ScotiaMocatta

Precious Metals 2016 Forecast

Silver

December 2015

Executive Summary

- The downward trend in prices dominates the Silver market. Given the trend, further price weakness seems likely before the market recovers.
- The fundamentals remain fairly sound; demand is expected to grow around two percent next year, while production is expected to fall by around 2.7 percent.
- Demand for coins and bars remains strong, low prices and a likely price recovery in 2016 are expected to keep demand strong, we wait to see if ETF buyers return.
- Low prices look out of sync with the fundamentals, but falling prices and washed-out sentiment has led to a lack of buying interest across the commodity spectrum.

Introduction

Silver prices have continued to slide this year, but given how gloomy sentiment has been in the commodity sector it may be a surprise to some that the low Silver price so far in 2015 has only been five percent below the low in 2014. However, average prices so far in 2015 have been 24 percent below the average price in 2014. At the time of writing, prices are setting fresh lows and sentiment across the metals is exceptionally bearish so in such a climate it is difficult to say how much further prices may fall. Recent weakness has come about as the market is more convinced the US Federal Reserve (Fed) will raise interest rates, perhaps as early as December. In turn, the dollar has been strong with the dollar index all but reaching 100, from around 90 at the start of the year and a low in 2014 of around 79. Silver's fundamentals are bullish in that it looks as though the market will be in another supply deficit this year and next, but investment sentiment has become more bearish with redemptions in ETFs and some aggressive short-selling runs by the funds. On balance, it seems as though the bears have been in control of the market this year and it has been an absence of buying interest that has let the sellers dominate the price action. There have been some strong short-covering rallies along the way, and indeed the fund longs have increased their exposure to record levels, but each rally has run out of steam and prices have ended up falling to a lower low. Looking forward, the supply fundamentals look set to tighten as Silver from mining by-product supply falls in line with base metals production cuts; scrap supply is likely to remain tight while prices are low, but that is expected to change once prices recover. Demand is also expected to grow in 2016, especially after destocking in recent years, and global growth is expected to recover slightly. If Silver's downward trend is seen to have run its course then we would expect a pick-up in investment interest. Given the trend and likelihood of a Fed rate rise, prices may fall further, but we doubt they will fall below \$12/oz - on the upside we expect prices to struggle above \$19/oz.

DEMAND FOR SILVER

Demand for Silver has been weak in recent years as investors have seen prices trend lower. The opportunity cost of holding Silver has been high as equity markets have been setting new record highs and industrial demand has been weak in line with the global economic slowdown, especially in emerging markets (EM). One area that has seen good demand is India, where increases in import taxes on Gold have seen Silver win more market share and low Silver prices have prompted a pick-up in demand for Silver jewellery and silverware. 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; 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 (63% of fabrication demand), jewellery manufacturing (25%), photography (5%) and silverware (7%). In 2014, fabrication demand climbed 2.2 percent to 27,080 tonnes, according to data from the World Silver Survey; this followed a 5.3 percent rise in 2013. Fabrication demand in 2014 remained little changed from the average of 26,775 tonnes consumed each year between 2004 and 2014. In 2015, demand is expect to rise four percent, helped by stronger imports into India, a rebound in demand from the solar panel industry and as destocking in recent years has run its course.

Overall, weak global economic growth is weighing on industrial demand and economic hardship is reducing household spending on luxury items – the exception to this being in India, where Silver demand for jewellery and silverware has been more price elastic.

Looking forward into 2016, the outlook is more positive as we expect the economic slowdown to halt and some recovery to get underway helped by more than a year's worth of monetary easing in China. Given that falling prices are likely to have led to significant destocking, there may be room for apparent demand to recover on restocking, especially now that prices are back at levels last seen in 2009.

Jewellery

Demand for Silver from the jewellery industry picked up in 2014 and 2013, having declined in the previous two years, with demand in 2014 rising 1.5 percent to 6,687 tonnes (from 6,597 tonnes in 2013, according to the World Silver Survey). Weaker prices have been one of the main reasons for the increase, especially in India, where lower prices prompted restocking that saw demand rise 47 percent to 1,936 tonnes. One interesting trend in India has been that consumers have been buying new jewellery pieces, without part-exchanging old jewellery pieces – this is the result of low prices. Excluding India's demand, jewellery demand in the rest of the world collectively fell ten percent in 2014, although China was the main cause of that as its demand fell 26 percent to 1,452 tonnes, while demand in Thailand fell ten percent to 560 tonnes. Demand in Europe and the US climbed 9.1 and 10.3 percent, to 1,079 tonnes and 398 tonnes respectively. In Europe, demand in Italy climbed 12 percent, to 555 tonnes, boosted by strong demand for exports. The same was true in Turkey, where demand grew 20 percent to 149 tonnes on the back of strong domestic and export demand. In China, Silver jewellery fabrication declined sharply in 2014 on the back of a number of factors including the economic slowdown, the government's anti-corruption drive that led to less gifting of Silver items and a strong equity market that diverted money away from consumer spending into the financial markets. In addition, the slowdown in demand combined with overcapacity in the jewellery fabrication industry led to destocking, but slower domestic demand did boost China's jewellery exports.

Looking forward into 2016, we expect the slowdown in China to level out and to start to recover as easier monetary policy and stimulus measures taken over the past twelve months should start to take effect and lead to some pent-up demand returning, especially considering the low price. In addition, the continuing trend of greater penetration of jewellery stores into the less developed regions, combined with growing internet sales, should lead to organic growth. China's Alibaba introduced Singles Day on 11th November 2009; this year the company's online sales for the day reached 91.2 billion yuan ($14.32 billion), up 60 percent from 2014. Elsewhere, in most countries jewellery demand is proving to be price elastic and we would expect that to continue, with lower prices also enabling fabricators to produce heavier jewellery pieces. In addition, if Silver prices are seen to have stopped falling, we would expect considerable restocking from jewellery fabricators as they take advantage of price levels that have not been seen since 2009.

Silverware

Silverware fabrication has benefitted from the low Silver price, with some 1,888 tonnes consumed in 2014, up three percent from 2013. The Indian Sub-continent is the main area of demand, consuming 61 percent of silverware, with demand climbing as it has become more affordable. This increased the number of units sold, as well as the metal content in the units, with solid Silver items winning market share from silver-plate and stainless steel. Outside of Asia, demand for silverware is generally in decline as fashions have changed with less formal dining and less gifting of Silver items at weddings and christenings.

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 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.

In recent years, industrial demand has been weak and growth negligible, with demand averaging 18,538 tonnes between 2012 and 2014 according to our calculations using data from the World Silver Survey. This is down from an average of 20,210 tonnes between 2005 and 2008, which was before the financial crisis, and an average of 18,825 tonnes between 2009 and 2011.

Regionally, industrial use of Silver in Europe has fallen each year since 2011. In 2014 it totalled 2,967 tonnes, down from a recent peak of 3,561 tonnes in 2010, but from even higher levels of 4,540 tonnes in 2005. A similar picture is true in North America, where demand was 4,167 tonnes in 2014, down from 4,910 tonnes in 2010 and in Japan where demand was 2,257 tonnes in 2014 and 2,961 tonnes in 2010. The shift of manufacturing from west to east is partially responsible for the falling trends in European and US industrial demand for Silver. That said, we imagine more Silver now returns to these regions in imported manufactured goods.

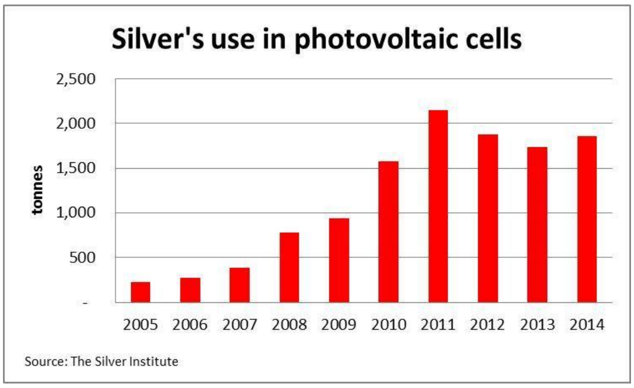
China has, not surprisingly, seen demand growth each year since 2009. In 2014, industry used 5,788 tonnes, up 3.5 percent from 2013 and up 36 percent from 4,251 tonnes in 2009. In the years 2006 to 2008, demand grew at an average rate of 12.4 percent per annum.

Silver's use in the electrical and electronics industries accounted for around 44 percent of its industrial use in 2014 and semiconductor sales make a good barometer to gauge how the industry is doing. Data from the Semiconductor Industry Association (SIA) shows that worldwide sales of semiconductors are up 2.9 percent in the first nine months of 2015, compared with the same period in 2014, but there are some signs of sales slowing more recently with sales in the third quarter down 1.2 percent compared with the third quarter in 2014. Forecasts for 2016 are for growth of 3.1 percent according to World Semiconductor Trade Statistics (WSTS), with growth expected to be strongest in the automotive and wireless communications applications, while consumer and computer applications are expected to remain flat. Silver's use in rechargeable and non-rechargeable batteries is also gaining ground from both a performance and environmental perspective. Although they are expensive, they have a high power-to-weight attribute and are well suited to make inroads into the market to power laptops, tablets and mobile phones and to gain market share from lithium batteries. Given the size of this new market for Silver-alloy batteries, demand from this sector is expected to show rapid growth.

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 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 2016, given only a mildly bullish outlook for global growth, we expect industrial demand to remain relatively subdued, but a tailing off of 'thrifting' and relatively low prices should boost apparent demand.

Solar power – Photo voltaic cells

The solar power industry has become an important growth area for Silver as most photo voltaic (PV) cells use a form of Silver paste. Following the financial crisis that led to cuts in government spending, many incentive programmes were cut and that had a negative impact on the roll-out of solar power installations. It also resulted in overcapacity in PV production and a slump in the market, but the market is now growing again. The outlook is also bright as the cost of solar panels has fallen, they have become more efficient and despite low energy prices, governments are keen to reduce their dependence on fossil fuels. High Silver prices and overcapacity before 2011 led to considerable thrifting with the Silver content in each PV cell dropping from 0.6g/cell in 2004 to around 0.2g/cell, but with Silver prices now lower and reduced overcapacity in the solar panel industry, the pressure to continue cutting costs has dropped.

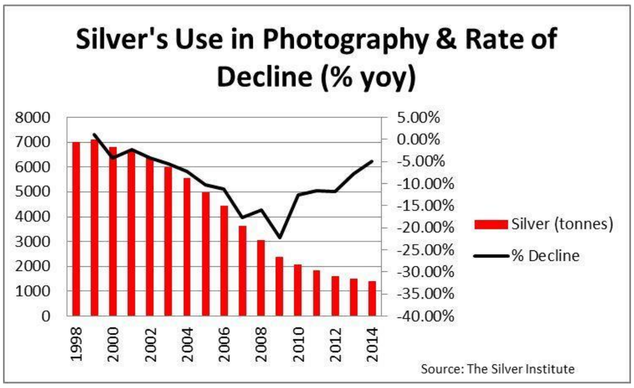


In 2014, it was estimated that 1,863 tonnes of Silver was used in the PV industry, up 7.3 percent from 2013 and the first year-on-year increase since 2011. With numerous governments encouraging investment in solar power on an industrial and household scale, the outlook for growth in the industry is strong. Globally, it is thought that some 150 GW of solar capacity had been installed by the end of 2014 and it is estimated that it takes around 80 tonnes of Silver to generate 1 GW of solar power.

China's solar capacity reached 31 GW by the end of the first quarter and 35.8 GW by the end of the second quarter, thus already beating the 35 GW target for the end of 2015. Its plan is to increase capacity to 150 GW by 2020, although the chances are this target will be raised in the years ahead.

Other countries are also building capacity, with Japan and Germany trying to substitute capacity by closing down nuclear power. India and Saudi Arabia all have aggressive plans to build solar power capacity too. The European Photovoltaic Industry Association estimates that by 2018, total global capacity will grow to between 321 and 430 GW. Taking the average, this would mean capacity should increase some 45 GW per annum, equivalent to 3,600 tonnes of Silver per year. This is almost double the current rate, and therefore seems a bit over-optimistic, but it does show the PV industry is a strong growth area for Silver demand.

Photographic demand



Use of Silver in the photographic industry has fallen sharply over the past fifteen 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 2014, it had fallen to 1,418 tonnes. As a percentage of total Silver consumption, it has fallen from 24 percent to 4.3 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 4.3 percent in 2014, compared with an average of a 13 percent drop in the ten years to 2013. Overall, we would expect photographic demand for Silver to continue to drop, albeit at a slower pace now.

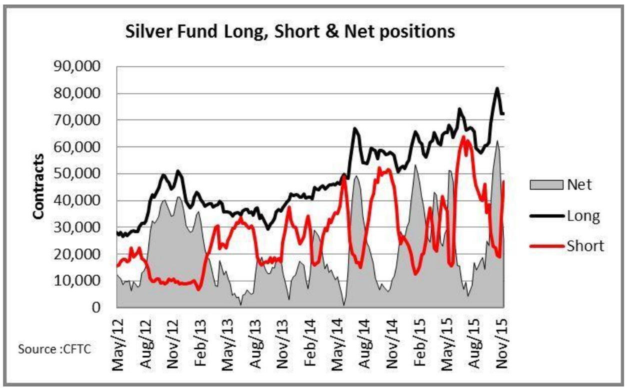
New applications

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 consuming significant quantities of metal. Silver's antibacterial properties means 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

ETF investors have stepped up their redemptions in Silver; for most of the bear market they held firm, but this year interest has started to wane. Holdings peaked at 20,073 tonnes in October 2014, and have gradually trended lower to 18,822 tonnes as of late November. The decline has only been 6.2 percent, but it does suggest some investors have given up on the metal. The danger is that more could follow, in which case supply could swamp the market. ETF holdings are equal to around 68 percent of annual mine production. Our base case is that we do not expect redemptions to gather pace – with prices this low we feel most investors will stay for the long term. If Silver investors have not followed the lead of Gold investors when Silver prices have fallen even further than Gold (as seen by the drop in the Gold/Silver ratio that fell close to 1:80 in August), then they are unlikely to liquidate now, unless they have to.

Funds - polarised



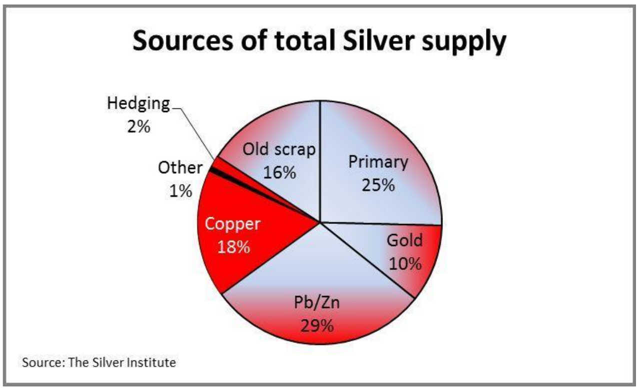
In line with the wild price oscillations this year, the funds have been very active in Silver and, as the waves on the red line in the chart opposite show, the shorts have been doing a lot of the work. That said, the longs have become more active since July, first liquidating 22 percent of their positions by cutting 16,388 contracts, before buying 24,157 contracts to take the gross position to a new high of 82,023 contracts, which has more recently eased to 72,282 contracts. The move to the high came after the disappointing US employment report for September. While the fund longs stocked up on Silver, the shorts were cutting exposure aggressively, with the gross short position falling from a peak of 63,993 contracts on 7th July to a low of 18,843 contracts in early November. Late October and early November saw the Fed become more hawkish, which led to a sharp increase in the gross short position back to 47,028 contracts, while it also led to some long liquidation. The massive swing in the net long fund position (NLFP) to 62,445 contracts in late October from 4,245 contracts in July, as seen by the latest rise in the grey shaded area on the chart, suggests a significant change in sentiment – maybe the bears started to think the down trend had run its course? Needless to say, the speed and extent of the change suggested the market may have changed too fast and prices have since corrected. As we approach December, the gross long position is just off record highs so there may not be much more buying energy left in the fund community, until the fund shorts start to cover again. The high gross long position also raises the possibility of stale long liquidation should prices not start to rebound soon.

SUPPLY

Total Silver supply was 33,026 tonnes in 2014, which was 6.1 percent higher than 2013, according to the World Silver Survey, but in 2015 supply is expected to drop 2.7 percent to 30,130 tonnes. The bulk of supply comes from mine production, with supply from scrap accounting for most of the rest. Mine production has become more important in recent years as low prices have led to less scrap supply. In 2014, Silver supply from mine production accounted for 83 percent, compared with 80 percent in 2013 and 73 percent in 2011, the latter when Silver prices averaged $35/oz. Scrap accounted for 16 percent in 2014, down from 19 percent in 2013 and 25 percent in 2011. Supply can also come from producer hedging, ETF redemptions and government sales, but these have been negligible in recent years. Looking forward, ETF redemptions have the potential to become an important source of supply, but we do not expect that to happen to any great extent.

Mine output rose five percent in 2014 to a new record of 27,294 tonnes, according to the World Silver Survey. To analyse the outlook for mine production it is useful to break it down into primary production and by-product production. Primary output grew eight percent in 2014 to 8,381 tonnes, so accounted for 31 percent of total mine output and 25 percent of total supply. Silver as a by-product of mining other metals totalled 18,911 tonnes, which was up 3.6 percent on 2013. Of the by-product, 35 percent came from lead/zinc mining, 20 percent from copper, 13 percent from gold and 1 percent from other products. With metals prices at or near multi-year lows and with production cuts announced in copper, lead and zinc, it seems inevitable that Silver mine output as a by-product of these other metals will fall. As for primary production, average cash costs are thought to be around $8/oz, with all-in sustainable costs in the $13-16/oz range. This means with Silver prices around $14/oz, prices are below the all-in cost curve for marginal primary producers, but with cash costs a good deal lower we would not expect much in the way of production cuts by primary producers.

The largest increases in mine output were seen in Central and South America, where output rose 1,254 tonnes in 2014, with the ramp up of production in Guatemala seeing production rise to 858 tonnes from 280 tonnes. Chile saw production rise 355 tonnes, with output also up in Peru and Bolivia. Output in China has dipped, with production easing to 3,568 tonnes in 2014 from 3,596 tonnes in 2013, but this is a factor of lower base metal mine output. The fall in output in China is likely to have continued into 2015, as in the first ten months of the year concentrate output is down 5.5 percent in copper and down 9.4 percent in zinc and lead.



In 2015, mine output is expected to drop by around 4 percent as copper, lead and zinc mine output slows; this is expected to drop further in 2016, by around 5 percent, as the mine cutbacks initiated in late 2015 will be in effect right from the start of the year. Should base metal prices rebound, idle production may then be reactivated, which in turn could lead to Silver mine output being revised higher.

Supply from Scrap

Scrap supply has been falling in recent years 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 as the economic slowdown in Europe and Asia has lowered industrial production, less new scrap has been generated. Data from the World Silver Survey points to a 12.6 percent drop in scrap supply to 5,241 tonnes in 2014, down from a peak of 8,133 tonnes in 2011, when scrap accounted for 25 percent of total Silver supply. Such swings in the amount of scrap being made available to the market mean that scrap has become a significant swing factor that can make a big difference as to whether the market is in a supply surplus or deficit.

With Silver prices averaging $16/oz in the first ten months of 2015, down from $19/oz in 2014 and $23.8/oz in 2013, it seems highly likely that Silver supply from scrap will have fallen again this year. In 2013 scrap dropped 24.6 percent; last year it dropped 12.6 percent. With manufacturing activity slowing, especially in China, and with low Silver prices prompting the buying of jewellery without old jewellery being part-exchanged, we would not be surprised to see scrap fall a further ten percent this year. For 2016, 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, but not sold, move back into the supply chain. As such, we expect a ten percent rebound in scrap supply in 2016.

The dynamics of the scrap market are ever changing; regulations governing the recycling of electronic waste have increased the amount of scrap in those countries where regulations have been introduced.

Government stocks continue to fall

Sales of government-held stocks have fallen sharply since 2010; indeed in 2014 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 this year, Russia would have had a massive incentive to sell stockpiled Silver earlier in the year, 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 in recent years, all seem to have stopped selling and we expect that to remain the case in the year ahead.

Producer hedging

Producers added 492 tonnes of hedges in 2014, taking the total hedge book to 919 tonnes. Considering how much further prices have fallen this year, there may not have been many opportunities for producers to put on hedges. Earlier in the year, prices ran up to $18/oz, which is likely to have attracted some hedging, but prices did not stay above that level for long. Without many opportunities to put on more hedges, producers are likely to start suffering more as hedges become prompt and have not been replaced. That said, with the hedges likely to have been put on by producers of Silver as a by-product, we doubt the lack of hedges on its own will lead to production cuts, but lower base metals prices may. At 919 tonnes, the hedge book covers around just 3.4 percent of annual mine output. The likelihood of low levels of hedging in 2016 will mean hedging does not become a major influence on total supply.

Balance

In 2014, global supply of 33,026 tonnes was considerably larger than fabrication demand of 27,082 tonnes, in theory meaning a supply surplus of 5,944 tonnes, but the actual balance then depends on investor interest. In 2014, ETFs bought a net 110 tonnes, but investors bought 6,096 tonnes of coins and bars, which meant the market needed to drawdown 262 tonnes from inventory. As such, even though ETF interest in 2014 was minimal, the Silver market in 2014 was in a small supply deficit. In 2015, we expect supply to drop four percent as mine output and scrap decline due to low prices and as by-product Silver production falls in line with base metals production cuts. For demand, we expect growth of around four percent, with growth being seen from the solar panel, jewellery and silverware sectors. This would lead to supply of 30,970 tonnes, fabrication of 28,165 tonnes and a supply surplus, before investment demand, of 2,805 tonnes. In the year up to late November, holdings in ETFs have dropped 451 tonnes, but demand for coins and bars is expected to have remained strong, growing two percent to 6,220 tonnes, leaving a net deficit of 2,964 tonnes.

Our forecast for 2016 is for mine supply to fall five percent but for scrap supply to rebound ten percent, as we expect a rebound in prices to release more scrap into the market. This would lead total supply to fall 2.7 percent to 30,130 tonnes. We expect low Silver prices and a slight recovery in economic activity to see demand grow two percent to 28,729 tonnes, giving a surplus before investment activity of 1,401 tonnes. As has become the norm, the final supply/demand balance will depend on the level of investment activity, but with low prices and potential for prices to recover we would expect demand for coins and bars to grow, even if holdings in ETFs continue to edge lower. As such, we expect a bigger supply deficit next year as investment and fabrication demand grow while supply falls.

Technical

The sell-off continues with prices setting fresh six year lows at $13.91/oz at the time of writing. Downward momentum on this monthly chart has eased this year, but that masks the recent collapse in price from around $16/oz over the past four to five weeks. The next potential support levels on the chart are at $12.46/oz, $11.82/oz and then the 2008 lows at $8.49/oz. Prices are now trading in the upper levels of the trading range seen in 2006 to 2008, before the post financial crisis bubble that was driven by quantitative easing - perhaps this might a more natural area for Silver prices to find physical support.

Conclusion and Forecast

The sell-off in commodities has gathered pace in 2015 and perhaps with the US on the verge of moving towards normalising monetary policy, we should not be surprised to see prices back at the levels they held before all the liquidity was thrown at the market in the aftermath of the financial crisis. What is interesting though is that Silver prices have been falling when the market has generally been in a supply deficit, at least when investment demand has been taken into account. With supply now likely to fall as by-product output falls in line with base metal production cuts, the supply/demand balance looks set to get even tighter, especially if low prices encourage more investment buying and lead to some restocking by industrial users. To some extent we expect falling mine supply to be offset by a recovery in secondary supply as we expect a rebound in prices will prompt more scrap, thought to have been hoarded in 2014 and 2015 as prices have fallen, back into the market.

ETF redemptions have picked up pace in 2015, and given the weaker prices and deterioration in sentiment towards commodities that is not surprising, indeed it is surprising that ETFs have not redeemed more over the past few years. Holdings are only down six percent from the peak that was seen in October 2014. There is a danger that further redemptions could be seen, but given how far prices have already fallen in recent years and with prices now back at the level they were trading before the financial crisis, it seems probable that investors will now view there being more room on the upside than on the downside.

In last year's forecast we expected Silver prices to establish a base in the $14/oz to $15/oz range and to be capped around $23/oz – the low so far this year has been $13.91/oz, the high was $18.49/oz. For 2016, we still expect good underlying support; it would be prudent to allow for a post-Fed rate rise spike lower, which could see prices test support around $12/oz, but we would expect such a move to be short lived. Given that we expect another year of supply deficit and the potential for a price recovery to lead to restocking and a pick-up in investor interest we would not be surprised to see prices move up to the $18/oz-$19/oz range, but we would expect producer hedge selling to provide supply in that area, which may be enough to cap any advance.

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