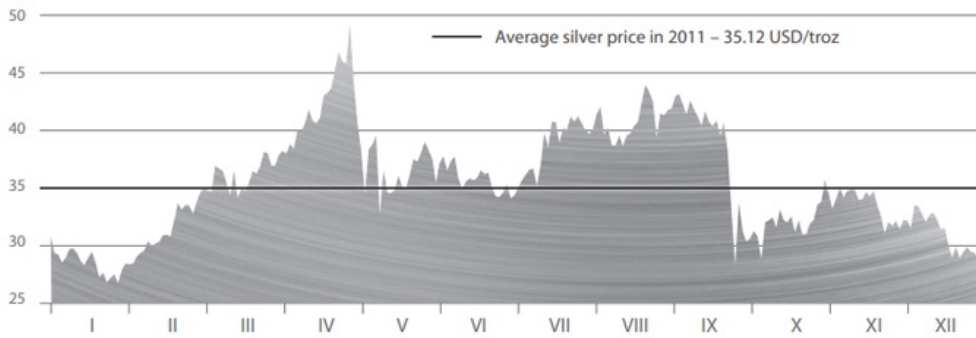


Silver market

The average annual silver price in 2011 on the London Bullion Market was 35.12 USD/troz, meaning a 74 percent increase versus the prior year (20.19 USD/troz). In the first half of the year there was a dynamic increase in the silver price, from 26.7 USD/troz, to nearly 49 USD/troz. This was the highest price in over 30 years, when, as a result of unprecedented speculation by a narrow group of investors, silver soared momentarily to 50 USD/troz. The increase in the silver price in the first half of 2011 was mainly due to financial investors, who, given a weakening USD and fears of growing debt by European countries, sought safe havens for their capital, sending enormous amounts onto the market, especially for gold, but also onto the much smaller silver market. Joining this rapid appreciation were speculators hoping to profitably exploit the situation, which drove up silver prices even more. However, the historic price peak turned out to be a formidable barrier to break, and within just a few days there was a spectacular slump in the silver price of over 30%. After a two-month period of consolidation, investors again began buying, significantly raising silver prices. This time, demand was exhausted at around 44 USD/troz, and another rapid drop brought the silver price to under 30 USD/troz. During the final months of the year silver prices consolidated between 30 and 35 USD/troz, and in December reached their lowest price for the year – 26.16 USD/troz. The main reasons for the fall in the silver price in the second half of the year were the weakening possibilities for global economic growth and lower forecasts for the industrial use of silver.

Daily silver prices in 2011 – LBMA fixing



Source: The London Bullion Market Association, KGHM