Silver Market in the age of Coronavirus

In the silver market, there are two different movements, the fall of the price of silver investment products silver and an increase in demand for physical silver. Physical silver is for instance coins and bars and silver investment products are the futures and other contracts trading on exchanges. The price of silver futures has dropped significantly and was at some point even below 11 euros per troy ounce. This was the lowest price point of silver since 2009. The corona crisis is partially to blame. Because of the falling prices of silver futures and the looming recession, the demand for physical silver has skyrocketed [1]. For a consumer, it is nearly impossible to obtain physical silver (for illustration, visit the web shop of thesilvermountain.nl or a similar competitor [2]). Even if you can obtain the physical silver, it is likely with an extreme premium. On the other hand, the sale prices have risen significantly as well. On a precious metal purchasing site, for silver bullion, they offer as much as 125% above the silver spot price [3].

The national mints have a difficult time delivering the investing grade silver and gold coins to investors and collectors alike. Because the US and Canadian mint are not able to deliver enough physical precious metals, the price for physical gold and silver is driven up in the whole market [4]. But you might ask, why is the silver price dropping in the first place? The answers lie in the overall downturn in the stock market. This is because large institutions are selling silver to gain liquidity and therefore can pay any outstanding margin calls or cover losses taken elsewhere.

Silver is traditionally seen as “the poor man’s gold”, and is relatively popular with the less affluent investors. The overall sentiment is that the silver price will rise over time since the physical bullion is in limited supply and the likely economy recovery after the Coronavirus. The lesser demand of silver from the industry is reflected in the silver futures price, and fuels the demand for physical silver. If the demand from industries rises again, the silver price might reclaim lost ground and rise. The price difference between the physical and silver futures will likely seize to exist if the price has stabilized, so I would suggest not buying silver with the 50-100% premiums and wait for a better opportunity to arise to buy your physical bullion.

This content is not intended as professional investment advice and information. The consequences of it in any manner whatsoever use of this information is entirely for your own account.

Written by Arthur van der Sar, inspired by a blog seen on thesilvermountain.nl [5].

[1] https://www.marketwatch.com/story/physical-demand-for-silver-spikes-as-price-drops-to-an-11-year-low-2020-03-19

[2] https://www.thesilvermountain.nl/en/buy-silver

[3] https://www.inkoopedelmetaal.nl/zilver-verkopen/zilveren-munten

[4] https://www.bullionbypost.co.uk/gold-news/2020/march/13/us-mint-sells-out-silver-eagles-demand-surges/

[5] https://blog.thesilvermountain.nl/twee-bewegingen-zilvermarkt-dalende-prijs-groeiende-vraag-fysiek-zilver/