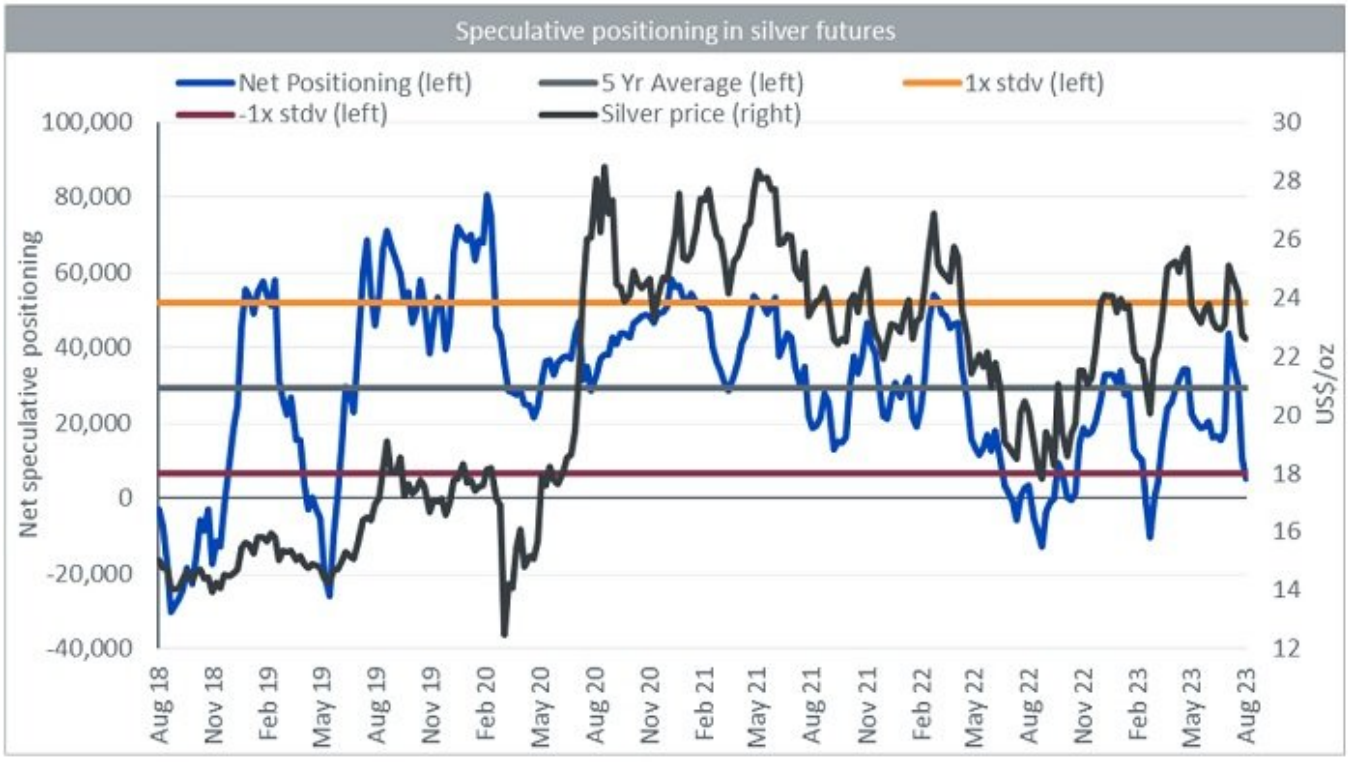
What's hot: Short-covering rally drives silver higher

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With a 7.95% rally in the past week (to 16.30 23/08/2023)1, silver is on the cusp of reversing all the past month's losses. Bearishness in the metal is reversing quickly.

Net speculative positioning in silver futures fell 88% in the month to 15/08/20232, with positioning now 1 standard deviation below its 5-year average3. However, we suspect that excessive shorts were being covered in the past week (data will be published by Commodity Futures Trading Commission on Friday 25/08/2023 relating to Tuesday 22/08/2023 i.e. after we publish this note).



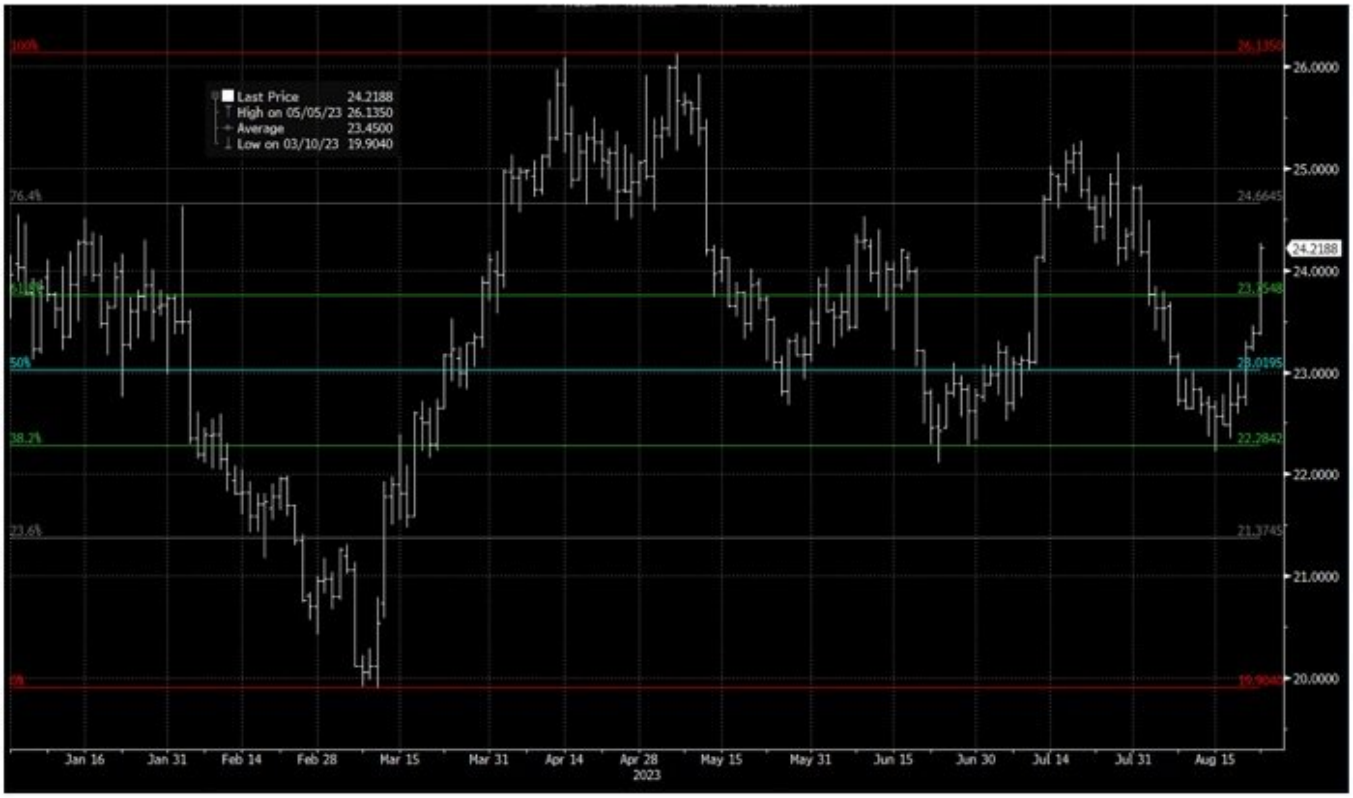
Source: Bloomberg, WisdomTree, 14/08/2018 to 15/08/2023. Stdv = standard deviation. **Historical performance is not an indication of future performance and any investments may go down in value**

Technicals supportive

Since hitting an intra-day local low of US$22.35/oz at 13.30 on 15/08/2023 silver prices have bounced up to US$24.27/oz at 16.30 on 23/08/2023 (+8.6%)4. That low point seems to match the Fibonacci-implied

support levels5 looking at year-to-date silver performance (the 38.2% retracement, Figure 2). At 16.30 on 23/08/2023, silver appear to have pierced through the 61.8% retracement resistance (Figure 2), which technical analysts would see as a bullish sign. The next retracement level (76.4%) is at US$24.66/oz and we will see that presents a support or resistance.

Figure 2: Fibonacci retracements



Have investors become less gloomy about silver?

Silver inventory in London Bullion Market Association vaults which fell precipitously in 2022 (-28%), has stabilised and gained 3% year to July 2023. That indicates more institutional investors are allocating to silver, this year but from a very low base last year. Silver holding in exchange traded commodities (ETCs) have only modestly declined in 2023 so far (4%) after a 15% decline in 2022 (source: Bloomberg, 23/08/2023). So, while the ETC investors are no longer dumping the metal aggressively as they were in 2022, they are not yet rebuilding.

WisdomTree have witnessed a whopping 198% rise in silver web page views in the ten days to 23 August 2023 over the prior ten days, possibly indicating that silver is once again grabbing the attention of ETC investors.

Related blogs

+ Silver: the great retail vs institutional divide

1 Source Bloomberg

2 Source Bloomberg, Commodity Futures Trading Commission

3 Source Bloomberg, Commodity Futures Trading Commission

4 Source Bloomberg

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