

Invest in silver gradually or on pullbacks after rally

Opt for a silver ETF or a FoF having low expense ratio and tracking error

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From a low of ₹69,150 per kilogram on February 14, silver closed at ₹83,213 on Tuesday, a rise of 20.3 per cent. It is up 13.4 per cent year-to-date. Silver scaled a fresh peak of ₹83,819 on April 12.

A recent report from Motilal Oswal strikes a bullish note on its prospects. The brokerage house expects silver, which has the dual characteristics of a precious metal and an industrial metal, to rise to ₹1-1.2 lakh per kilogram in the medium term. It, however, warns that the journey may be accompanied by intermittent volatility.

Most investors would gain by diversifying the commodity basket within their portfolios further with the addition of silver.

Positive outlook

Experts believe silver may sustain its strong performance in the near term. "We expect silver to continue its upward trend, especially with increasing geopolitical tensions. Our near-term target is ₹86,600. If the current strength persists, we could see silver reach even higher levels, possibly hitting ₹92,000 in the near future," says Vaishali Parekh, vice president-technical research, Prabhudas Lilladher.

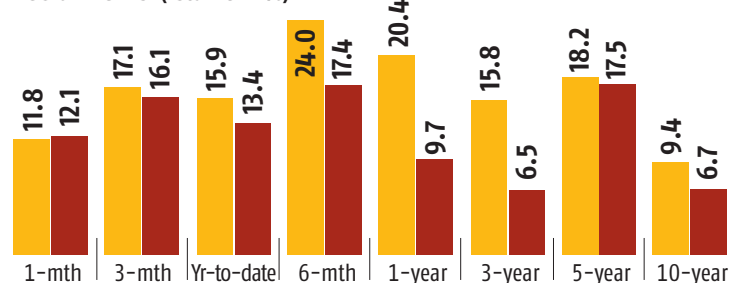
Positive drivers

Silver is used heavily in new-age, green technologies, such as solar panels and electric vehicles. "Greentech will be the main driver of incremental silver demand. A firmer commitment by larger economies like the US, China, the European Union, India, Brazil, etc. (to greentech) would be positive for silver," says Vikram Dhawan, head commodities & fund manager, Nippon India Mutual Fund.

Naveen Mathur, director, commodities and currencies, Anand Rathi Shares and Stock Brokers,

SILVER'S RECENT SURGE MIRRORS GOLD'S

■ Gold ■ Silver (returns in %)



Returns above one year are in CAGR; Compiled by BS Research Bureau

Source: IBJA, Zaveri Bazaar

explains that the record high structural supply deficit is expected to persist in 2024 and keep the outlook for silver bullish over the next six months.

If the global economy grows robustly, silver will continue to perform. "Silver is used for a wide range of industrial and medical applications. While only 10 per cent of gold produced is used for industrial applications, 50 per cent of silver production is used for industrial applications. As a result,

silver's performance is closely correlated to worldwide economic activity. Stronger industrial demand could translate into higher prices for silver," says Vishal Dhawan, board member, the Association of Registered Investment Advisors (ARIA).

Negative drivers

Several factors have the potential to play spoilsport. "The US' resilient macroeconomic data could result in a higher-for-longer interest-rate scenario. This could drive the dollar index up in the near term, which would in turn exert downward pressure on silver prices," says Mathur.

"Currently, China's property market has turned sluggish and its macroeconomic environment is weak. This could affect demand and hence the prices of silver," says

ARIA's Dhawan.

What should you do

After the recent run-up, investors should accumulate silver in a staggered manner, or when prices correct by 10-15 per cent from current levels. According to Nippon's Dhawan, investors who cannot follow low prices regularly should invest in a silver savings fund or a multi-asset allocation fund (having allocation to silver) in a systematic manner.

As for how much to allocate to silver, Jinal Mehta, a certified financial planner and founder of Beyond Learning Finance, says: "Around 10-15 per cent would be an ideal allocation to metals like gold and silver combined."

Investors should avoid getting carried away by the current momentum in silver. "The best time to buy silver is when no one is talking about it," says Nippon's Dhawan.

Dhawan of ARIA recommends selecting an exchange-traded fund (ETF) or a fund-of-fund (FoF). "It must have a low expense ratio and a low tracking error," he says.

Parekh recommends investors buy some amount of physical silver. However, keep in mind that an investment in physical silver would be subject to additional costs in the form of making charges, taxes, etc. Storing physical silver can also cause hassles due to its bulky nature. In addition, there is the risk of theft.

