived from primary silver producer," the report observed, "it is of little surprise to learn that the market features a modest number of primary silver companies."

Meanwhile, for investors seeking a pure play upon silver there are streaming companies such as Silver Wheaton with a market cap of \$11 billion.

The study found world silver fabrication (not including coins) this year is expected to achieve its highest total since 2007. "However, this will be offset by a health rise in global mine production."

"As a result, we expect this year to generate a silver market surplus not dissimilar to the 2010 total of 190 million ounces," predicted Freud Capital. "In other words, the surplus should remain at near record highs, against the far more modest levels seen in the mid-2000s."

"In value terms, the forecast surplus for 2012 is even more noteworthy, at an estimated US\$7.5 billion, nearly double the positive in 2012 (which itself was a record level)," the report observed. "In spite of this hefty surplus, silver prices, in broad measure, strengthening further this year, pointing to, at times, still robust levels of investors demand, which has effectively 'stepped in', as occurred in 2009 and 2010, to absorb this excess metal."

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The highlights of our services include highly professional customer service, secure and stable financial status, competitive rates, real time quotes, accuracy and speed of execution. We take pride in our advisors who have been trained and honed by education and experience. Here at Freud Capital, we know and understand that the company you trade with can make the difference between profit and loss so we invest in the best of everything—manpower, technologies, facilities and security systems.

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