

Alps Precious Metals Group

Monthly Commentary and Update

December 2017

Silver Bells

In keeping with its behavior for each and every 4th quarter beginning in 2011, the gold and silver markets have traded down in the final three months of 2017. While anything can happen over the last three weeks of the year, the odds are that those with exposure to the sector will find the value of their Precious Metals portfolio to have fallen when the markets close on December 29th. However, it is also true that those who ***bought*** at or near the lows of these past six somber 4th quarters have enjoyed a rally in the subsequent 1st quarter in 5 of those 6 opportunities. We believe that the 1st quarter of 2018 will continue that winning streak for Gold and Silver; if coupled with some quaking in the Stock, Bond and Cryptocurrency markets, the “win” may be larger than normal.

In particular, we wish to draw your attention to Silver. Consider the following facts:

- A) Silver's industrial uses are far greater than Gold's.
- B) Those industrial uses are *expanding* daily in uses such as Solar power panels.
- C) Silver consumption is larger than silver production (see table below; this has been true for years).
- D) Exploration for Silver has dropped dramatically in concert with Silver's price since 2011; the large producers have “skeleton crews” for new exploration, while capital for independent exploration companies is hard to find.
- E) If/when Silver is found by prospectors, the process to bring a mine to on-line production is tremendously time-consuming and excruciating (far more so now than ever before).
- F) According to the U.S. Geological Survey, the ratio of the physical occurrence of Silver to Gold in the earth's crust is 17.5:1. Yet the average ratio of the Gold/Silver price since 1900 has averaged approximately 50!

Consider also the current ratio of Gold to Silver of nearly 80; rare are the occasions in history when one could purchase Gold's "little brother" at such a substantial discount to the Midas Metal. As recently as April of 2011, the Gold silver ratio was at 31!

In concert with the following charts and graphs, the lyrics of the popular Christmas tune become much more germane for the Precious Metal investor:

*"....Strings of street lights,
Even stop lights,
Blink a bright red and green,
As the shoppers rush home with their treasures..."*

Our thought is that in terms of one's portfolio performance measurements, Silver treasures purchased during this holiday "sale" will be flashing green for some time to come.

Entry #1: Table of Silver Supply from 2007-2016 (Note the Negative Net Balance every year!) [Source = The Silver Institute]

TABLE 1 - WORLD SILVER SUPPLY AND DEMAND

(million ounces)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Supply										
Mine Production	667.7	684.7	717.3	753.0	758.3	791.7	823.7	868.6	890.8	885.8
Net Government Sales	42.5	30.5	15.6	44.2	12.0	7.4	7.9	-	-	-
Scrap	203.7	200.4	200.1	226.4	260.1	253.8	191.0	165.3	141.1	139.7
Net Hedging Supply	-24.1	-8.7	-17.4	50.4	12.2	-47.1	-34.8	16.8	7.8	-18.4
Total Supply	889.8	907.0	915.6	1,074.1	1,042.7	1,005.8	987.8	1,050.7	1,039.7	1,007.1
Demand										
Jewelry	182.3	177.6	176.9	190.0	191.5	187.4	221.8	227.9	228.3	207.0
Coins & Bars	61.6	196.6	92.9	147.7	208.4	159.2	240.6	234.0	290.7	206.8
Silverware	60.2	58.4	53.2	51.6	47.2	43.7	58.8	60.7	62.9	52.1
Industrial Fabrication	646.0	641.8	528.2	633.8	661.4	600.0	604.5	595.7	569.6	561.9
...of which Electrical & Electronics	262.5	271.7	227.4	301.2	290.8	266.7	266.0	263.4	245.9	233.6
...of which Brazing Alloys & Solders	58.6	61.8	53.8	61.2	63.2	61.1	63.7	66.7	61.5	55.4
...of which Photography	117.0	98.2	76.4	67.5	61.2	54.2	50.5	48.5	46.6	45.2
...of which Photovoltaic*	-	-	-	-	75.8	58.2	55.9	51.8	57.2	76.6
...of which Ethylene Oxide	7.9	7.4	4.8	8.7	6.2	4.7	7.7	5.0	10.2	10.2
...of which Other Industrial*	200.0	202.7	165.8	195.2	164.1	155.0	160.8	160.5	148.4	141.0
Physical Demand	950.2	1,074.5	851.1	1,023.1	1,108.5	990.2	1,125.8	1,118.3	1,151.5	1,027.8
Physical Surplus/Deficit	-60.3	-167.5	64.5	50.9	-65.8	15.6	-137.9	-67.6	-111.8	-20.7
ETP Inventory Build	54.8	101.3	156.9	129.5	-24.0	55.3	2.5	1.5	-17.7	47.0
Exchange Inventory Build	21.5	-7.1	-15.3	-7.4	12.2	62.2	8.8	-5.3	12.6	79.8
Net Balance	-136.6	-261.7	-77.2	-71.1	-54.0	-101.9	-149.2	-63.8	-106.7	-147.5
Silver Price, \$ per oz.	13.38	14.99	14.67	20.19	35.12	31.15	23.79	19.08	15.68	17.14

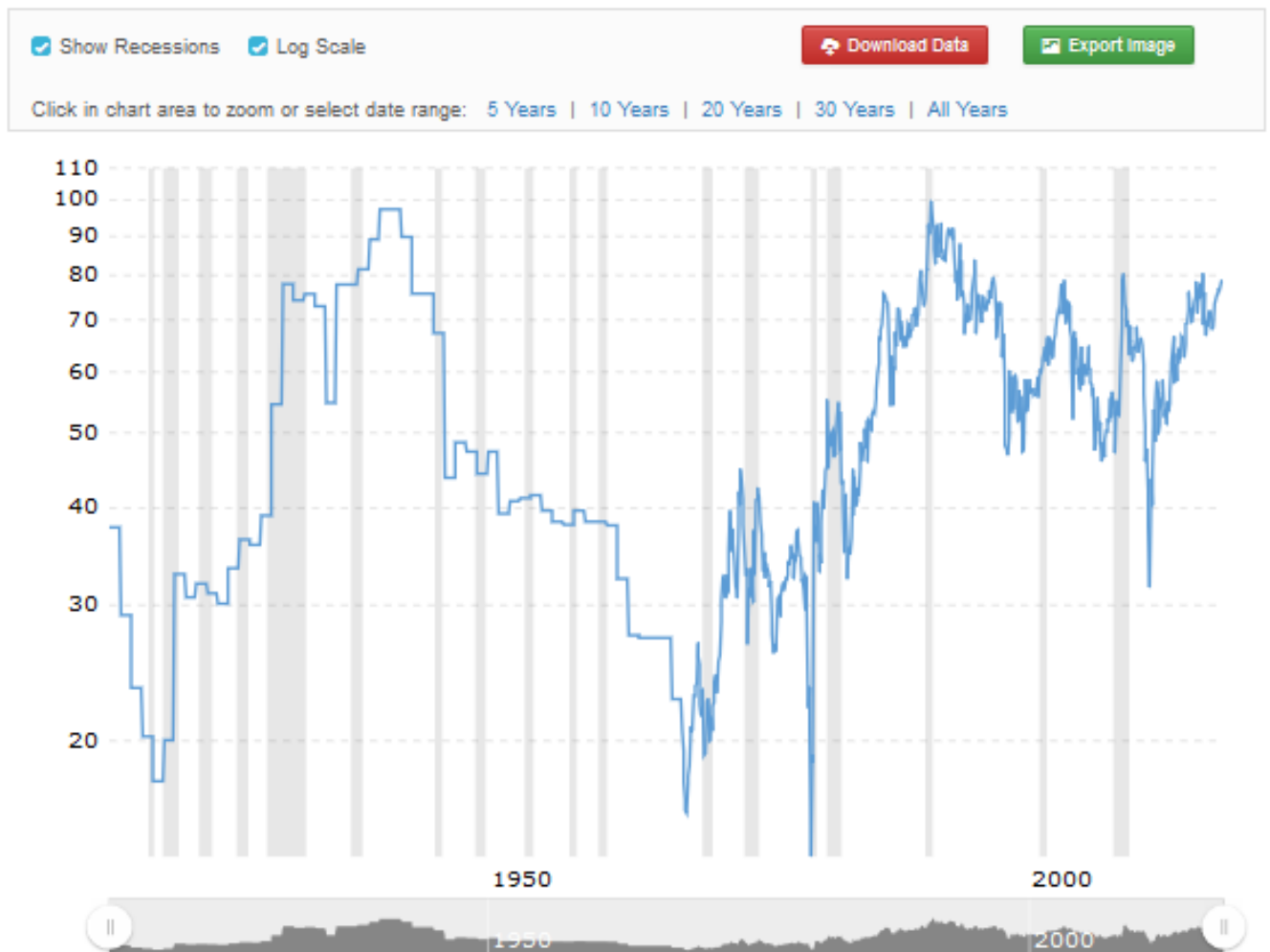
*Photovoltaic demand included in "Other Industrial" prior to 2011

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Entry #2: 100-year chart of Gold/Silver Ratio (as of 12/11/2017 = 79) [Source = Macrotrends]

Gold to Silver Ratio - 100 Year Historical Chart

This interactive chart tracks the current and historical ratio of gold prices to silver prices. Historical data goes back to 1915.



For investors who already have substantial exposure to gold, with little or none to silver, the conclusion would be to sell Gold and buy Silver. For those with no exposure to either, an initial allocation more robust in Silver vs. Gold would arguably make the most sense.

Entry #3: Historical performance tables

A) Silver versus Gold performance during last two sustained Precious Metals rally:

Period	Gold Low to High	Gold % Rise	Silver Low to High	Silver % Rise
2001-2008	\$256-\$1033	304%	\$4.07-\$21.37	425%
2008-2011	\$682-\$1921	182%	\$5.06-\$49.81	884%

B) Silver's outperformance with Gold/Silver ratio is north of 76 [Source = Stansberry Research]

"...each time the gold-to-silver ratio hit 76 or higher in the last two decades....silver tends to soar after the gold-to-silver ratio reaches that kind of extreme. Take a look..."

	1-Month	2-Month	6-Month	1-Year
After extreme	4.0%	10.1%	21.0%	34.0%
All periods	0.5%	1.6%	3.2%	6.5%

Silver has normally gone up 6.5% a year for the last two decades... But buying silver after extreme gold-to-silver levels meant those annual gains shot up to 34%!..."

Alps and Liechtenstein Precious Metals

Alps Precious Metals Group via our partnership with Liechtenstein Precious Metals Group is dedicated to providing the global standard for the finest and most secure storage and trading of Physical Precious Metals. Our Vault is constructed to the highest security standard in the world ("Class 10") and, via our relationship with Lloyd's of London, insures each client's specie at 100% of its market value. Our trading desk provides liquidity on each and every business day with as little as next day settlement. All of these benefits are enjoyed while simultaneously being freed from the status quo global financial system. Contact us (www.alpspmg.com) to discuss how APM/LPM can become a trusted partner in the creation, protection and utilization of the hard money portion of your portfolio.

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