



HOLDING: ISHARES SILVER TRUST (SLV)

Summary

iShares Silver Trust (SLV) seeks to reflect generally the performance of the price of silver. It is to constitute a simple & cost-effective means of making an investment similar to an investment in silver. An investment in physical silver requires expensive and sometimes complicated arrangement in connection with the assay, transportation, warehousing & insurance of the metal. Traditionally, such expense & complications have resulted in investments in physical silver being efficient only in amounts beyond the reach of many investors. The Trust has been designed to remove such obstacles, while at the same time having an intrinsic that reflects, at any given time, the price of the silver owned by the Trust at such time, less the Trust's expenses & liabilities.

What the bulls say:

- Silver demand has exceeded its supply for years. In the latest report by Silver Institute, strong industrial demand, jewelry demand were forecast to support the market as silver output could decline for the second consecutive year by 2% in 2018.
- Demand from rising industries such as renewable energies will play a key factor in driving up silver price in 2018 and long-term. Silver is required as a key component of photovoltaic cells, used in the creation of solar power. In 2013, the silver demand in solar energy already took up 5% of global silver supply. Countries around the world have accelerated the adoption of solar energy, notably China recently quadrupling its solar energy targets by 2020.
- Silver underperformed other metals in 2017, advancing less than 10% while all other metals soaring with double-digit price increase. Given forecasts of its strongly growing demand and shrinking supply, silver will likely to offer investors significant returns and also hedges against expensive equity market in the US.

What the bears say:

- The Federal Reserve in the US forecasts at least 3 interest rate hikes in the US. This is bearish for commodities price in general as it means increase in cost of carrying inventories and more expensive to trade commodities as the USD is the dominant medium of exchange.

Risks:

- With silver demand for traditional uses in decline, the precious metal's price will depend heavily on the pace that countries adopt innovative technologies in industries with significant demand of silver, including biotechnology, automotive or solar energies. The risk of tariff imposed on renewable energy industries, like recently in the US, will have negative impact of silver price.
- There has been no clear sign of increasing inflation in the US that is abnormal given the low unemployment rate. While it will slow down the pace at which FED will raise its interest rate, it also renders much greater uncertainty of any possible inflation surprises in 2018. Such surprises are bearish factor for the price of commodities in general and silver in particular.



**TENZING
PACIFIC**
INVESTMENT MANAGEMENT

Tenzing Pacific Services Vietnam
2nd Floor, 19 Hoang Sa,
Da Kao Ward, District 1,
Ho Chi Minh City, Vietnam

Tenzing Pacific Services Limited
Suite 1104, Crawford House,
70 Queens Road, Central, Hong Kong

+84 (0) 28 3825 6369

+84 (0) 28 3825 6369

tpim.co

HOLDING: ISHARES SILVER TRUST (SLV)

4 reasons to buy/sell:

- Silver demand from industrial applications has grown consistently. In 2016, demand for the metal from various industries represented over 50% of silver offtake before reaching 60% in 2017. Silver's electrical conductivity, unrivaled by any other common metals, will likely to become a key component of a wide range of products in many industries including automotive, renewable energies...
- The gold-silver ratio, a measurement of the number of silver ounces needed to buy an ounce of gold, stood at 78.1 on 1/19/18. This figure is way above its long-term average of around 64, signaling plenty of room for silver price advancing. With gold price expected to soar via risk hedging for equity markets and geopolitical risks and the highly positive correlation between silver and gold, price of silver is forecast to rise significantly in 2018.
- The U.S administration's support for a weak USD valuation provides favorable conditions that will drive price of precious metals, including silver, upward in 2018. Historically, silver has a strong positive correlation with gold whose price in turn moves in opposite direction versus USD. President Trump's American First rhetoric has sunk the greenback to its 3-year low against most of other major currencies. This is positive for commodities' price in general and silver particularly.
- With the current valuation of equity market constantly breaking record high and considered too expensive, commodities in general, with silver among the cheapest and most undervalued, are where investors should keep their eyes on to hedge the risk in their investment portfolios.

Recommendation:

We recommend a BUY rating on SLV.

Junior Financial Analyst

Tuan Huynh

Managing Partner

Sven Roering