ScotiaMocatta

Precious Metals 2017 Forecast

Silver

December 2016

Executive Summary

- Silver's 2011-2015 down trend was broken in the first half of 2016, with prices rallying 55 percent. Prices have since weakened, but are still up around 17 percent from the 2015 low.

- The initial buying force came from fund buying, both short-covering and fresh buying, followed by ETF buying that took holdings to a record high in October.

- Fabrication and industrial demand remain weak; the exception is demand from the solar power industry where demand is expected to grow 11 percent this year.

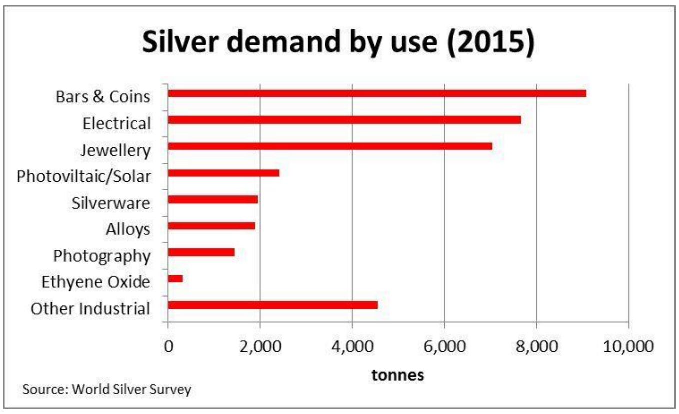
- Given much political uncertainty in 2017, we predict that investment demand for Silver will strengthen further, which is expected to see the bull market resume.

Introduction

Silver's downward trend ended in the first half of 2016, with prices rallying 55 percent from mid-December 2015 to July 2016. The turn round in sentiment has been driven by investment and fund buying, while apart from demand from the solar power industry, most other areas of demand have been flat, or weaker. The main bullish swing has come from the funds, where a combination of short-covering and fresh buying led to significant buying pressure. ETF investors have also switched from being net sellers in 2015, to net buyers, with holdings moving up to record levels in October. Since the price peak in July at $21.13/oz, prices have fallen 25 percent, the main selling pressure having come from fund long liquidation, although interestingly the sell-off in prices has not led to a pick-up in short selling. This suggests the market is not bearish, but that other asset classes look more enticing than Silver. With economic data showing some improvement and with China and the US talking more about increasing infrastructure spending, we expect industrial demand for Silver to recover in 2017, but as that unfolds, base metal production is likely to pick up as idle capacity is restarted. In turn, that will lift Silver mine supply as by-product Silver is produced at zinc, lead and copper mines. Investor and fund interest are likely to remain the main swing factors in deciding where prices go next year. Funds are not as long as they were over summer and, with the gross short position low, the market will not benefit from the same degree of short-covering as was seen in early 2016. Although prices at the time of writing are falling (this on the back of a stronger dollar and the US interest rate rise in mid-December), we do expect investment buying to take advantage of the price weakness before too long. Indeed, given all the uncertainty that Brexit and a Donald Trump administration will bring, combined with the other woes the global economy faces, we expect investor interest across ETFs, coins/bars and from funds to increase. We doubt prices will fall below $13.75oz - on the upside we expect prices to work higher towards $20/oz.

DEMAND FOR SILVER

Silver uses can be broken down into three main categories - industry, luxury goods (jewellery & silverware) and investments (bars, coins and ETFs). The ETF aspect of demand can be a major swing factor in Silver's supply and demand balance, as when ETF redemptions outpace buying, ETFs become a factor of supply and not demand. In 2016, total demand for Silver is forecast to be 35,418 tonnes; taking into account ETF demand and de-hedging, this is down 2.7 percent compared with 2015. As the chart below shows, demand for bars and coins was the single biggest sector for fabrication demand in 2015, whereas more normally that slot would be taken by Silver's use in electrical and electronic applications.



The economic slowdown in the aftermath of the financial crisis in 2008 has weighed heavily on industrial demand, but also one sector, Silver's use in photography, has been in structural decline since 2000. However, after 16 years, Silver's use in photography seems to have leveled out. Silver demand can be broken down into two sub-groups, fabrication and investment. The split between how much each sub-group consumes varies from year to year; for example, in 2014, fabrication demand accounted for 81 percent of the demand for Silver, while investment demand accounted for 19 percent. By comparison, in 2008, fabrication demand accounted for 73 percent and investment demand 27 percent, with strong demand from ETFs making the difference.

FABRICATION DEMAND

Fabrication demand covers Silver's use in industry (66% of fabrication demand), jewellery manufacturing (27%) and silverware (7%). In 2015, fabrication demand fell two percent to 27,310 tonnes, according to data from the GFMS team at Thomson Reuters. In 2016, fabrication demand is expect to fall four percent, driven mainly by weaker jewellery demand from India in the face of a strike by jewellers earlier in the year and the run-up in prices. Industrial demand is expected to be little changed with growth in the photovoltaic (PV)/solar power industry offset by declines in other sectors.

Looking forward into 2017, the outlook is more positive as we expect the global economy to pick up momentum, which should lead to stronger industrial demand as well as see a pick-up in disposable incomes that may well lead to a recovery in demand for jewellery. A better monsoon in India in 2016 is expected to boost demand for jewellery next year. That said, after strong gains in the PV industry, reports suggest output may fall in 2017 as an oversupply situation has arisen in 2016, but a compound average growth rate (CAGR) of nine percent is then expected out to 2021, according to GTM Research.

Jewellery

Demand for Silver from the jewellery industry picked up between 2013 and 2015, but is forecast to fall eight percent to 6,485 tonnes in 2016, according to the GFMS team at Thomson Reuters. This takes it to the lowest level since 2012. Indian demand is expected to fall for a number of reasons. First, a 42-day strike by jewellers reduced would-be buyers' access to the retail market and while that was going on prices were ramping higher; from the lows in mid-December 2015 to the highs in early July, spot prices climbed 55 percent to $21.13/oz. In addition, low and relatively stable rupee Silver prices in 2015 had led to a 16 percent rise in jewellery fabrication, which included stock building, the latter partially explaining the fall-off in demand this year. Around 79 percent of jewellery fabrication is concentrated in six countries: India (32%), China (15%), Thailand (10%), Italy (8%), Mexico (7.5%) and the US (6%). In recent years, India, Mexico and the US have seen jewellery fabrication growing, while China's fabrication has slowed rapidly. As we highlighted in last year's Forecast report, falling precious metals prices in recent years have dented jewellery's image as a store of value. In addition, an anti-corruption drive in China has reduced the amount of gifting of Silver items and the combination of slower economic growth and rising property prices has reduced households' disposable income, which means jewellery has faced competition from other 'must haves', including branded items such as clothes and mobile phones/gadgets and even holidays. China's loss, however, seems to have enabled other countries, including Thailand and Italy, to step up fabrication and regain market share.

Looking forward into 2017, we expect stronger global economic growth and a move on from the destocking seen in 2016 to lead to a recovery in jewellery fabrication. With Silver prices ramping up in the first half of 2016, some buyers will have moved to the sidelines, which again is likely to have led to further destocking. The combination of lower spot Silver prices (around $16.60/oz at the time of writing, 21 percent below the July peak) and a destocked supply chain – especially in India after the surge in demand for precious metals following the government's cancelling of the Rs500 and Rs1,000 notes – should prompt restocking. It would be especially bullish if Chinese jewellery buyers regained their confidence in precious metals being a store of value. If spot Silver prices avoid falling too far towards the 2015 lows, then the price dip may well provide a bargain hunting opportunity. This is especially so if potential buyers look upon jewellery as an investment and a hedge against a weakening yuan and if a slowdown in property prices means investors look at alternative forms of investment.

Silverware

The popularity of silverware is going through a transition, with developed countries generally seeing demand fall. Indeed, the only country seeing meaningful growth is India where demand has accelerated since 2013. India accounted for 66 percent of global silverware fabrication in 2015, up from an average of 16 percent between 2006 and 2012. While total tonnage used in silverware in 2015 was similar to 2006 and 2007, before the financial crisis, the region that has lost most market share is Europe. In 2006 and 2007, it accounted for 33 percent, but that has since fallen to 16 percent. The accelerated increase in Indian demand may well continue as the country has a strong affinity for silverware; it has the second largest population in the world and the economy is growing at a fast pace. Whether the impact of demonetising the Rs500 and Rs1,000 notes disrupts economic growth next year remains to be seen. Overall, with new notes being issued, we expect the impact will be limited. That said, it may be that it has led to a surge in spending in November, as those who had been hoarding notes may not have wanted to attract the taxman's attention by depositing too much cash into a bank account.

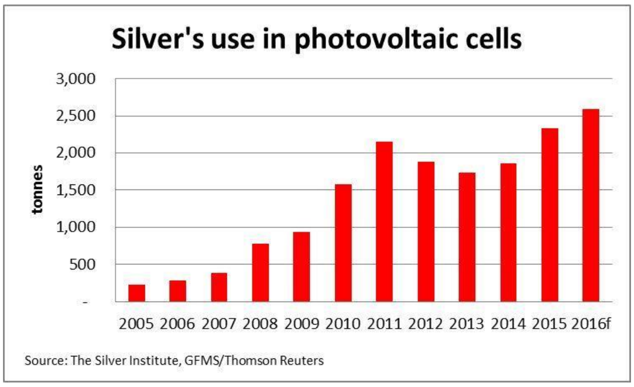
Industrial demand

Industry's use of Silver covers a wide range of applications, often requiring tiny amounts per unit, with total demand therefore more dependent on global industrial and manufacturing production rather than demand for Silver-specific items. As such, Silver's industrial demand tends to be price inelastic, at least to low Silver prices, although substitution and reduced use of Silver per unit (referred to as 'thrifting') can become issues when Silver prices are high or when the cost of the Silver in the product is a high proportion of the overall cost of the product. This has been the case in PV solar cells, where manufacturers have been under pressure to make the technology compete with other alternative energy technology, such as wind power, and indeed with fossil-fuel energy generation too.

In recent years industrial demand has been weak, with the amount of Silver consumption falling since 2013. Demand fell 1.3 percent in 2014, 3.6 percent in 2015 and is forecast to fall 0.6 percent this year, according to the GFMS team at Thomson Reuters. Within the industrial sector, PV stands out as the rising star and it has a bright long term outlook, even if demand slows in 2017, after strong growth in 2016.

The electrical and electronics industries have consistently been large users of Silver, accounting for between 37 and 44 percent of industrial use. The tonnage consumed has been drifting lower, but this is a factor of thrifting as new technology means coating can be thinner and electronic components have been getting smaller too. The slowdown in economic growth rates has therefore meant that the percentages saved through thrifting are outpacing what growth there is in the units produced by industry. The semiconductor industry is seen as a good proxy for the electronics industry and it appears that semiconductor sales have started to rebound, having turned lower from October 2015. Sales hit a low of $25.8 billion in April but have climbed in each month since then, reaching $28 billion in August, according to World Semiconductor Trade Statistics. Sales are expected to fall 3.2 percent in 2016, but then rebound two percent in 2017. China, the US and Japan are the largest users of Silver in the electrical and electronics industries, accounting for around 62 percent of global use. With the US economy looking more robust and China's manufacturing also appearing to be turning a corner, the outlook for 2017 is stronger.

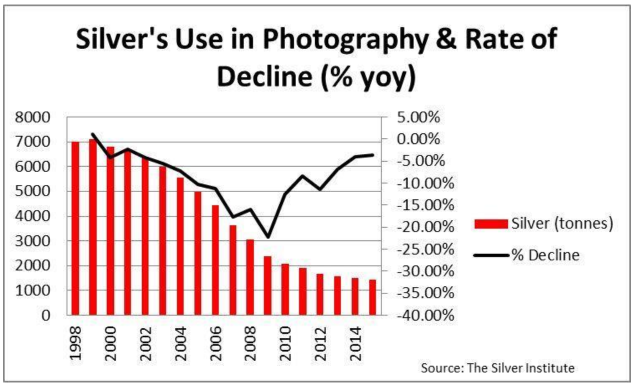
In recent years we have monitored the PV industry's growth from a small user of Silver to where it is now, the second largest consumer of Silver in the industrial sector, with more Silver now used in PV cells than going into the making of Silver brazing alloys. Although demand for brazing alloys is likely to continue growing, it seems likely that Silver's use in the PV industry will grow at a considerably faster pace.



The solar power industry is seeing rapid organic growth and has many tailwinds as countries try to reduce their carbon footprint in energy generation. But it is not all about relying less on fossil-fuels; countries want more energy security, dependence on imported natural gas has exposed some countries to risk in recent years, while some countries have wanted to veer away from nuclear power after the Fukashima disaster. In 2015, global PV capacity amounted to around 227 gigawatts (GW), which covers 1.2 percent of global electricity demand. Forecasts are that this will rise to around 600GW by 2020. In 2015, 51 GW of new capacity were installed and 74GW are expected to be installed in 2016, which should take total capacity installed to around 300GW – half way to the target for 2020. As of 2015, electricity from PV contributed one percent of the power requirements in 33 countries, according to the International Energy Agency (IEA). This seems a low percentage, but what is interesting is that in some countries PV accounts for a considerably higher percentage. PV supplies 12 percent of the power in Honduras, eight percent in Germany and seven percent in Greece. This just goes to show how much more potential there is for growth in this industry. The International Renewable Energy Agency forecasts that solar energy could power 13 percent of the world by 2030. While the growth in PV installations looks set to rise rapidly, thrifting of the amount of Silver in each PV cell will mean less Silver is used in each cell. At present, using standard solar cell technology around 120-150 milligrams of Silver are required in each cell, but this is expected to fall by around five percent per year, with some in the industry expecting it may eventually fall to as low as 30 milligrams per cell. That said, new technology to make each PV cell produce more electricity may mean the use of Silver per cell ends up growing again. In 2015, Silver powder production for the PV industry amounted to 2,333 tonnes and it is expected to grow 11 percent to 2,591 tonnes in 2016, according to the GFMS team at Thomson Reuters, with the industry accounting for 14 percent of total industrial demand this year.

The long term outlook for Silver's use in industry is exciting. There are numerous new applications for the metal that have the capacity to make a big difference to demand – in time. Many of these new applications are using nano-technology in which tiny amounts of Silver are used per application, but they have the potential to be used extensively. In addition, because the amount of Silver per application is so small, demand is likely to remain price inelastic. In the years ahead, we expect Silver's industrial use to grow as a percentage of total demand, especially once the amount of Silver used in each item has been optimised. During the years of strong economic growth between 2004 and 2007, industrial demand was growing at an average of 7 percent per annum; we expect to see similar, if not higher, growth rates down the road. For 2017, given a more bullish outlook for global growth, we expect industrial demand to recover.

Photographic demand



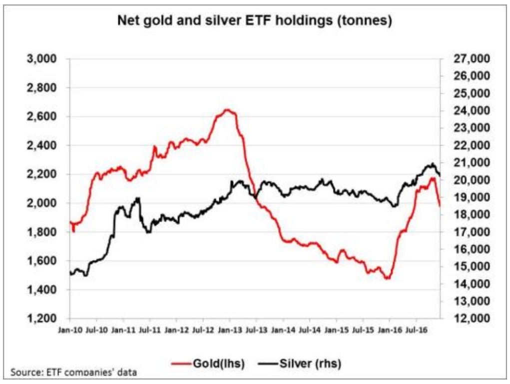
Use of Silver in the photographic industry has fallen sharply over the past sixteen years, but the rate of decline has slowed, as seen by the chart. At its peak in 1999, around 7,000 tonnes was consumed; in 2015, it had fallen to 1,452 tonnes. As a percentage of total Silver consumption, it has fallen from 24 percent to four percent. Silver's main use in photography today is for x-rays. Most medical establishments are using digital x-rays where possible, but they are prohibitively expensive so, as medical care expands in the developing world, medical establishments are often opting initially to install second-hand conventional x-ray machines and this is keeping photographic demand for Silver alive. The rate of fall in Silver's use in this industry has been decelerating since 2010 with demand falling four percent in 2014 and 2015, compared with an average of a 13 percent drop in the ten years to 2013. Overall, we would expect photographic demand for Silver to flatten out now.

New applications

Silver's new applications are diverse and are being used in health, electronics and transport/packaging. Many of these new applications, including smart tags (RFIDs) and Silver antibacterial applications, use nano-technology with each unit using a tiny amount of Silver. Until these applications have widespread use their impact on Silver demand is likely to take time to be felt. That said, it was not too long ago that Silver PV cells were in this 'new applications' category and now they are the second largest consumer in the industrial sector. Silver's antibacterial properties mean more Silver is finding its way into a wide range of products including: consumer products (like socks, towels and sheets), medical products (equipment, bandages and ointments) and office, public and household equipment (like telephones, photocopier buttons, hand rails, door handles and kitchen utensils).

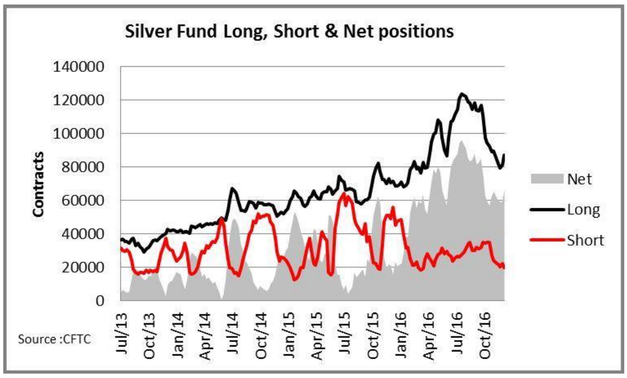
INVESTMENT DEMAND

As mentioned at the start, investors' buying of Silver bars and coins was the single biggest consumer of Silver in 2015, with demand rising 24 percent to 9,092 tonnes according to GFMS/Thomson Reuters. The surge was partially driven by how low Silver prices had fallen and by some investors, who may have traditionally bought jewellery to get exposure to bullion, deciding that bars and coins provided a better investment medium as the mark-ups are smaller for coins and bars compared with jewellery, where you have to pay for the workmanship that goes into the jewellery piece. Those looking to buy bullion as a means to trade the market would also find bars and coins easier and more straightforward to sell. The rebound in prices this year seems to have hit demand for bars and coins, and investment focus now seems to have shifted back to ETFs. Given the uncertainty around Brexit and the degree to which President-elect Donald Trump will rock the global boat – his talk of trade protectionism is already affecting emerging market currencies – we would not be surprised to see demand for bars and coins rebound in 2017, especially in countries with less access to ETFs, or by investors who see true ownership as having the physical bullion under their control.



Investors have returned to buying Silver ETFs this year, after seeing some redemptions in 2015. But as the chart shows, generally ETF investors holding Silver held their nerve into the 2011-2015 sell-off, unlike investors holding Gold ETFs. During 2012 to 2014, there were a number of occasions when holdings reached around the 20,000 tonne level; they fell to a low of 17,690 tonnes in February 2015, before climbing again in late 2015 and into 2016, setting a fresh record holding of 20,976 tonnes in late October, before dipping again more recently. At the time of writing, they stood at 20,552 tonnes. In the 2015 trough, holdings were down 11.9 percent, which compares with a 44 percent drop in Gold holdings, this despite Silver prices retreating 72 percent from the 2011 high when Gold prices dropped 45 percent. As such, it does appear that the ETF investor is much more focused on the long term potential of Silver, compared with investors in Gold ETFs. This may well highlight a structural difference, whereby investors in Gold ETFs are more institutional investors, while a greater proportion of investors in Silver ETFs are retail investors.

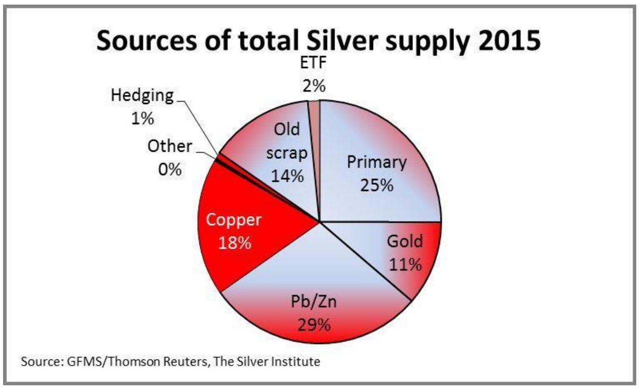
Funds – Long liquidation, not fresh shorting



Fund buying of Silver returned in force this year, the net long fund position (NLFP) dropping to a low of 15,577 contracts on 15th December, 2015, then climbing in three waves to a peak of 96,077 contracts in late July. Most of the energy came from fresh buying, with the gross long position accelerating higher in late January, 2016. Interestingly, the black line on the chart shows the gross long position has trended higher since December 2014, with the swings in the gross short position having the short-term impact on the NLFP. This year, higher Silver prices have seen the gross short position edge higher; it peaked just ahead of the US election, while long liquidation started in August after the post-Brexit rally had run its course. What is interesting is that the most recent sell-off in prices has been driven by long liquidation and not fresh selling. The gross short position at the time of writing is at 20,107 contracts, the range this year having been 18,533 to 48,722 contracts. Despite the NLFP being down 30 percent from the July peak, it is still relatively high compared with the peaks of recent years, as is the gross long position. This does mean there is a risk of further long liquidation should the funds grow concerned about the prospects of higher US interest rates. That said, the overall strength of the uptrend in the gross long position in recent years suggests the recent pullback may just be a correction having become over-extended, rather than a change in sentiment per se. At the time of writing, the gross short position is low, so we wait to see if the interest rate rise makes shorts bolder.

SUPPLY

Total Silver supply was 32,460 tonnes in 2015, which was one percent lower than in 2014, according to our interpretation of the data from the GFMS team at Thomson Reuters, adjusted for changes in ETF holdings and net hedging. In 2016, total supply is expected to fall to 31,475 tonnes, a drop of three percent. The bulk of supply comes from mine production, with supply from scrap accounting for most of the rest. Unlike 2015, 2016 has seen no supply from ETF redemption. Mine production has become more important in recent years as low prices have led to less supply from scrap. In 2015, Silver supply from mine production accounted for 85 percent, scrap accounted for 12 percent and supply from ETFs and hedging provided three percent. By comparison, in 2011 when prices were high, mine supply accounted for 73 percent, scrap accounted for 25 percent and two percent came from hedging and net government sales. Supply from producer hedging, ETF redemptions and government sales are swing factors but these have tended to be negligible in recent years.



Mine output rose 2.9 percent in 2015 to a new record of 27,776 tonnes, according to the GFMS team at Thomson Reuters, but is expected to edge lower to 27,600 tonnes in 2016, a drop of around 0.7 percent. To analyse the outlook for mine production it is useful to break it down into primary production and by-product production – see chart opposite. Primary output grew 4.6 percent in 2015 to 8,233 tonnes, so accounted for 30 percent of total mine output and 25 percent of total supply. Silver as a by-product of mining other metals totalled 19,543 tonnes, which was up 1.1 percent on 2014. Of the by-product, supply from lead/zinc mining accounted for 29 percent of total supply, 18 percent came from copper, 11 percent from Gold and less than one percent from other products. With metals prices at or near multi-year lows around the end of 2015 and with production cuts announced in copper, lead and zinc, it was inevitable that Silver mine output as a by-product of these other metals would fall in 2016 and will remain below par going into 2017. As for primary production, although all-in sustainable costs in the $12-13/oz range give an incentive to producers, limited capital expenditure in recent years means there is a shortage of new capacity coming on-stream. Looking forward into 2017, the significant price gains made by lead, zinc and copper in 2016 should see by-product Silver mine production increase once idle zinc/lead mine production is restarted, which is expected to happen before too long. Zinc, lead and copper prices, at the time of writing, are up from the 2015/16 lows by 80%, 40% and 30% respectively.

In 2015, ETF investors were net sellers of Silver, which added around 500 tonnes to supply, but with investors returning as strong net buyers in 2016, ETFs have reverted to a factor of demand and not supply. We expect this to remain the case in 2017.

In 2017, growth in mine output is expected to be flat with a recovery in by-product output from restarts offset by declining ore grades at some older mines and limited new supply given restrained capital expenditure in recent years.

Supply from Scrap

Scrap supply has been falling since 2011 for a number of reasons; firstly because prices were falling, secondly because the high prices between 2010 and 2012 had already seen a lot of old scrap cashed-in, and thirdly because as the economic slowdown in Europe and Asia has lowered industrial production, less new scrap has been generated. Although prices have rebounded in 2016, there does not appear to have been much of a pick-up in scrap supply yet, indeed GFMS/Thomson Reuters forecast scrap supply to fall 0.3 percent in 2016. With jewellery sales weak and with Silver prices still relatively low compared with recent years, it may be that when new jewellery is being bought the buyers are not feeling the need to part-exchange their old jewellery for the new pieces.

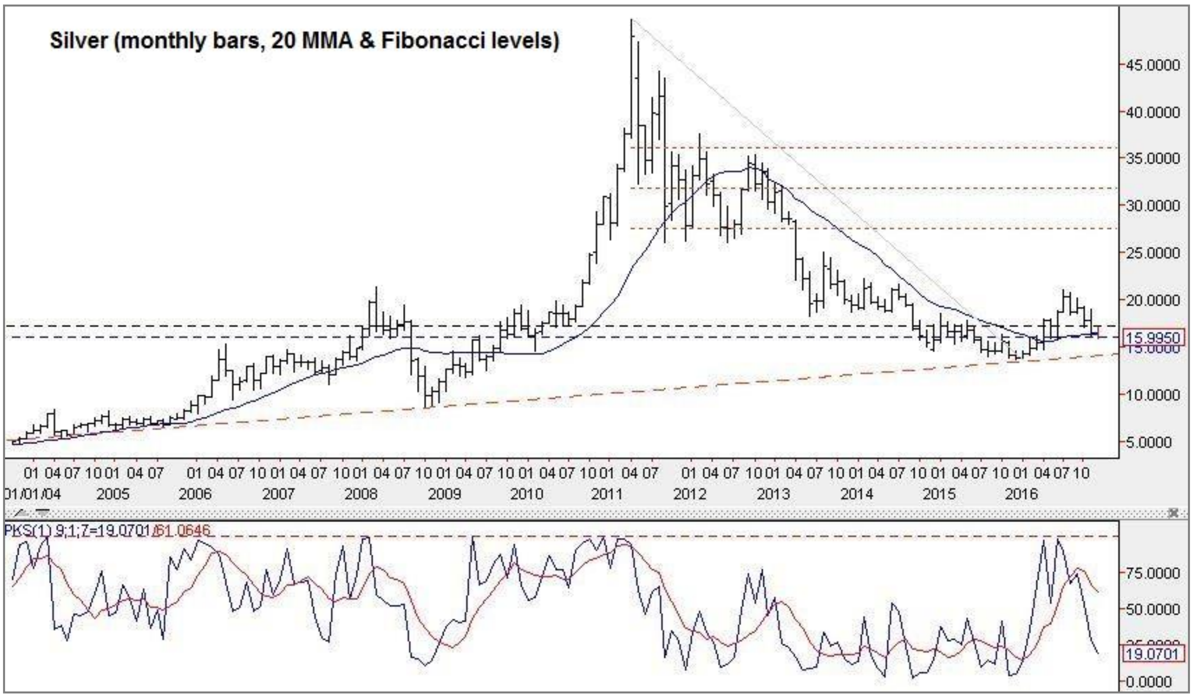
For 2017, as we expect manufacturing activity to recover as the year progresses, we would look for scrap supply to rebound, albeit from an already low level. In addition, a rebound in prices may well see scrap that has been collected in recent years, but not sold, move back into the supply chain. As such, we expect a pick-up in scrap supply in 2017. Swings in scrap supply can have a big impact on the supply/demand balance - for example, 4,545 tonnes of scrap entered the market in 2015, compared with 8,133 tonnes in 2011.

Government stocks continue to fall

Sales of government-held stocks have fallen sharply since 2010; indeed in 2014, 2015 and 2016, they seem to have dried up completely. Between 2003 and 2010 sales averaged around 1,660 tonnes, so the removal of this supply is meaningful. Since 2007, most of the official sales have come from Russia, but the fact that sales dropped in 2011, when average prices were at a record high, suggests either that Russia's stockpiles have been depleted, or that in line with Gold buying for its official reserves it may have decided that Silver would complement its Gold holdings. Even though dollar Silver prices have been low in recent years, Russia would have had a massive incentive to sell stockpiled Silver in 2015, when the Rouble price increased to 1,250 rouble/oz from around 700 rouble/oz in 2014. So for now, Russia, China and India, who have been the main sellers before 2014, all seem to have stopped selling and we expect that to remain the case in the year ahead.

Producer hedging / de-hedging

Producers added 243 tonnes of hedges in 2015, taking the hedge book to 1,213 tonnes and thereby adding to gross supply, but in 2016, it is estimated that some 622 tonnes of de-hedging will have taken place, according to GFMS/Thomson Reuters. So hedging activity in 2016 has become a factor of demand, not supply. With Silver prices well above the 2015 lows, we expect limited fresh hedging in 2017 and we would not expect producer pricing to start getting interested unless prices moved back above the $20/oz level again. With prices above the lows but not looking that attractive, we expect hedging in 2017 will be subdued and will therefore not have any large impact on total supply.



Technical

This long term chart of Silver showing monthly bars indicates how prices found support in late 2015, along the support line. Prices built a base before starting to rally in February 2016. By July, spot prices had rallied 55 percent, some $7.5/oz, to a high of $21.13/oz - prices have since corrected, falling to a low of $15.88/oz. The stochastics are falling sharply, which suggests there is little buying pressure in the market, but it does look as though a solid base is in place and we would expect support to be found ahead of the support line. The long term chart shows how brutal the pullback in prices from the 2011 highs was. The 38.2% Fibonacci retracement line is at $26.47/oz, so this year's rebound did not get anywhere near it. Prices now seem to be trading comfortably in the range in which prices traded in the latter part of the super-cycle, before quantitative easing got going after the financial crisis - this may be a more natural area for Silver prices to remain in.

Conclusion and Forecast

The rebound in Silver prices in the first part of 2016 put an end to the long-drawn-out bear market that raged between 2011 and late 2015, but there can be little doubt that the rebound has come about on the back of investment and fund buying, especially the latter. With the metal's fundamentals not looking that great from a real consumption point of view i.e. growth in industrial, jewellery and silverware demand, it is perhaps not surprising that the rally stalled and profit-taking has set in. In the aftermath of the US election, many markets have taken the view that a Donald Trump administration will be good for corporate America and that seems to have boosted equities and base metals and lifted expectations on inflation, interest rates and consequently the dollar. As a result, Silver prices have had to face increased headwinds.

As such, we see this renewed bout of weakness in Silver prices as the market adjusting to the unexpected changes that have taken place in November; but we also see that the outlook has become more uncertain. There is a massive unknown over how Brexit will pan out, how the global economy will react to a potentially protectionist US President, whether the populist movement will spread further within Europe, or further afield, and what central banks will do if they have run out of fresh monetary policy ideas.

Looking ahead, we are more bullish on global growth for 2017 and that should give industrial demand a boost. We are also bullish on organic growth in industrial demand for Silver but in tonnage terms that will take years to gain critical mass. Until then, we expect the bullish case for Silver will come from investors as they seek ways to diversify their investments so they are less exposed to 'big government'. While we do not expect Gold and Silver to become more officially monetised i.e. we do not expect currencies to tie themselves to bullion, we do think there is a strong possibility for the metals to become more unofficially monetised with investors buying more physical metal to increase their exposure to non-fiat assets. Why do we think this? Investors may well become more concerned about 'bail-ins' as governments attempt to reduce the unimaginable amounts of government debt that have built up and which may well increase even faster if countries move away from monetary policy stimulus to fiscal stimulus. India's recent demonetising of key notes was a classic example of how fiat paper money can be and what an impact such decrees can have on a population.

In last year's forecast we expected prices to move up to the $18/oz-$19/oz range; for 2017, we expect prices to work higher again once this second-half correction has run its course. With 2017 likely to be a colourful year in politics, which could have some deep and far reaching global implications, we do expect ETF demand to remain strong and for demand for coins and bars to recover. A bull market is also likely to see fund buying return. We would expect support around the $13.75/oz level and we would look for prices to work back up towards $20/oz during 2017.

Scotiabank's precious and base metals division, ScotiaMocatta, is a global leader in metals trading, brokerage and finance. Clients can access a full range of financial products and services.
To obtain additional information on our products and services, please contact one of the offices listed below.

CANADA
Toronto
Scotia Plaza
40 King Street West
Box 4085, Station 'A'
Scotia Plaza
Toronto, Ontario, M5W 2X6

Russell Browne
Russell.Browne@scotiabank.com
Tel: 1-212-225-6200
Fax: 1-212-225-6248a

UNITED KINGDOM
London
201 Bishopsgate
6th Floor
London EC2M 3NS

Wade Brennan
Wade.Brennan@scotiabank.com
Tel: 44-20-7826-5915
Fax: 44-20-7826-5948

UNITED STATES
New York
250 Vesey Street
New York, N.Y. 10281

Bimal Das
Bimaldas@scotiabank.com
Tel: 1-212-225-6200
Fax: 1-212-225-6248

INDIA
Mumbai
91, 3rd North Avenue
Maker Maxity
Bandra Kurla Complex
Mumbai 400 051

Johnson Lewis
Johnson.Lewis@scotiabank.com
Tel: 91-22-6658-6901 (Direct)
Fax: 91-22-6658-6911

New Delhi
Upper Ground Floor
Dr. Gopal Das Bhavan
28 Barakhamba Road
New Delhi 110001

Prem Nath
Prem.Nath@scotiabank.com
Tel: 91-11-2335-8789
Fax: 91-11-2335-9342

Bangalore
Bangalore
#1110,11th Floor, East Wing
26-27, Raheja Towers,
M.G. Road
Bangalore 560001

Mahendran Krishnamurthy
Mahendran.Krishnamurthy@scotiabank.com
Tel: 91-80-2532-5325
Fax: 91-80-2558-1435

HONG KONG SAR
21st Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

Alice Lam
Alice.Lam@scotiabank.com
Tel: 852-2861-4778
Fax: 852-2573-7869

SINGAPORE
1 Raffles Quay
#20-01, North Tower
One Raffles Quay
Singapore, 048583

Pramod Mohan
Pramod.mohan@scotiabank.com
Tel: 65-6305-8381
Fax: 65-6534-7825