

THE AFRICAN HUB for
Risk Management, Trading, Investing and Capital Raising

SILVER



- Often seen as the poor man's equivalent of gold
- Benefits from demand for the 'white' look in ornaments which mirrors fashionable designs of white gold (an alloy of gold, platinum and palladium) but at lower prices
- Besides being a precious metal, Silver throughout the years has become an important raw material for many industries
- Due to its excellent electrical conductivity, silver finds many applications in electronics from printed circuit boards to switches and TV screens, especially in the Plasma Display Panels
- Also used in dentistry, photography, medical products, mirrors and optics

The Bourse Africa Silver Contract

Silver is both a precious and an industrial metal - these sectors are dynamic and volatile in nature. Its easy availability, diversified use and lower price relative to gold places Silver high in the list of industrial and investor preference.

Silver Futures contracts are designed to protect investors and industrial users of the precious metal from adverse price swings. With the Bourse Africa Silver Contract, market participants are provided with a central point of price discovery, price transparency, risk management and mitigation of counterparty credit risk.

Benefits of hedging

- Protects business margins
- Enhances efficiency and competitiveness
- Mechanism to identify, measure, manage and monitor risk
- Reduces both risk and cost, resulting in better cash management
- Removes speculative element in the business by mitigating exchange rate risk

Why Invest in Silver?

- Diversification of an investor's portfolio
- A tool to manage risk and preserve capital more effectively, especially in times of financial turmoil
- Driven by both monetary and industrial demand
- Even if the price of silver goes very high, industrial demand will still be there
- With gold becoming more and more expensive to buy, people turning to silver to protect themselves against inflation
- The relationship between silver and economic activity is strong, given that around two-thirds of total silver fabrication is in the industrial and photographic sectors

World Silver Demand and Supply

	2009	2010	2011	2012
Supply				
Mine Production	716	751.4	757	787
Net Government Sales	15.6	44.2	12	7.4
Old Silver Scrap	200	228.7	258.1	253.9
Total Supply	932	1,024.3	1,039.4	1,048.3
Demand				
Industrial Applications	405	500	487.8	465.9
Photography	79.3	72.1	66.1	57.8
Jewelry	160	167.4	186.5	185.6
Silverware	59.1	51.2	48.3	44.9
Coins & Medals	78.8	99.4	118.3	92.7
Total Demand	782	890.1	907.1	846.8

Source: World Silver Survey 2013

Silver Price Movements (US\$/Oz)

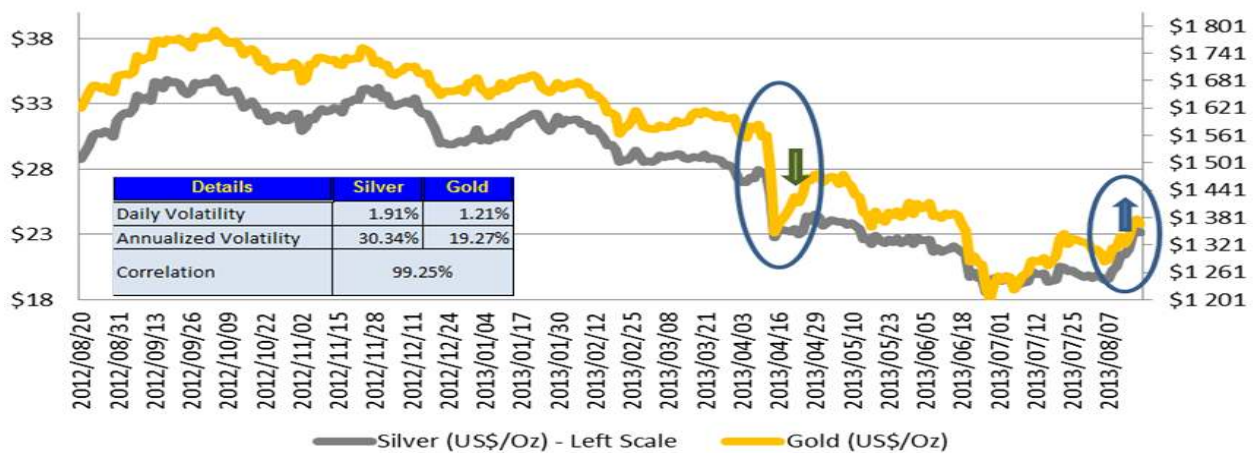


Source: Bloomberg

Note: Annualized volatility for Silver spot prices for the period specified in the graph stands at 34% while daily volatility stand at 2.14%.

Gold & Silver Price Movements

Figure 1: Gold and Silver price movements

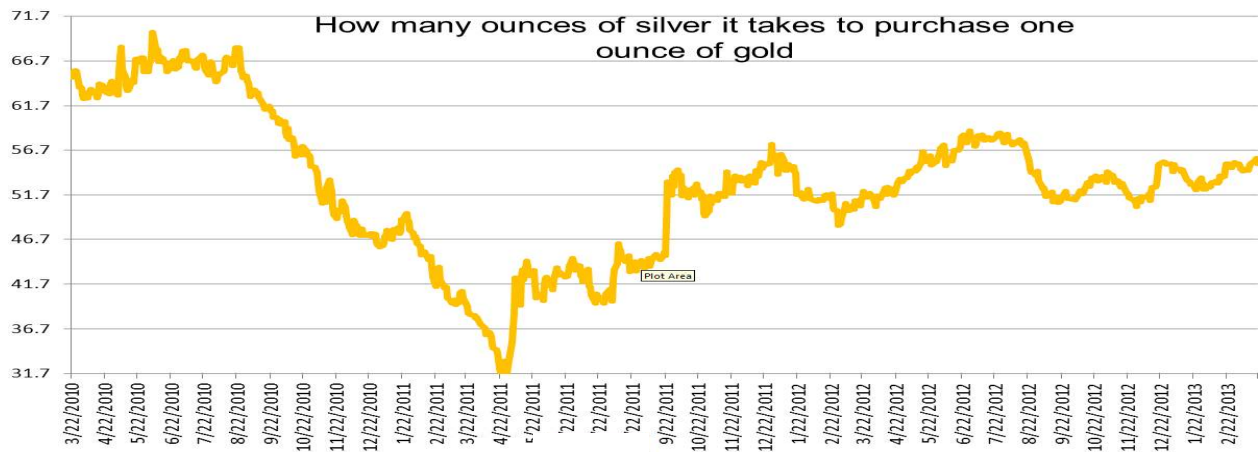


Source: Thomson Reuters GFMS

The daily and annualized volatility (last one year) for silver prices is much higher compared with that of gold. More volatile than gold because demand for Silver is more 'elastic' (people are sensitive to price changes) due to strong industrial demand.

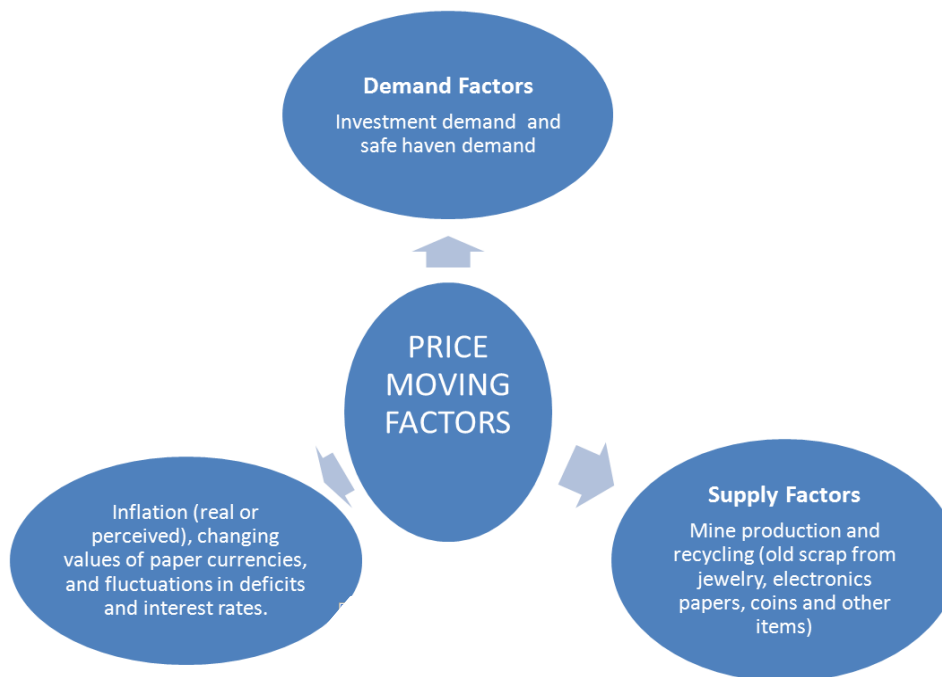
Daily price volatility of silver stood at 1.91% against 1.21% of gold while annualized volatility of silver was 30.34% compared to 19.27% in the case of gold.

Gold/Silver Ratio



Source: Bloomberg

PRICE MOVING FACTORS



Some Major Exchanges Offering Silver Futures

Exchange	Country	Size of Contract	Price Quotation	Tick Size
COMEX, CME	US	5,000 troy ounce	US cents per troy ounce	US\$0.005 per troy ounce
TOCOM	Japan	10 Kg (321.5 troy ounces)	JPY/gram	JPY 0.1 per 1 gram
South African Futures Exchange	South Africa	500 troy ounces	South African Rand per troy ounce	ZAR 0.05 per troy ounce
Bahrain Financial Exchange (BFX)	Bahrain	1,000 troy ounces	US Cents per troy ounce	US\$ 0.005 per troy ounce
Dubai Gold & Commodities Exchange (DGCX)	Dubai	1,000 troy ounces	US Cents per troy ounce	US\$ 0.005 per troy ounce
Singapore Mercantile Exchange (SMX)	Singapore	1,000 troy ounces	US Dollars to three decimal places (e.g. US\$ 29.925)	US\$ 0.005 per Troy ounce
Bourse Africa	Mauritius	1,000 troy ounces	US Cents per Troy ounce, quoted up to the second decimal place	Half cent / Troy Ounce
Multi-Commodity Exchange (MCX)	India	30 Kg (964.5 troy ounces)	Indian Rupee per Kg	INR 1 per Kg

Bourse Africa – CME Silver Futures Price Correlation

