The Global Source

THE SILVER INSTITUTE

Silver's Strategic Edge: Navigating the Tectonic Shift in Global Markets

November 2024

Capitalight Research Inc.

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Introduction

Institutional investors looking to strengthen their portfolios through diversification should consider the compelling advantages of investing in silver. As a tangible asset with significant safe haven appeal and industrial applications, silver offers a unique blend of stability and growth potential. Unlike traditional assets, silver has a low correlation with equities and bonds, making it an excellent tool for diversification and risk reduction. This low correlation means that silver can help smooth out portfolio volatility, especially during times of elevated geopolitical or financial crises when other asset classes might perform poorly.

The increased fragility in the geopolitical environment along with the deteriorating government fiscal position enhance silver's allure as an investment to hedge against inflation and currency devaluation. These underlying long-term factors have been building at a glacial speed for decades. However, eventually the underlying tectonic pressure starts to shift, which in the current environment is bullish for silver. In addition, silver's increasing demand from electronics, renewable energy, and automotive sectors has strengthened it as a beneficiary of long-term rising industrial trends.

Global silver demand is forecast to reach over 1.2 billion ounces in 2024. The metal's enduring appeal and strategic importance for institutional portfolios are more evident than ever. This demand surge is driven not only by the above factors but also by the continued strength of industrial offtake, which is expected to reach a new record in 2024, along with a recovery in jewelry and silverware demand. Furthermore, the expected increase in demand is met with supply constraints which are expected to decrease supply by 1% to 1.0 billion ounces, thereby increasing the deficit to 265.3 million ounces in 2024[1].

Integrating silver into an investment strategy not only capitalizes on its industrial utility but also leverages its historical role as a safe haven asset, ensuring a balanced and resilient portfolio.

1. Silver Institute's World Silver Survey 2024.

Recent Silver Price Resilience

The Covid pandemic and ensuing lockdowns changed the economic and financial landscape for years to come. This, coupled with increased geopolitical tensions, is encouraging greater silver ownership.

The silver price rose sharply in 2020 as governments and central banks flooded the market with liquidity to offset the economic effects of the Covid-induced lockdowns. The silver price more than doubled from $12.0 in March to $29.2 in August 2020.

The silver price then trended in a range between ~$18 to $26 through the start of 2024. During this period the silver price reached the top of the range twice, both times as a result of safe haven demand. The first was when Russia invaded Ukraine, and the second was when the collapse of Silicon Valley Bank (SVB) exposed fragilities in the financial system.

In March of 2024 the silver price broke out of the range to new multi-year highs on expectations that central banks, notably the Fed, would start reducing interest rates and on increased geopolitical tensions.

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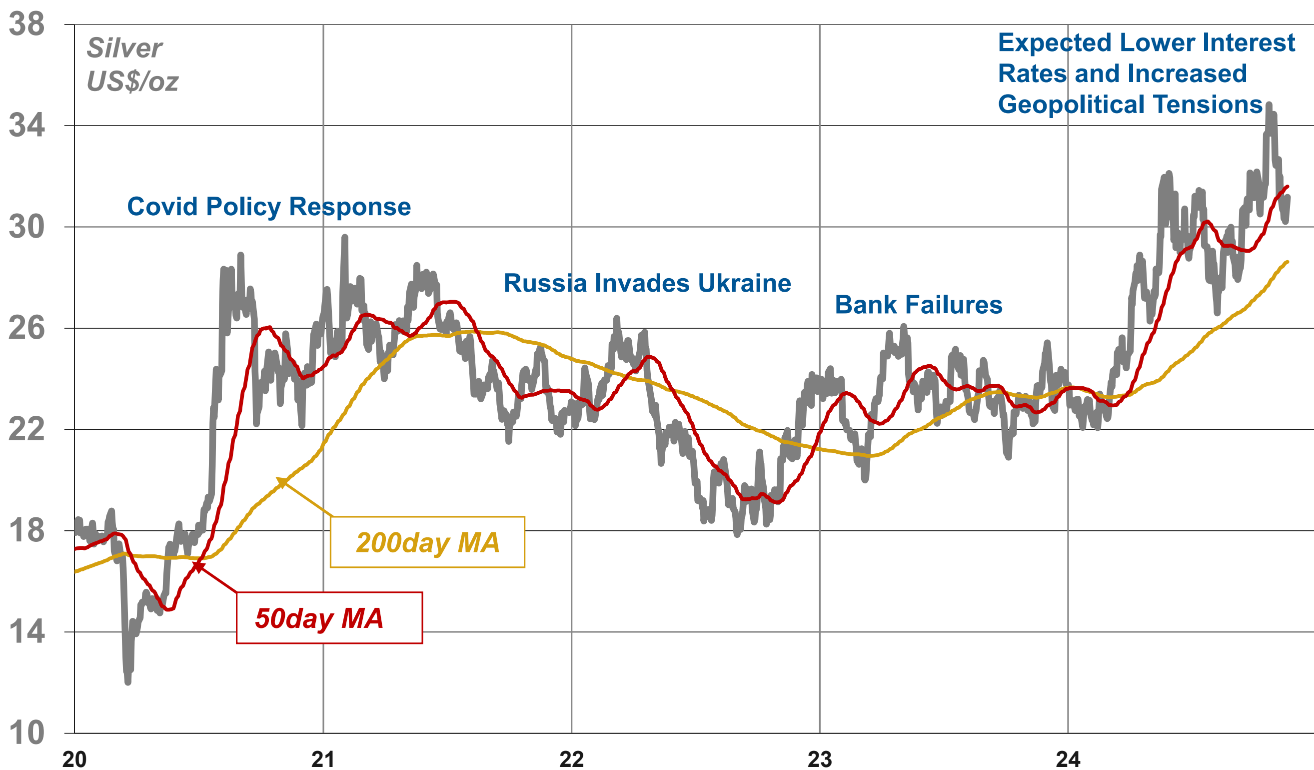
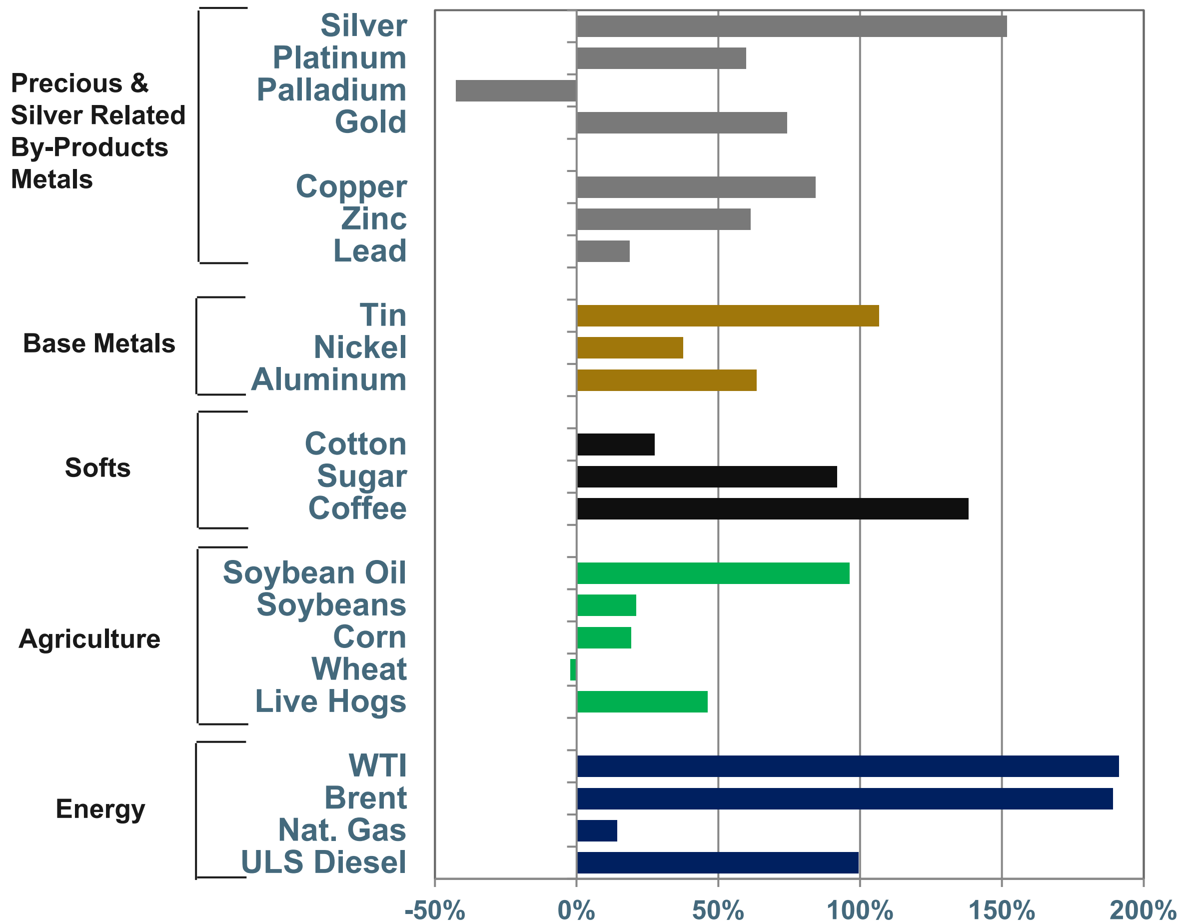
The silver price has rallied to a new multi-year highs this year on the expectation that central banks, notably the Fed, would start reducing interest rates and on increased geopolitical tensions.

Figure 1: Silver Price Since 2020



Source: Federal Reserve, USGS, LSEG, Capitalight Research

Figure 2: Commodity Price Returns Since Widespread Covid Restrictions (Mar. 19, 2020)



Price returns are calculated from March 19, 2020 to November 15, 2024

Source: LSEG, Capitalight Research

Silver has outperformed other commodities

Since March 2020, the price of silver has significantly outperformed many other commodities, driven by a combination of industrial demand, investment interest, and macroeconomic factors. The post-Covid environment fueled a surge in investment demand for silver as a hedge against inflation and economic uncertainty. Additionally, silver's critical role in the booming renewable energy sector, particularly in solar panel production, and the growing use in electronics further bolstered its price.

While many commodities experienced price recoveries post-Covid, silver's unique position as both an industrial metal and a precious metal allowed it to capture gains from multiple fronts. The metal's dual demand sources meant that it benefited from both economic recovery, which boosted industrial usage, and ongoing financial market uncertainties, which maintained strong investment inflows. This multi-faceted demand profile helped silver

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outperform other commodities that might rely more heavily on a single demand source, such as industrial use alone or as a hedge against inflation.

The notable exception of silver's out performance in Figure 2 is in comparison to oil prices which climbed close to 190% from March 2020 to mid-November 2024. Oil prices faced considerably more prolonged supply constraints during the post-Covid period than other commodities.

Recent pull away from historical fundamental correlations

The initial rise in the silver price in 2020 was accompanied with the historical inverse relationship between two main drivers of the silver price, the US dollar and real interest rates holding. However, this relationship has been muted since the beginning of 2022.

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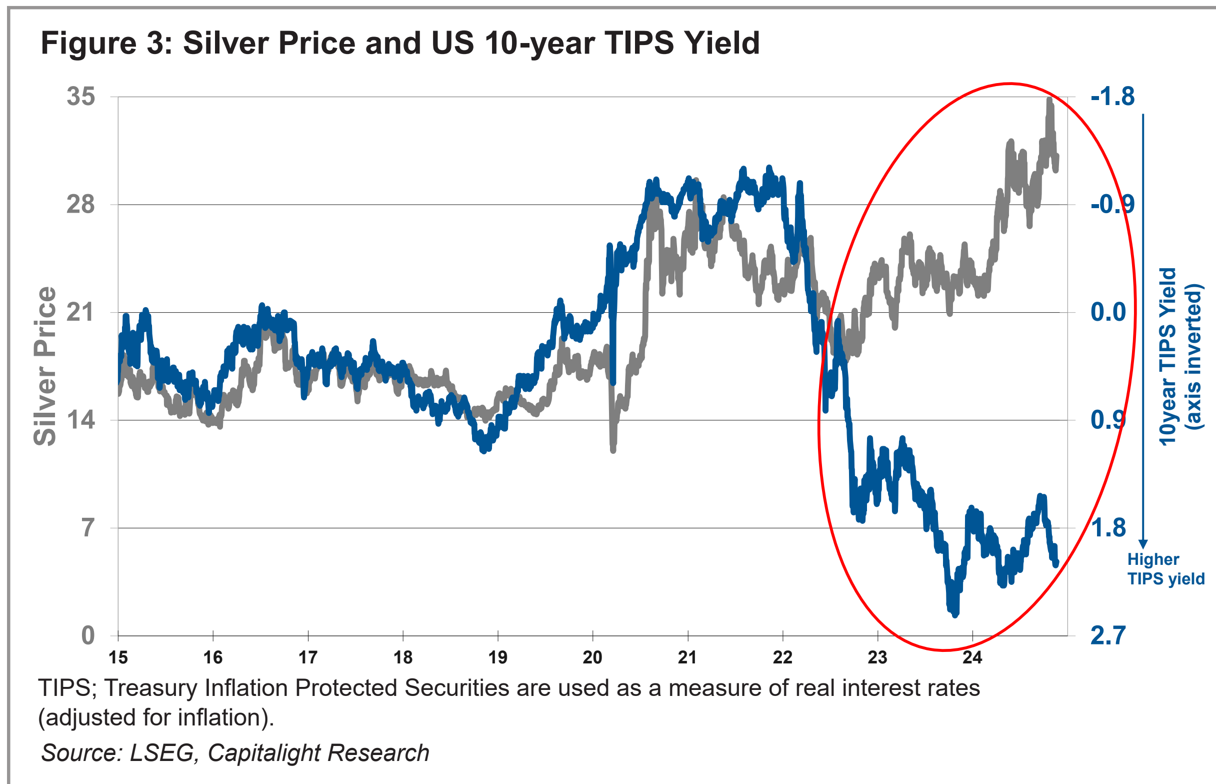
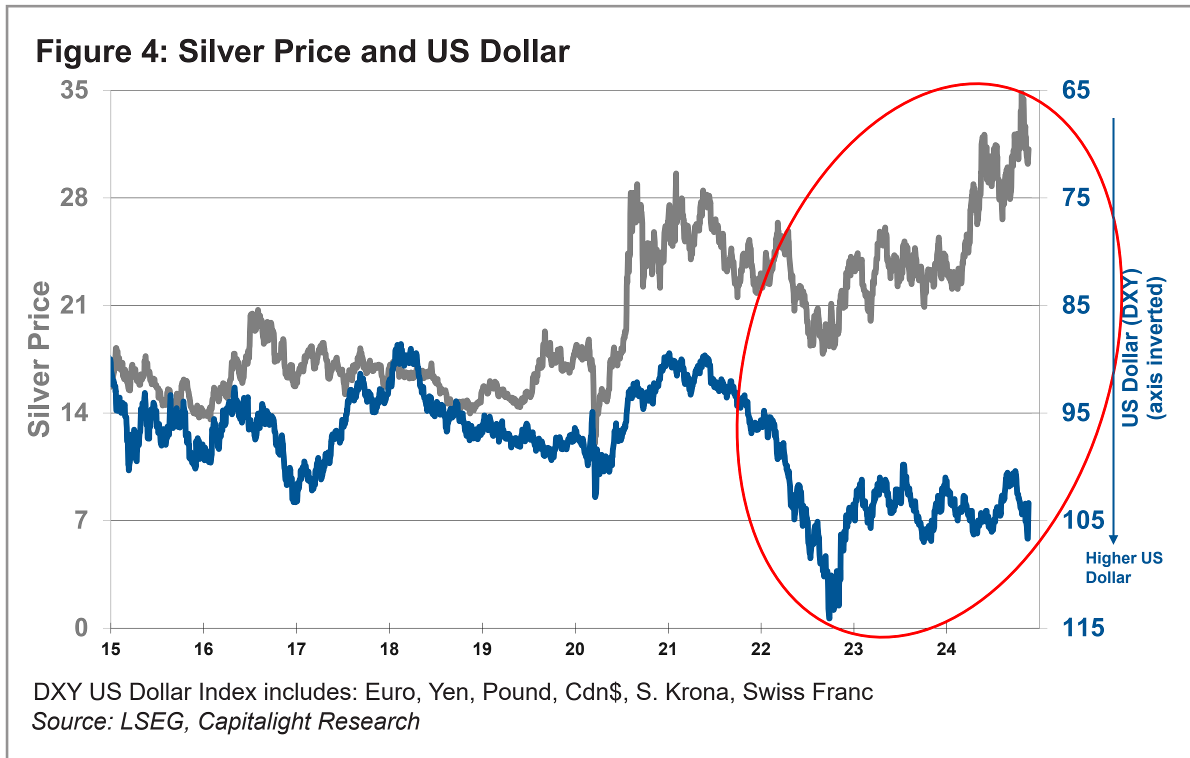
The sharp rise in the US dollar and 10-year TIPS yields since 2022 would suggest that, all else equal, the silver price should have declined instead of rising further. Real interest rates generally have an inverse relationship with silver prices (Figure 3). When real interest rates are low or negative, the opportunity cost of holding non-yielding assets like silver decreases, making it more attractive to investors. This often results in increased demand for silver, therefore the price moves higher. Conversely, when real interest rates rise, the appeal of silver diminishes as investors can achieve better returns through interest-bearing assets, leading to a potential decline in silver prices.

Figure 3: Silver Price and US 10-year TIPS Yield



TIPS; Treasury Inflation Protected Securities are used as a measure of real interest rates (adjusted for inflation).

Source: LSEG, Capitalight Research



Likewise, the historical correlation between the US dollar and the price of silver is generally inversely related (Figure 4), meaning that as the value of the US dollar decreases, the price of silver typically increases, and vice versa. This inverse relationship exists because silver, like most commodities, is priced in US dollars. When the dollar weakens, it takes more dollars to purchase the same amount of silver, thereby driving up its price. Conversely, a stronger dollar means fewer dollars are needed to buy silver, which can suppress its price.

The breakdown from these historical relationships indicates that other factors are driving the silver price, such as increased geopolitical risk and a move away from counterparty risk.

The movement of countries and large international investors away from US dollars as the premiere reserve currency has been an underlying event for many years. However, the political aftermath of sanctions of the west on many Russian government officials and oligarchs after the invasion of Ukraine was the start of a shifting of the tectonic plate towards other currencies and monetary assets that have no counterparty risk. Historically, silver, along with gold, have been the primary monetary reserve assets. Silver has been used as money for over two thousand years, and recent history shows it has been an important safe haven asset for investors.

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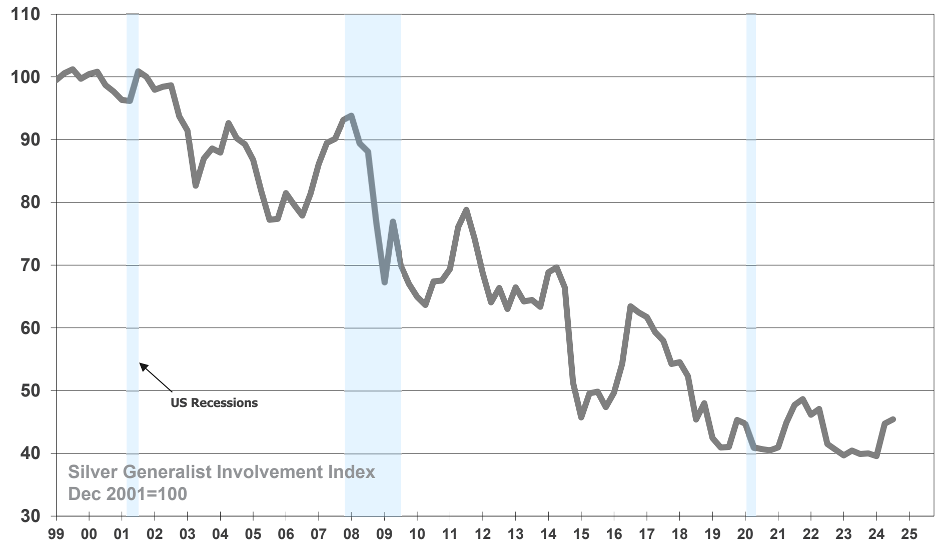
Box 1 – Institutional Investors in Silver

The Capitalight Generalist Involvement Index represents 20 years of quarterly shareholder data from large silver mining companies categorized by institutional investment type, i.e., resource, index, retirement, etc. Some types, such as dedicated resource investment funds will always own senior mining shares. Other types – such as value investors, those who seek growth – free cash flow, or earnings growth will nimbly move money between the many industries within the equity markets. These 'other type' investors were placed into a basket called 'Generalist Investors.'

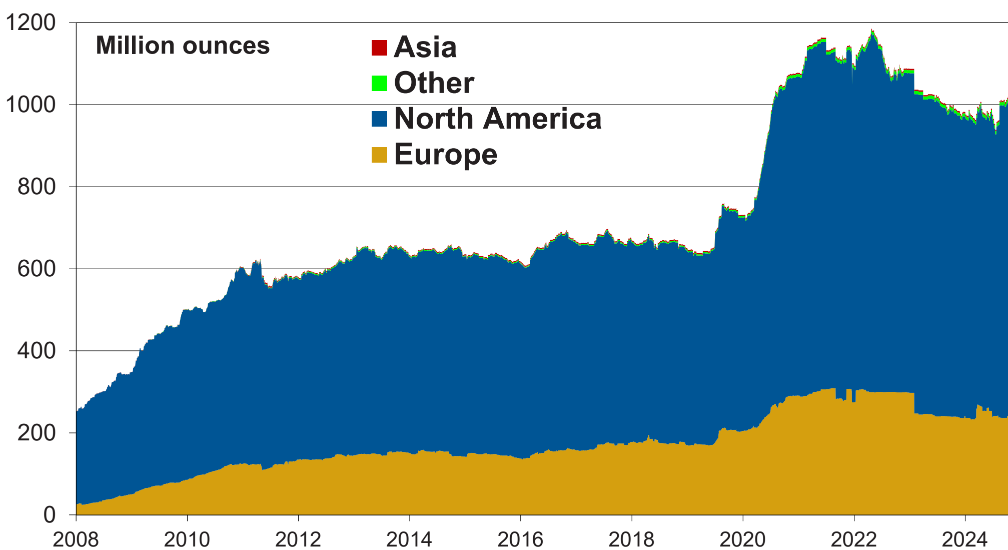
Figure B1.1: Silver Companies Generalist Investment Index



Source: LSEG, Capitalight Research

Generalist Investors buy, hold, or sell senior mining equities for different reasons than resource investors. Since the dollar amounts controlled by Generalists swamp resource investors, they set valuations for the companies. Thus, mining CEOs always want to know when Generalists are moving into (or out of) their shares. Figure B1.1 shows that current investment by Generalists is below par and has been for several years. The index is still far below peak levels of prior cycles for Generalist Investor interest in shareholdings of silver stocks.

Figure B1.2: Silver ETF Holdings



Source: LSEG, Capitalight Research

One possible reason Generalist investment has waned in mining companies is the ability of Generalist Investors to gain exposure to silver through investing in ETFs. Since being introduced in 2008, global silver ETF holdings have grown to over 1.02 billion ounces, of which Generalist Institutional Investors hold approximately 20%.

Historical Geopolitical Impact on the Silver Price

Investors seek silver for its safe haven quality during periods of political and economic uncertainty. The period following Russia's invasion of Ukraine was no exception, and the political aftermath of sanctions by the United States and European allies on Russian assets (and the assets of key Russian officials) has many looking for alternative assets, such as silver, as an investment.

The safe haven demand created by Ukraine tensions reversed the previous downward trend of the silver price which occurred in the second half of 2021 when Fed tightening was seen as imminent.

During times of safe haven demand due to flare-ups in geopolitical tensions many of the relationships with the fundamental drivers for silver are interrupted.

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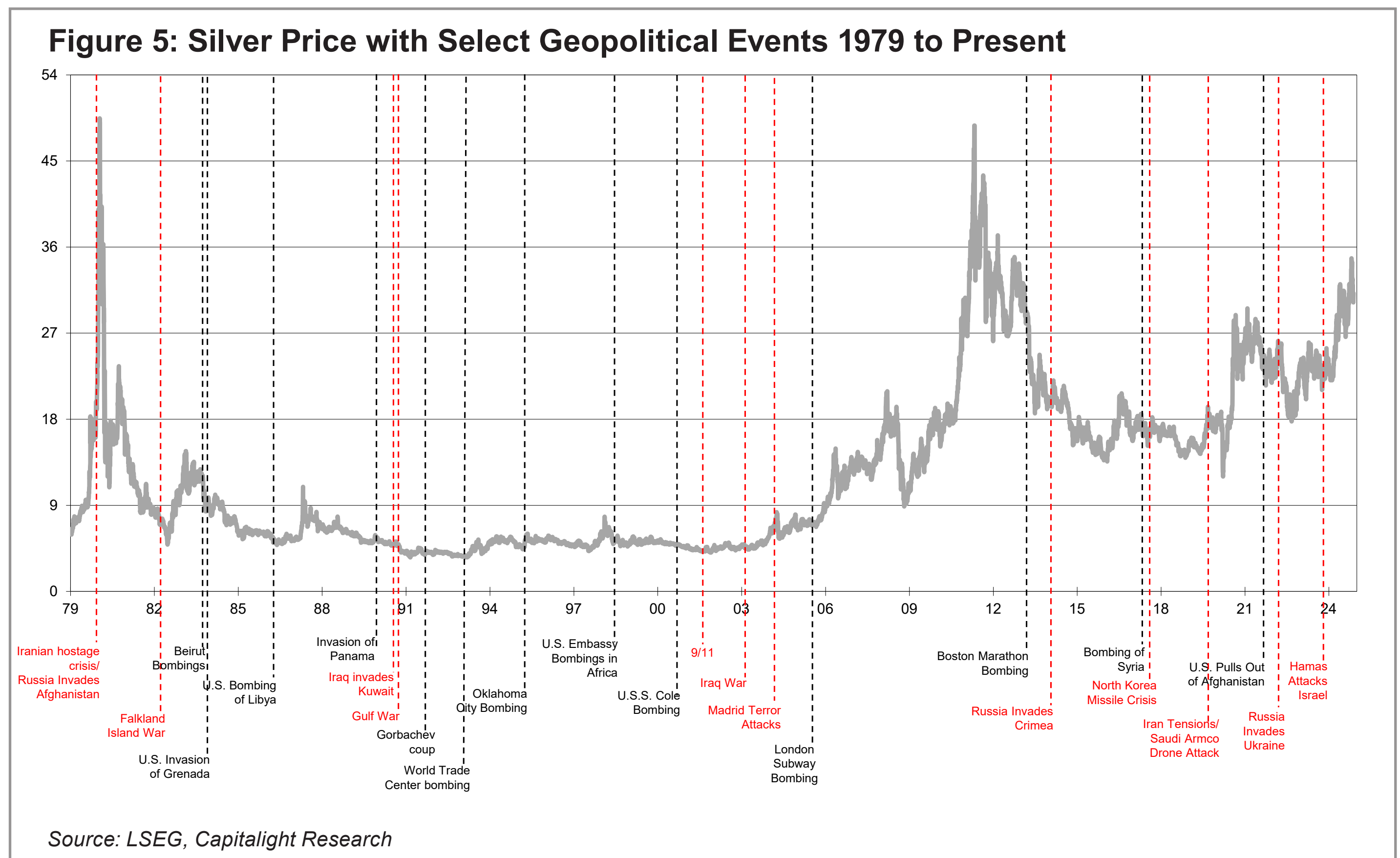
Geopolitical impact on silver prices

Silver is a key safe haven asset that benefits from increased demand during geopolitical events. Figure 5 below charts the silver price with a reference line on the date of major geopolitical events considered for the analysis. The event descriptions in red at the bottom of Figure 5 highlight the geopolitical events that

Figure 5: Silver Price with Select Geopolitical Events 1979 to Present



Source: LSEG, Capitalight Research

Box 2 – Safe haven Assets

Safe haven assets is a general term used to identify investment alternatives that investors prefer during times of increased market turbulence and economic, financial, or geopolitical risk. The expectation is that safe haven assets will not decline as much or will even rise during times of risk.

Investor sentiment tends to turn towards safe haven assets during times of financial and/or geopolitical crises. During times of financial crises, safe haven assets are chosen as they have little or no counterparty risk. Counterparty risk, also known as default risk, refers to the likelihood or probability that one party in a financial transaction may not fulfill their contractual obligations, resulting in a financial loss to the other party. This type of risk is particularly relevant in situations involving loans, derivatives, and other credit instruments. For instance, if a borrower fails to repay a loan, the lender faces counterparty risk. Similarly, in derivative transactions, if one party defaults on the contract, the other party is exposed to potential losses. This risk is critical in financial markets as it can lead to significant disruptions, especially in interconnected systems where the failure of one entity can trigger a cascade of defaults. Effective management of counterparty risk typically involves assessing the creditworthiness of the counterparty, using collateral, netting agreements, and diversifying exposures.

During times of geopolitical crisis, safe haven assets are sought out as uncertainty about the economic impact increases.

had a noticeable impact on the silver price. In general, one-day events such as the Oklahoma City Bombing in August 1995 and the Boston Marathon Bombing in 2013 did not have any noticeable impact on the silver price. Other geopolitical events, such as the US Bombing of Libya in 1986 and the invasion of Panama in 1989, also did not have a noticeable impact on the precious metal price. Although these were conflicts between countries, the perception was that these events would not escalate to the point of significant negative impact on overall economic conditions and/or did not present a significant increase in counterparty risk.

The time period between 2008 and 2012 is noticeably void of any geopolitical events. However, that period was plagued with financial crises, which we provide an analysis of in the next section of this report.

The impact of the safe haven demand of the highlighted events in Figure 5 was measured by the percent change of the increase in the silver price from the prevailing trend line.

Table 1 shows a summary of how much the silver price rose during each of the 12 geopolitical events identified, along with a comparison to the impact on the gold price over the same time period. (Individual charts of each event in Table 1 can be found in the Appendix.)

A few comments on the results. For all the geopolitical events listed in the table, the price peak for gold and silver generally occurred on the same day. Excluding the August 1979 to May 1980 event the average price increase for the other 11 events in Table 1 was 15% for silver and 12% for gold. It is notable that the percent change in silver price has exceeded the percent change in the gold price consistently for every geopolitical event listed in the table since 2004.

Also of note, for military conflicts (such Iraq War, Russia's invasion of Crimea and Russia's invasion of Ukraine), both gold and silver prices start to rise on perceived risks.

For example, both gold and silver prices started rising in December 2021 on news of Russia troops being sent to the Ukrainian border. Obviously, this pattern does not occur in surprise events (such as 9-11 and the Madrid Terror Attacks).

Table 1: Impact of Key Geopolitical events on Silver and Gold Prices

Geopolitical Event	Event Dates	% change to peak Silver	% change to peak Gold
Iranian Hostage Crisis / Russia Invades Afghanistan	Aug 1979 to May 1980	395%	100%
Falklands Island War	Mar to May 1982	9%	16%
Iraq Invades Kuwait	Jul to Sep 1990	15%	17%
US Bombs Iraq (Gulf War)	Nov 1990 to Feb 1991	13%	11%
9/11	Sep 2001	11%	7%
Iraq War	Oct 2002 to Apr 2003	14%	21%
Madrid Terror Attacks	Mar to Apr 2004	17%	7%
Russia Invades Crimea	Jan to Dec 2014	14%	13%
North Korea Missile Crisis	Jul to Dec 2017	17%	10%
Iran Tensions and Attack on Saudi Oil Facilities	Jun to Dec 2019	25%	12%
Russia Invades Ukraine	Jan 2022 to May 2022	17%	13%
Hamas attacks Israel	Oct 2023 to Feb 2024	18%	10%

The % to peak is measured as the percent change in the asset prices from the trendline before the event to the peak of the geopolitical bump.

Source: LSEG, Reuters, Capitalight Research

Financial Crises Impact on the Silver Price

Silver has historically provided a safe haven during times of financial crises, the same as it has during geopolitical crises. The silver price rises sharply during the crisis and then declines back to trend. The major difference is that financial crises can last for many years, and morph into different sectors in the financial system.

When news broke about Silicon Valley Bank's (SVB) need to shore up its finances in March 2023 concern over the stability of the financial system was brought to the forefront.

While it's true that SVB management failed to hedge against the risk of rapidly rising interest rates, the Federal Reserve played a significant role in fostering a sense of false security among banks. This was due to extensive quantitative easing and maintaining interest rates at near-zero levels for an extended period, even as inflation clearly began to take hold.

In 2020, bank deposits surged as central banks aggressively printed money and government programs distributed funds widely. Federal Deposit Insurance Corp (FDIC) Chair Martin Gruenberg informed Congress that SVB's balance sheet tripled from 2019 to 2022, coinciding with rapid growth in the innovation economy and a notable increase in the valuations of public and private

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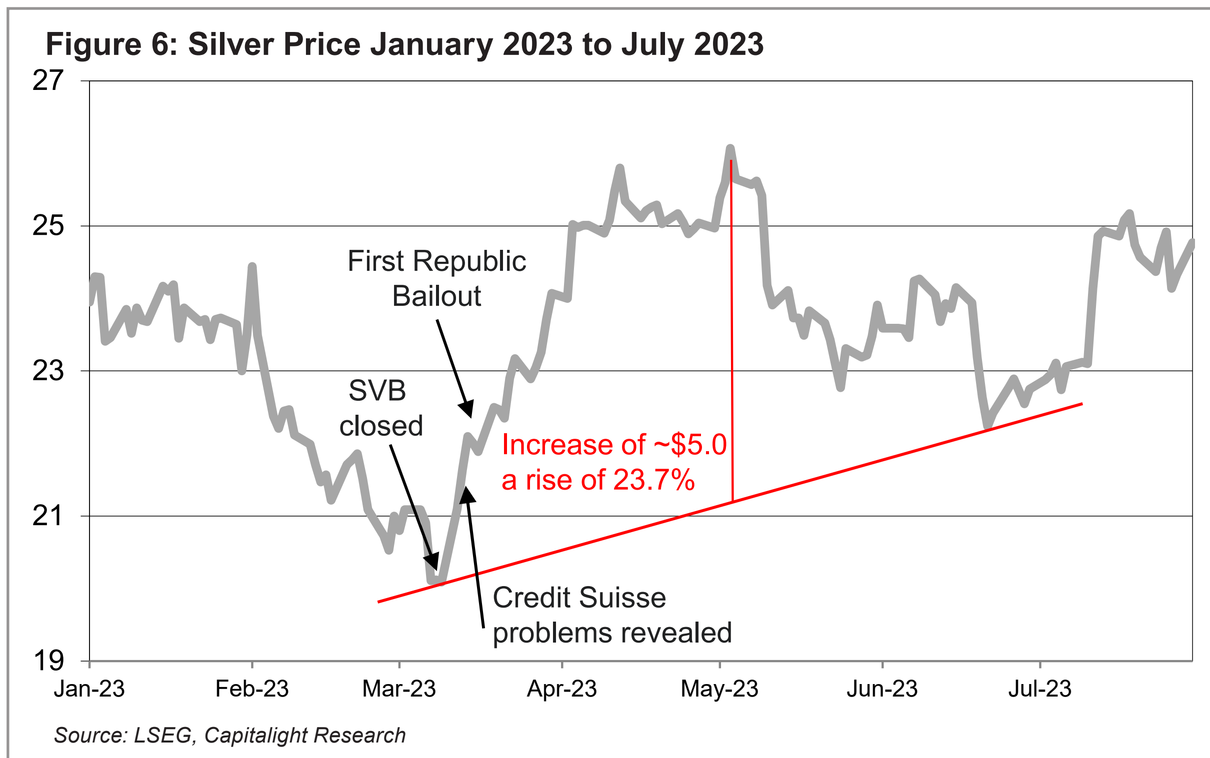
Figure 6: Silver Price January 2023 to July 2023



Source: LSEG, Capitalight Research

companies. The excess deposits at SVB were invested in what regulators considered low-risk securities, such as long-dated Treasuries and mortgage-backed securities, during a prolonged period of low interest rates.

The fallout had implications throughout the financial system as depositors scrambled to withdraw upwards of $105 billion from small banks and move it to larger banks as uncertainty about the stability of small banks grew. Investors rapidly sold stocks of SVB's peers and regional bank stocks plunged.

When weakness in the financial system appeared in 2023, the FDIC, Federal Reserve, and international equivalents scrambled to reassure investors and depositors that the financial system was sound.

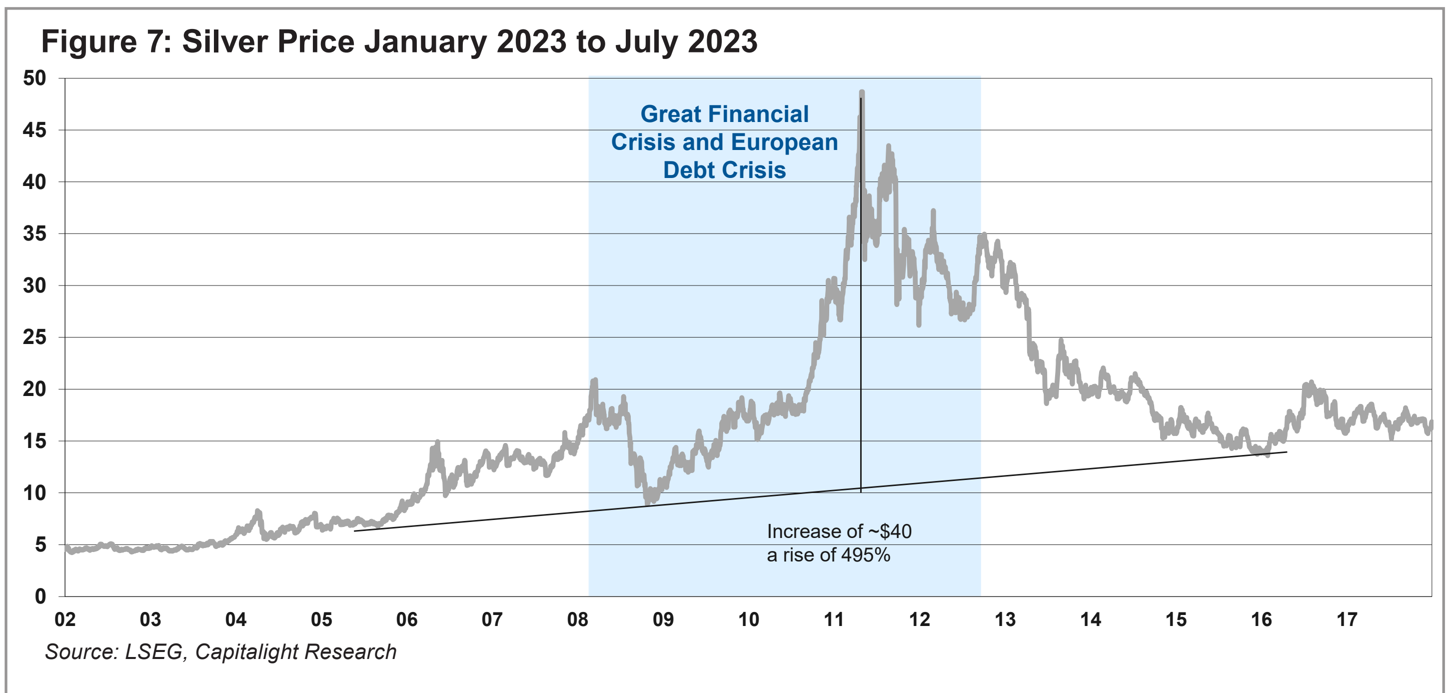
Taking lessons from the Great Financial Crisis, the FDIC, Federal Reserve, and international equivalents scrambled to reassure investors and depositors that the financial system was sound. Regulators were also quick to put backstops in place, such as special lending programs from the Federal Reserve. Over the course of the mini-crisis the silver price rose 23.7% (see Figure 6).

Looking back to the Great Financial Crisis which morphed into the European Debt Crisis (the period from 2007 to 2012) silver prices rose by $40 – a 495% increase from the underlying trend. (Gold prices rose by $1100, or 238%, over the same time period.)

Figure 7 shows that the silver price started to rise as financial problems were coming to the forefront, then declined briefly as recession set in, but then rallied as central banks eased monetary policy and supported the financial system and then sovereign debt through Quantitative Easing programs.

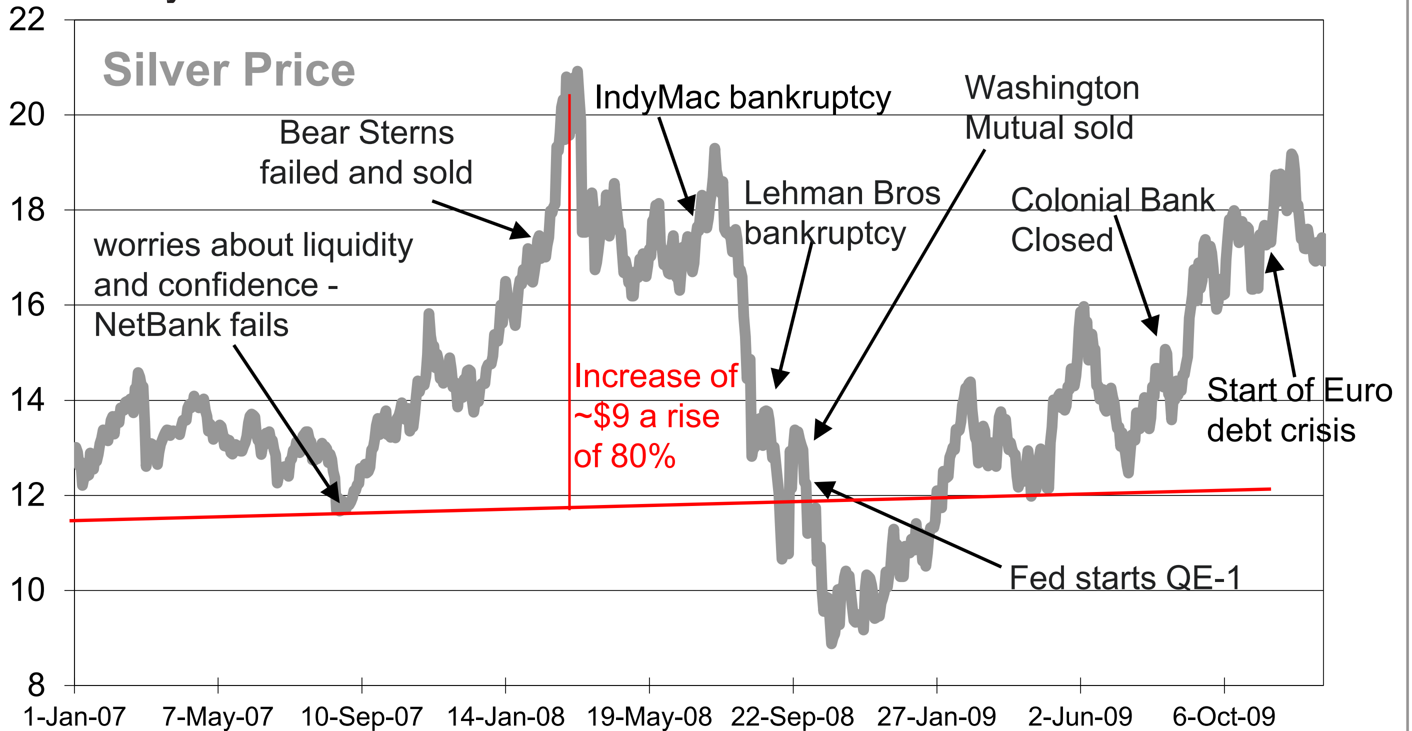
Figures 8 and 9 show details of the impact of the Great Financial Crisis and European Debt Crisis on the silver price.

Figure 7: Silver Price January 2023 to July 2023



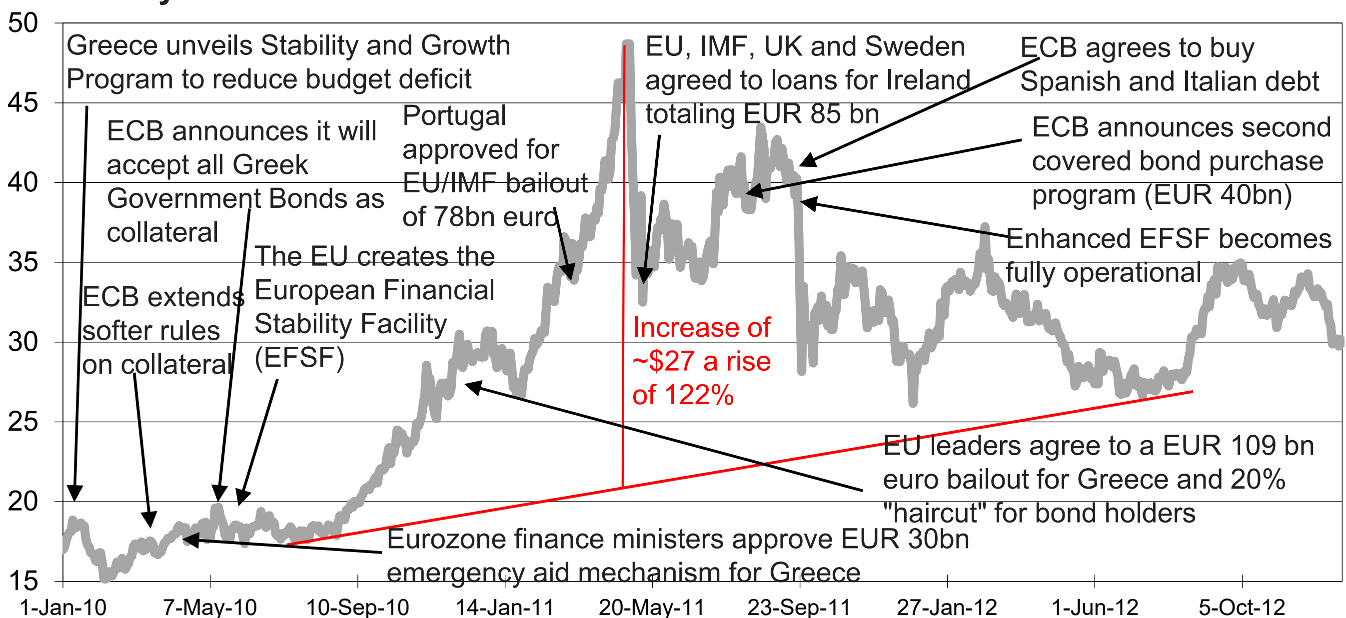
Source: LSEG, Capitalight Research

Figure 8: Silver Price during the Great Financial Crisis January 2007 to December 2009



Source: LSEG, Capitalight Research

Figure 9: Silver Price during the Eurozone Debt Crisis January 2010 – December 2012



Source: LSEG, Capitalight Research

There are several long-term implications of the massive amounts of liquidity injected in the financial system as part of the Quantitative Easing and fiscal programs during the Great Financial Crisis.

Key implications:

- Quantitative Easing programs significantly altered the dynamics of financial markets, leading to distorted asset prices and risk-taking behavior. Investors seeking higher yields moved into riskier assets.
- The prolonged low interest rates contributed to asset bubbles in various markets, including real estate and equities, as the 'cheap' borrowing costs fueled speculative investment.
- The bailouts of major financial institutions also set a precedent for future crises and created a moral hazard. Regulators imposed stricter capital and liquidity requirements on banks through reforms such as the Dodd-Frank Wall Street Reform and Consumer Protection Act. However, these reforms have impacted banks' profitability while fragilities and risk are still prevalent.
- Programs such as the American Recovery and Reinvestment Act in the US provided critical support to the economy through infrastructure spending, tax cuts, and direct aid to individuals, but at the expense of significantly increasing government debt. High debt levels pose challenges for future fiscal policy, limiting governments' ability to respond to new crises and invest in long-term growth initiatives.
- Low borrowing costs and easy access to credit also led to higher household and corporate debt levels. Elevated debt levels can constrain spending and investment, impacting long-term economic growth.
- The recovery measures disproportionately benefited asset owners, exacerbating wealth inequality. This has significant long-term social impacts.

In summary, while the measures taken by central banks and governments during the Great Financial Crisis were essential for stabilizing the global economy, they also led to significant long-term implications, including market distortions, increased inequality, and higher debt levels. These consequences continue to shape economic policies and financial market dynamics today.

While the measures taken by central banks and governments during the Great Financial Crisis were essential for stabilizing the global economy, they also led to significant long-term implications, including market distortions, increased inequality, and higher debt levels.

These risks were exacerbated by the massive amounts of liquidity central banks poured into the economy and fiscal stimulus programs initiated during the Covid pandemic.

Limits to Future Policy Choices

The massive debt-to-GDP levels that governments have amassed limit future policy choices. In order for governments to reduce their debt/GDP ratios, they can boost nominal/inflationary growth with expansive monetary/fiscal policies and control interest rates through financial repression. The other, less attractive options are to reduce debt-to-GDP ratios through severe economic recession/depression with massive write-offs, economy-wide 'creative destruction,' and high unemployment for a prolonged period. Governments have historically favored the first choice.

For governments to reduce debt to GDP levels requires a combination of:

1. tighter fiscal policy (the primary deficit must decline to zero/ turn positive),
2. higher nominal GDP growth (meaning if population and productivity growth limit real GDP to 2% more inflation is required to boost nominal GDP to 6 or 7%), and
3. low interest rates. It would help if interest rates could be held below the rate of inflation.

For the debt-to-GDP ratio to decline, the nominal growth rate (percent) plus the primary budget balance (percent) must exceed the interest rate paid on the debt (percent). In other words, governments with high debt levels could benefit from higher inflation to help reduce their debt-to-GDP ratios.

Paul Volcker (former Federal Reserve Chairman) and Peter Peterson (former Secretary of Commerce) warned about the policy choice limits in a New York Times Op-Ed article in October 2016.

> *[The US government's] current debt may be manageable at a time of unprecedentedly low interest rates. But if we let our debt grow, and interest rates normalize, the interest burden alone would choke our budget and squeeze out other essential spending. There would be no room for the infrastructure programs and the defense rebuilding that today have wide support.*
>
> *It's not just federal spending that would be squeezed. The projected rise in federal deficits would compete for funds in our capital markets and far outrun the private sector's capacity to save, to finance industry and home purchases, and to invest abroad.*

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Instead, we'd be dependent on foreign investors' acquiring most of our debt — making the government dependent on the "kindness of strangers" who may not be so kind as the I.O.U.s mount up.

Another option that has gained popularity in recent years is that the Federal Reserve keeps loading US debt on its balance sheet to keep interest rates low.

The Fed has started cutting interest rates before inflation reached its 2% target set in 2012, which indicates that inflation will run above the 2% level for longer. This could, over time, put the Fed (and other central banks) in a position to adjust the inflation target, possibly to a range like the Bank of Canada's range of 1% to 3%. This would give the Fed more flexibility regarding the inflation target.

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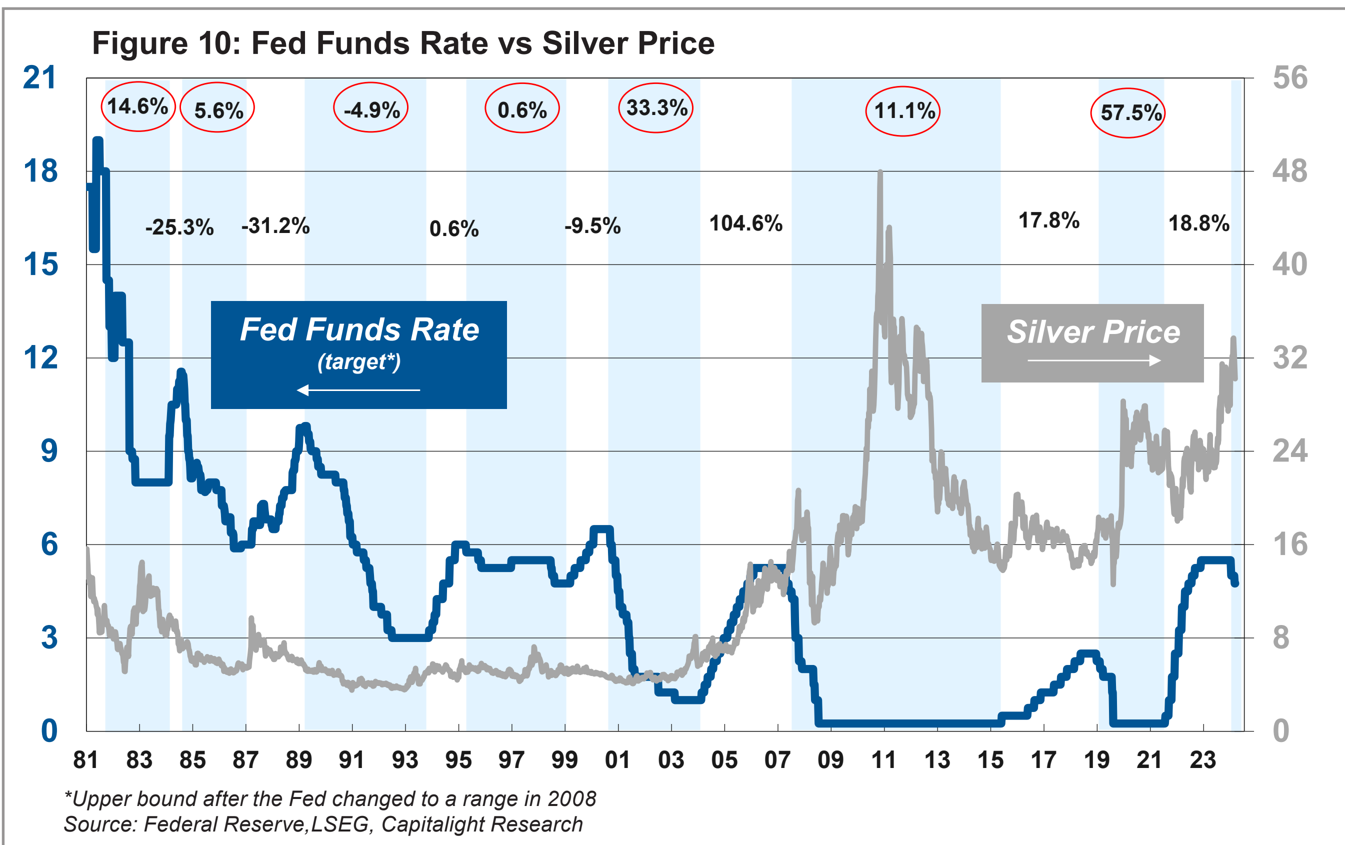
Silver and the Fed Funds Rate

Monetary easing cycles are generally positive for the Silver Price. Since 1981, silver has risen in 6 out of the 7 easing cycles for an average gain of 16.8% over the easing cycles, the average gain over the seven tightening cycles has been 10.9%, with the price declining in three of the seven cycles. The major outlier

Figure 10: Fed Funds Rate vs Silver Price



**Upper bound after the Fed changed to a range in 2008*
Source: Federal Reserve,LSEG, Capitalight Research

was the 104.6% gain during the June 2004 to September 2007 tightening cycle – much of this gain is attributed to strong industrial demand coming from Asia (specifically China) and revived investor demand due to the problems emerging in the financial sector. Silver has risen during both the easing and tightening cycles since 2000.

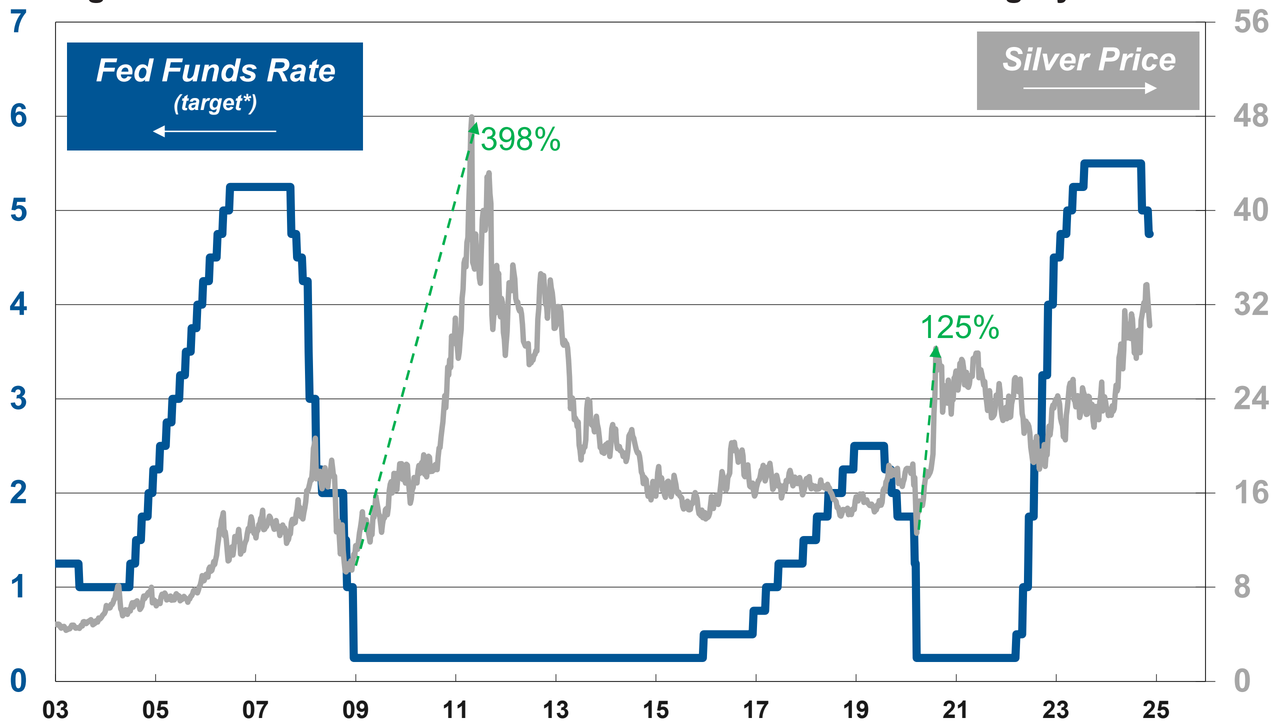
Looking closer at the last two cycles it is important to note that a caveat is that if recession does take hold the price of silver is likely to decline before surging higher. Recessions are not positive for the silver price. However, central banks' response to lower interest rates and quantitative easing is very positive. Once central bank easing fully kicked in, the silver price surged for several quarters of the last two Fed interest rate easing cycles!

Table 2: Fed Tightening/Easing Cycle Summary

Dates	easing or tightening	Silver Price %change
Jul 81 - Feb 84	easing	14.56
Feb 84 - Sep 84	tightening	-25.03
Sep 84 - Aug 87	easing	5.61
Aug 87 - Jun 89	tightening	-31.18
Jun 89 - Jan 94	easing	-4.92
Jan 94 - Jun 95	tightening	0.60
Jun 95 - Jun 99	easing	0.60
Jun 99 - Dec 00	tightening	-9.47
Dec 00 - Jun 04	easing	33.33
Jun 04 - Sep 07	tightening	104.58
Sep 07 - Dec 15	easing	11.10
Dec 15 - Jul 19	tightening	17.81
Aug 19 - Mar 22	easing	57.45
Mar 22 - Sep 24	tightening	18.83
	Averages	
	easing	16.82
	tightening	10.88

Source: Capitalight Research

Figure 11: Fed Funds Rate vs Silver Price - The Last Two Easing Cycles



**Upper bound after the Fed changed to a range in 2008*
Source: Federal Reserve,LSEG, Capitalight Research

The Long-term Silver Supercycle

Compared to short-term fluctuations, which are influenced more by microeconomic factors, supercycles differ in that they tend to span a much longer period of time. Price upswings during these periods may last 10 or even 20 years, generating 20 to over 40-year complete cycles.

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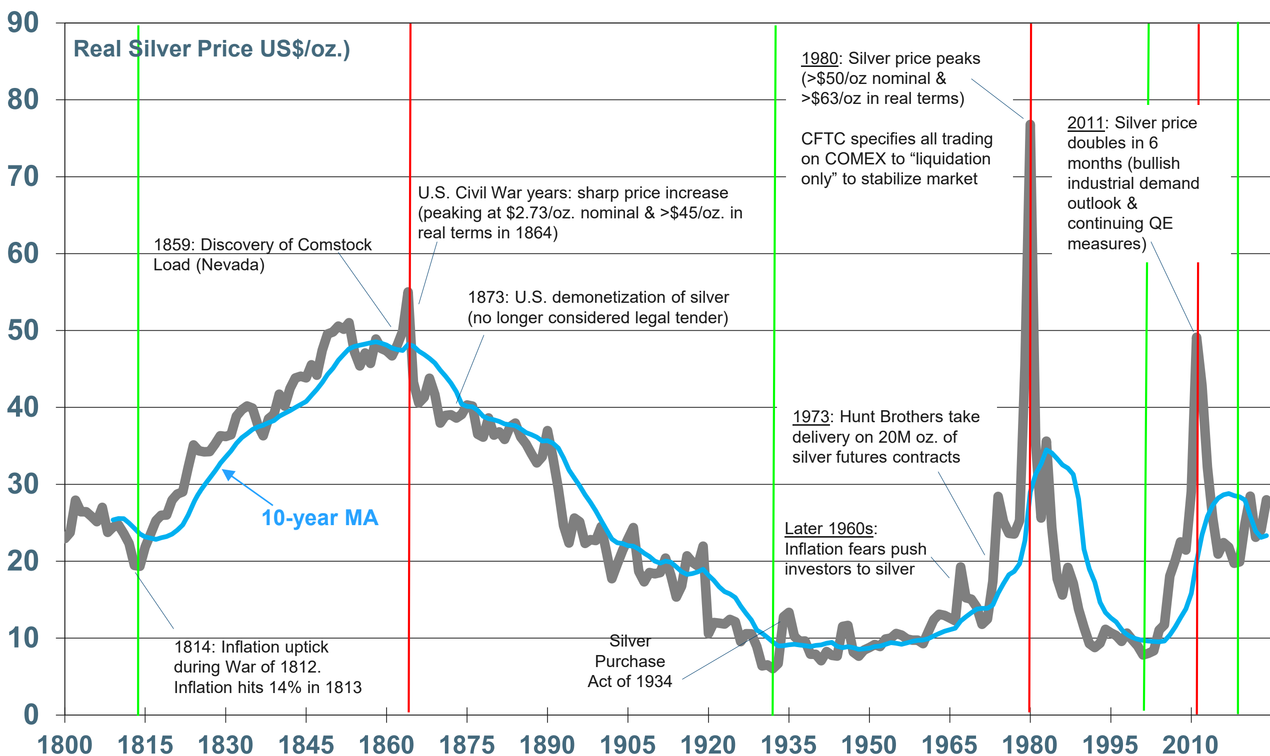
Figure 12 below displays annual inflation-adjusted silver prices (or in real terms) since 1980, with 10-year rolling average prices also displayed as the blue line).

A brief overview of previous silver price 'supercycles'

With the end of the War of 1812 in the U.S., real silver prices generally climbed from less than $15 per ounce over the subsequent half-century, where prices peaked at over $45 per ounce (in real terms) in the midst of the U.S. Civil War in 1864. Two overall factors led to a prolonged downtrend in prices over the next 70 years. During the 1860s, with the culmination of the war and the prior discovery of the Comstock Lode in 1859, $30M of silver was extracted from the mine, as compared to a cumulative total in the U.S. equal of just $2M since the founding

Figure 12: Inflation Adjusted Silver Prices



Real prices in 2024 September U.S. dollar terms, deflated by the US CPI index.
Source: Federal Reserve, USGS, LSEG, Capitalight Research

of the Republic to that point. Lower prices were also driven by The Sherman Act of 1873, which resulted in silver no longer being considered legal tender in the U.S., and thus, the backing of the U.S. dollar was in gold terms only. Real prices dropped below $5 per ounce in the early 1930s. To stabilize the value of silver, in 1934, Congress enacted the Silver Purchase Act whereby all U.S. mined silver was sold to the U.S. Mint for either storage or to be made into coins.

Through World War II and over the subsequent 30 years, average real silver prices were less than $8 per ounce. During the Vietnam War years increased inflation fears triggered higher investment demand for silver with real prices climbing to nearly $16 per ounce in 1967. Also note that during this period, private investors were still banned from purchasing gold and thus relied on silver as an inflation hedge. Through purchasing silver futures contracts and subsequently taking physical delivery of 20M ounces in 1973, the Hunt brothers initiated their famous attempt to squeeze (or corner) the silver market. This activity gained pace later in the decade when the brothers and their Saudi partners took physical delivery of 50M ounces during the 2nd half of 1979, bringing their ownership to ~200M ounces. A speculative frenzy ensued, buoyed by the Iranian Revolution, where real prices peaked at over $63 per ounce. To calm markets, the CFTC limited all trading on the Comex to "liquidation only" thus limiting further accumulation of physical silver. The price spike aggressively retreated and by the early 1990s real silver prices were approximately $7.25 per ounce, only then to sink to a recent low of below $7 per ounce in 2003.

As shown in Figure 12, silver prices climbed (along with other precious metals and most commodities) during the metals supercycle. Following the Global Financial Crisis, real silver prices peaked in April 2011 due to uncertainties associated with continuing quantitative easing monetary policies by key global Central Banks and bullish expectations for the industrial uses of silver. More recently, the average real price has climbed from approximately $14 per ounce at the end of 2015 when the current bull market started to over $30 at the end of October 2024.

If the current bull market continues to evolve into the next metals super cycle as we expect, then investment demand and industrial demand, particularly for metals critical to green energy technologies such as electric vehicles, solar panels, and energy storage systems, will continue to increase for the next several years. In addition, this cycle is likely to be amplified by significant

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supply constraints. Stricter regulatory environments, longer permitting timelines, and outright restrictions on exploration and mine development in various regions are limiting the ability of producers to meet rising demand.

As a result, we can expect heightened price volatility throughout the cycle as the industry struggles to bridge the gap between supply and demand. The slow pace of new mining projects, along with geopolitical risks and environmental concerns, could lead to prolonged supply shortages. This presents investment opportunities for projects that can successfully navigate regulatory challenges, particularly in regions that are more favorable to exploration and mining activities.

In conclusion, silver stands out as a highly strategic asset for institutional investors due to its dual role as an industrial metal and a safe haven during periods of market instability. With its low correlation to traditional assets such as equities and bonds, silver offers powerful diversification benefits. Historically, silver has proven its value during times of economic and geopolitical crises, serving as a reliable hedge against inflation, currency devaluation, and systemic financial instability. In the context of the modern global landscape, this role has become even more pronounced.

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The current global environment is experiencing a tectonic shift driven by several factors, including growing geopolitical tensions, heightened economic fragility, and the deteriorating fiscal positions of many governments. These pressures are reshaping the global financial system, with investors increasingly seeking assets that are immune to counterparty risks and political interventions. Silver, which has served as a form of monetary reserve for over two millennia, is once again emerging as a store of value in a world where traditional reserve currencies like the US dollar are facing challenges to their dominance. The political and economic fallout from events such as Russia's invasion of Ukraine has further accelerated this shift, as sanctions and asset freezes have driven both countries and institutional investors to diversify their holdings into assets like silver, which do not carry the same geopolitical risks.

Moreover, this tectonic shift is not limited to silver's appeal as a safe haven. On the industrial front, silver's critical role in advancing green technologies such as electric vehicles, solar energy, and electronics is strengthening its long-term demand. The global transition toward renewable energy and electrification is expected to drive a sustained increase in industrial consumption

of silver, while supply constraints, stemming from regulatory bottlenecks and limited new mining developments, are expected to create a persistent supply-demand imbalance. This combination of rising demand and constrained supply will likely amplify price volatility and lead to significant upward pressure on silver prices during a potential upcoming super cycle.

Institutional investors who recognize these transformative trends are poised to capitalize on silver's unique position in the market. As global financial systems face increasing challenges, the need for assets that offer both growth potential and protection from systemic risks has never been greater. Silver, with its unparalleled history as both a financial hedge and an industrial powerhouse, offers a compelling opportunity to navigate the shifting tectonic plates of the global economy. Embracing silver as part of a diversified investment strategy not only safeguards against the risks posed by these global shifts but also positions investors to benefit from the metal's critical role in the next wave of technological innovation and industrial growth.

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Appendix – Charts of silver and gold prices during geopolitical events

Figure A.1: Iranian Hostage Crisis/Russia in Afghanistan (August 1979 to May 1980)

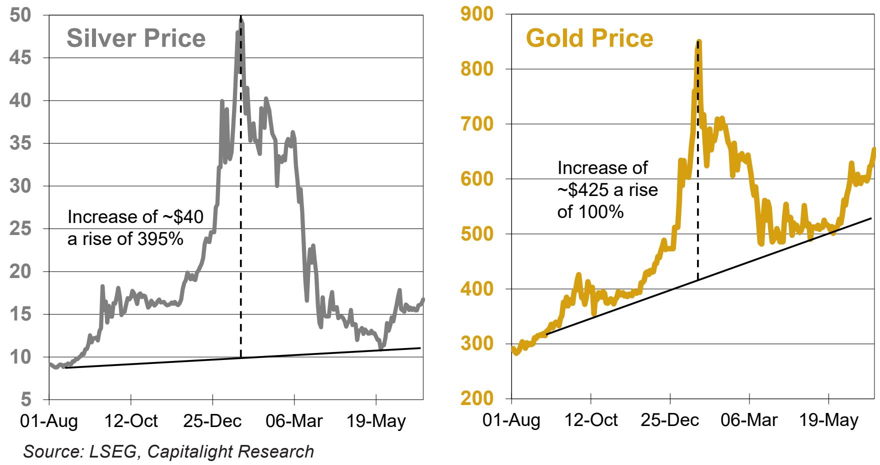
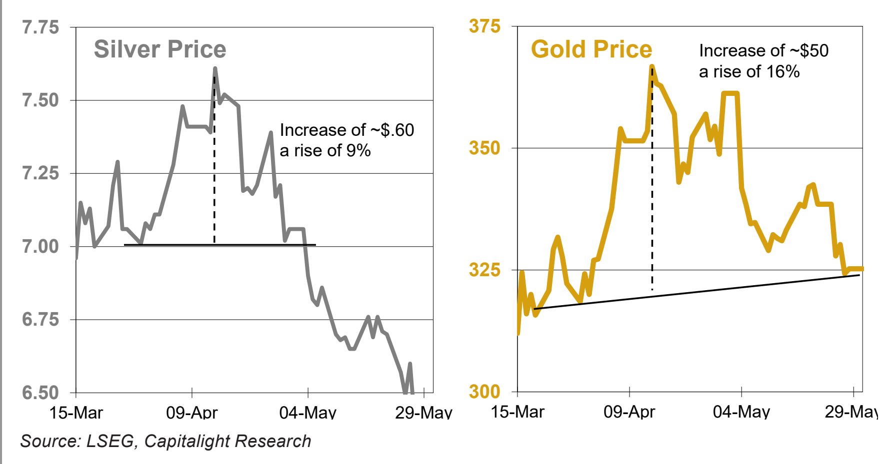


Figure A.2: Falklands Island War (March to May 1982)



The Iranian Hostage Crisis, combined with Russia's invasion of Afghanistan from August 1979 to May 1980, had by far the largest impact on the silver and gold price of any of the geopolitical events to date. The silver price rose 395%, and the gold price doubled.

Of course, geopolitical events do not happen in isolation, and other factors also had a significant impact on prices during the 1979-80 time period, including high inflation. And in particular the silver price was impacted by the Hunt Brothers buying silver.

Both the gold and silver prices rose sharply after 52 Americans were taken hostage on November 4, 1979. Safe haven demand for the metals grew further when Russia invaded Afghanistan on December 24, 1979. The price of silver reached a peak on January 18, 1980, at $49.45, and the gold price reached a peak the following Monday, January 21, 1980, at $850. Although the hostages were not released until January 1981 the price of silver and gold both returned to trend by May 1980.

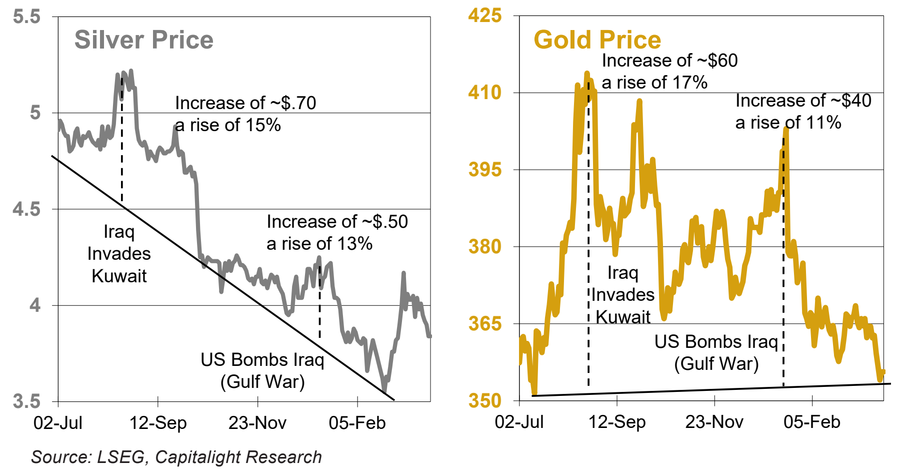
The Falklands Island War was an undeclared conflict between Argentina and Britain. The price of gold and silver started rising on March 19, 1982, after scrap metal workers from Argentina raised the Argentine flag. The price had returned to the previous trend by the beginning of May 1982. Silver rose 9% ($0.50), and gold rose 16% ($50).

The invasion of Iraq in Kuwait in July 1990 and the Gulf War that followed are combined into one chart, but the events created two distinct increases in the prices. The first was from July to mid-September 1990, when the price of silver rose 15% ($0.70) and gold rose 17% ($60). Silver then returned to its prevailing trend, but the gold price stayed somewhat elevated before rising again as the crisis heated up again in November 1990, with silver rising 13% ($0.50) and gold 11% ($40). Both metal prices retreated to the trend by February 1991.

The 9/11/2001 attacks on the World Trade Center and Pentagon resulted in an 11% ($0.47) increase in the silver price and a 7% ($20) rise in the gold price, with the prices returning to trend just over a month later in October 2001.

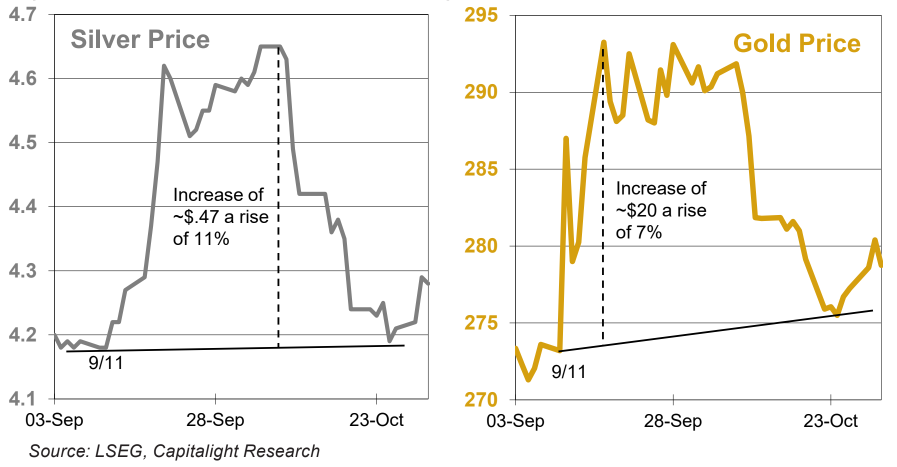
The safe haven buying effect from the tensions of the Iraq War started in October 2002 and reached a peak in early March 2003. The silver price rose 14% ($0.60), and the gold price rose 21% ($70). Although the war in Iraq extended well into 2011, the initial safe haven purchases for silver and gold dissipated in March 2003 when the US invaded Iraq.

Figure A.3: Iraq Invades Kuwait and Gulf War (July 1990 to February 1991)



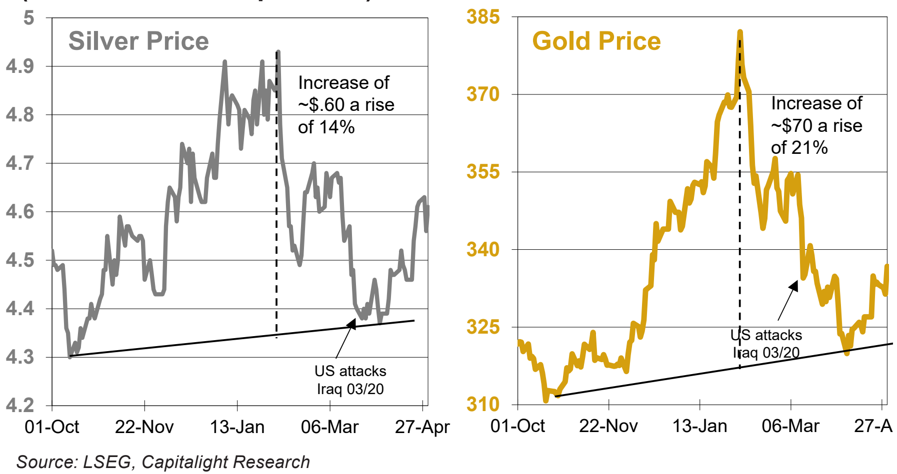
Source: LSEG, Capitalight Research

Figure A.4: 9/11 (September 2001 to October 2001)



Source: LSEG, Capitalight Research

Figure A.5: Iraq War (October 2002 to April 2003)



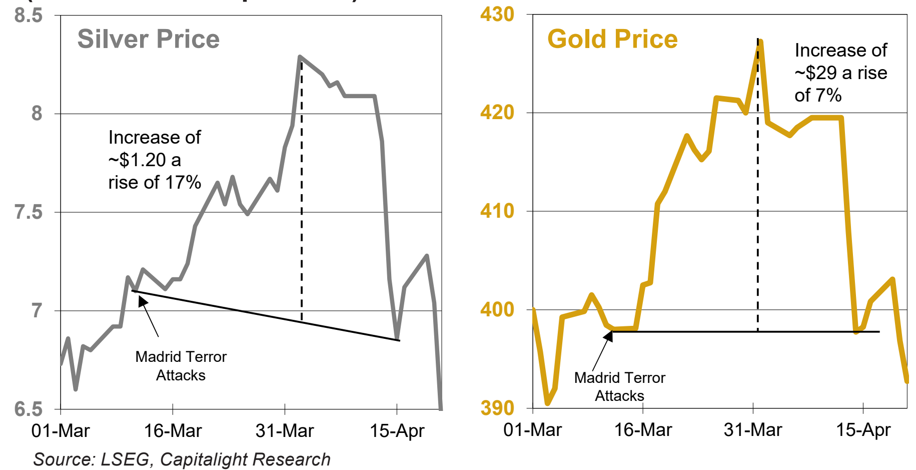
Source: LSEG, Capitalight Research

The series of four coordinated bombings targeting Madrid trains on March 11, 2004, created worry that the attacks could continue around the world. The silver price rose 17% ($1.20) and gold 7% ($29) before returning to trend by mid-April 2004.

When Russia invaded Crimea in February 2014, the silver price rapidly rose 14% ($2.70) and the gold price 13% ($155). The subsequent annexation of Crimea saw tensions slowly ease and the price of the metals returned to trend by mid-April 2014.

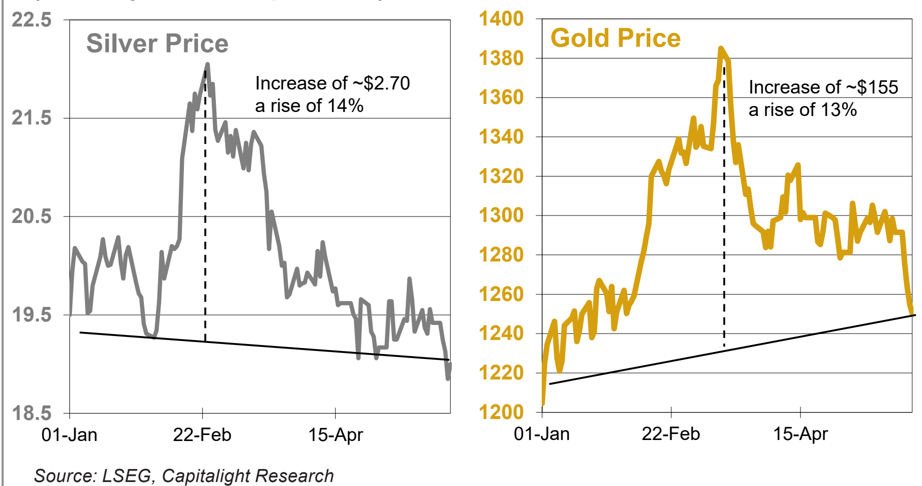
Missile and other nuclear tests by North Korea in 2017 resulted in increased tensions with the U.S. and its allies. International tensions rose further in the summer of 2017 when a joint military exercise was carried out by the U.S. and South Korea. Safe haven demand increased metal prices from July 2017 to early September 2017 by 17% ($2.70) for silver and 10% ($125) for gold before returning to trend in December 2017.

Figure A.6: Madrid Terror Attacks (March 2004 to April 2004)



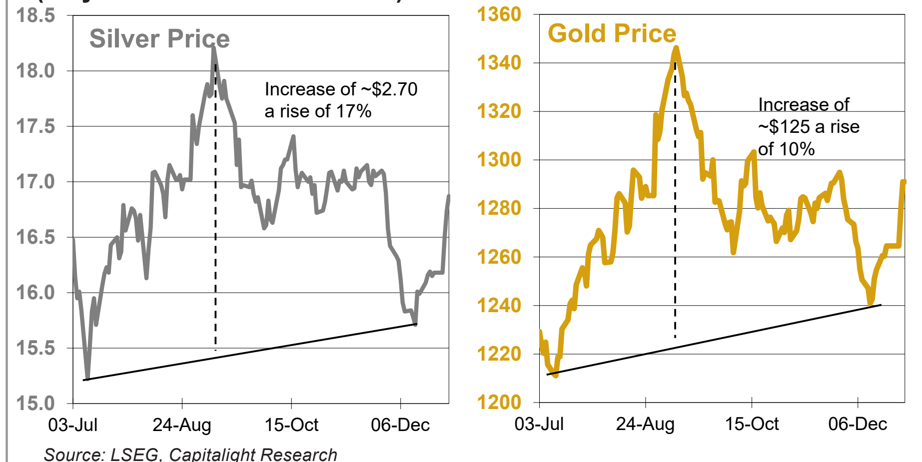
Source: LSEG, Capitalight Research

Figure A.7: Russia Invades Crimea (January 2014 to April 2014)



Source: LSEG, Capitalight Research

Figure A.8: North Korea Missile Crisis (July 2017 to December 2017)



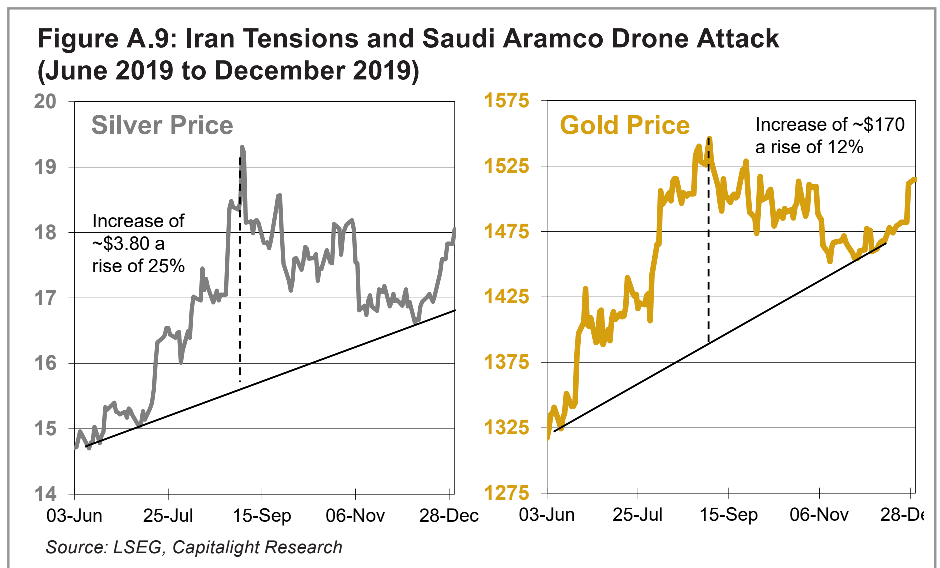
Source: LSEG, Capitalight Research

In May 2019 tensions were heightened between Iran and the U.S. as the U.S. built up troops in the region to deter what was thought to be a planned attack on U.S. forces and allies in the region. Tensions rose further in June 2019 when Iran shot down an American drone, then in July 2019 when an Iranian oil tanker was seized by Britain. Silver prices rose 25% ($3.80), and gold prices rose 12% ($170) before starting to pullback. Tensions increased again in September when twenty-five missiles were fired and subsequently shut down Aramco oil facilities. The metals prices then drifted lower returning to trend by mid-December 2019.

Russia launched an invasion of Ukraine in February 2022. The broad attack, which included troops on three fronts and missiles being fired near Kyiv increased tensions worldwide. Silver rose by 16% ($3.60), and gold increased by 13% ($230). Although the silver price drifted lower in subsequent months, the aftermath of sanctions helped buoy the price as investors sought alternative assets.

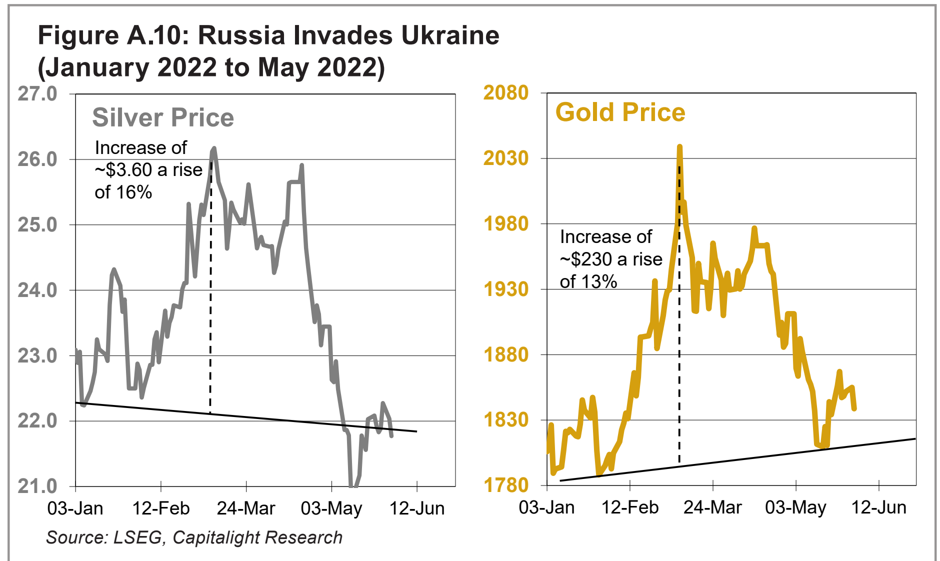
The Hamas-led attack on Israel in October 2023 heightened concerns over a larger conflict escalating. The silver price rose by 18% ($3.90) and gold rose by 10% ($185).

Figure A.9: Iran Tensions and Saudi Aramco Drone Attack (June 2019 to December 2019)



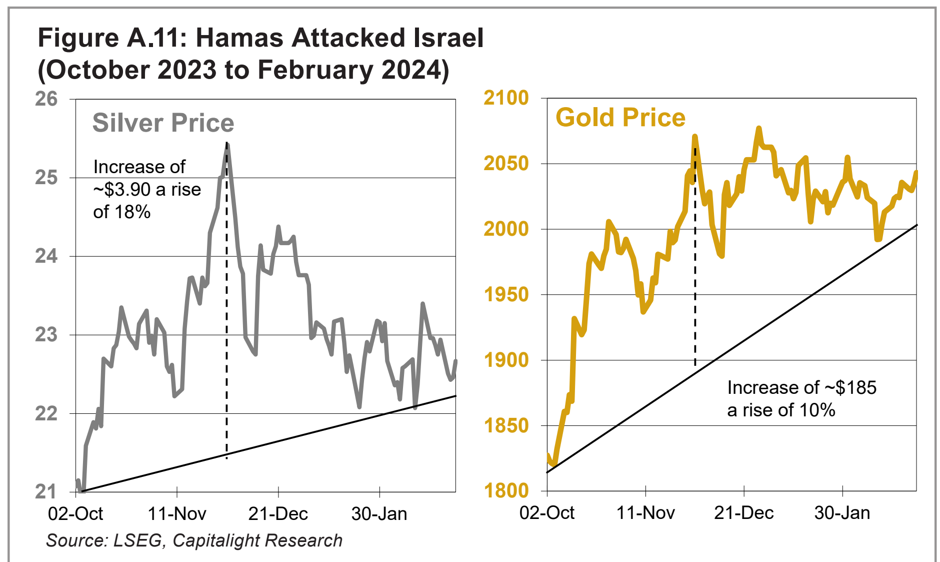
Source: LSEG, Capitalight Research

Figure A.10: Russia Invades Ukraine (January 2022 to May 2022)



Source: LSEG, Capitalight Research

Figure A.11: Hamas Attacked Israel (October 2023 to February 2024)



Source: LSEG, Capitalight Research

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