

ALL THAT GLITTERS....

21<sup>ST</sup> JULY 2020

Traditionally, when stock markets head into trouble, investors look to protect their portfolios and sometimes just run for the hills.

It has ever been thus, but since the total collapse of value from cash deposits, precious metals have become even more the “go to” investment and there is no more a precious metal than Gold.

Although most countries no longer run their economies pegged to the Gold standard, Gold is still seen as a “true” value asset. It’s tangible and recognised everywhere as something that will always be sought after, even more so when more regular forms of currency or investment are seen to be, or thought to be in trouble.

During the stock market crash of late 1999, caused predominantly by the “Tech” bubble (remember all those exciting new internet and technology companies that had meteoric rising valuations, despite not actually earning anything!) Gold started its rise from lows around \$254 an ounce to \$1,827 an ounce at the end of July 2011, rising strongly throughout 2007, 2008 and 2009 as a safe haven from the 2008 financial crisis.

By mid-2012, as stock markets recovered, people felt more confident and left gold, seeing the price fall to around \$1,062 an ounce in December 2015. As markets faltered, interest in Gold increased again, starting the rise from mid-2019 to \$1,830 an ounce as I write today.

So a lesson to learn here is definitely that gold can be an early indicator of trouble in the stock market and world economies. When the smart money smells something is off – the run to gold starts and they are never wrong.

However... Gold is not the only shiny asset we should be interested in.

Silver is the poor, often forgotten relation of Gold yet it has the advantage of being both a precious and industrial metal.

Here are top 3 common uses for silver you may not have realised:

1. Electrical – Silver has excellent conductivity and is very durable, making it ideal for use in circuit boards, TV screens, children’s toys and microwaves.
2. Antibacterial – Silver ions absorb oxygen, which kills bacteria and it is non-toxic, making it perfect for water purification, bandages, dental hygiene and eye drops!
3. Photography – Due to its light sensitivity, silver has been used in photography for centuries. Its accuracy allows it to be used in non-digital consumer photography, traditional film making and X-rays.

This flexibility to be useful as a safe haven and as an industrial metal has no doubt contributed to its growing and now greater strength than gold, in stocks, silver miners have done better than gold miners since March of this year.

Interestingly, many feel silver has a lot of catching up to do, the Gold/Silver ratio suggests silver has a long way to go to catch up with gold, in fact, although silver is historically much cheaper than other precious metals, in fact it’s the cheapest in half a century.

When the Gold/silver ration reaches an all-time high with gold prices peaking, silver tends to get much stronger and vice versa. Its currently at an all-time high from over the last 50 years.

So..... When we see an end to the current pandemic induced recession/depression (whichever it turns out to be), we will undoubtedly see the smart money again moving away from Gold and back to the stock market, but leaving precious metals altogether may be a big mistake – keeping a hedge by investing in silver, may turn out to be the smartest way to keep a low risk high return profile in your portfolio.

Keep an eye on the Spot silver prices, as gold peaks shining opportunities may spring up, one could even consider adding it to a portfolio now, buying on pullbacks - if you had bought the last pullback on June 15<sup>th</sup>, you would be up 19.9% as of 2.43pm today!!!