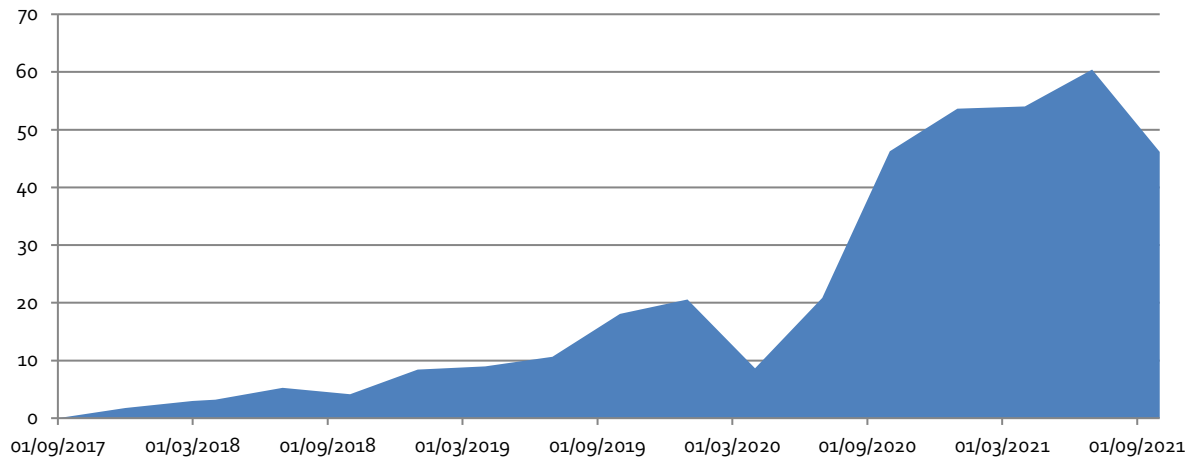




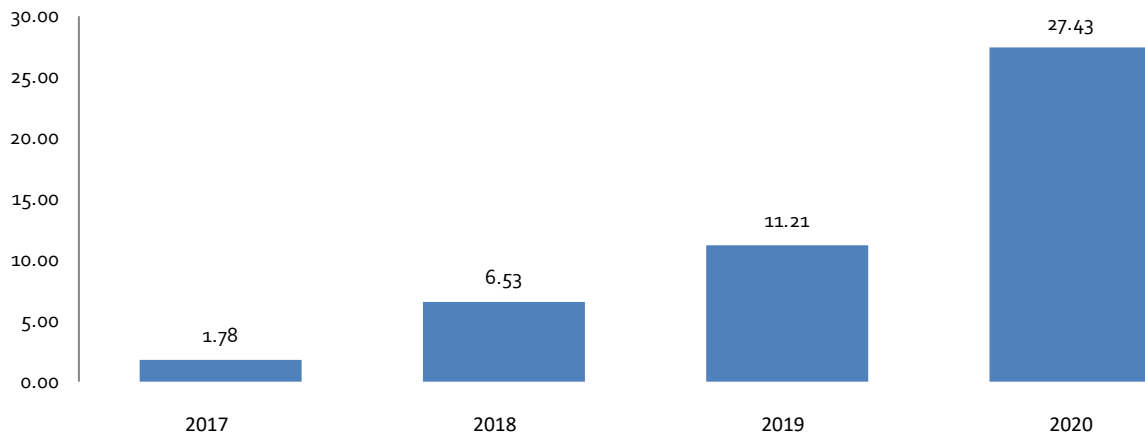
RIO SILVER LINING, SILVER RALLIES AS FORECASTED

The Silver Lining posted a loss of 8.90% this quarter. In comparison, silver had fallen almost double, dropping 15.08% over the same period. As the third quarter neared an end the metal had fallen to \$21.50 an ounce, the lowest price in more than a year. The fall was mostly attributed to a US Dollar rally, and industrial order cancelations due to related manufacturing materials supply shortages.



Above: RIO Silver Lining, performance since inception

The Dollar's rally was caused by the Fed indicating that it could begin tapering its monetary stimulus measures by the end of the year. The demand falls were mostly due to semiconductor supply problems, which have restricted electronics production recently which help drive silver to a 12-month low. Importantly, at that price silver was a major buy! As such, I placed two trades to acquire silver during the last week of September, this done on anticipation of a rally back into the previous range during the fourth quarter. As we entered the fourth quarter we were positioned perfectly, my forecast had been proven correct. Moving through October silver prices had rallied higher. This partly driven by concerns on rising inflation, which in turn prompted the buying interest in hard assets, such as precious metals, and as I predicted, metals have turned more bullish. Silver rallied to \$23.92 an ounce on Wednesday the 20th, and I took the opportunity to bank gains for those invested, selling 50% of the account's holding in the shiny metal.



Above: RIO Silver Lining, Return (%) for calendar years

Silver had an overall, near-term technical advantage in early October. However the swift rally back to \$24 could well push this commodity into an overbought position. The fact that silver is trading above the 50-day moving average, solidified my decision to take profits. Experience has taught me to look for a daily close above the all important resistance level - \$24 to confirm what maybe a range break, if this were seen it could open the door for further upside. Should this be the case in coming days we could possibly see the metal rally towards the September 3rd high of \$24.86, but noting there is strong resistance at \$24.50. Recently we have seen downside support at \$22.50.

### **Looking forward the demand for silver looks set to rise**

The current chip shortages which have plagued the industry are forecast to normalize by spring 2022. When the demand for silver increases, the price will almost certainly move higher as the supply demand trade kicks into a higher gear.

The industrial use of silver will likely increase dramatically in the next five years. Especially, as we move towards a low carbon economy. The ongoing transition to clean energy worldwide will increase the demand for silver in the coming years as it is used in the production of electrical connections in electric vehicles.

Silver is also used in solar panels, which accounted for around 20% of industrial demand this year. Demand from the solar sector is rising steadily, up 4% in 2020, and is forecast to rise further in 2022.

The rollout of (5G) telecom networks will be another source of demand. Silver is used in telecom equipment. Industrial silver demand dropped by 5% to 486.8 million ounces; a five-year low due to the pandemic.

Inflation and a margin squeeze remain a risk for the financial markets. It holds the key to upset the entire structure which has been in place since 2008. Policy changes are now being implemented globally as if we have a demand shock. However, we are currently facing a supply side shock due to the pandemic, lack of investments in the physical world, and an accelerated decarbonization through electrification and renewable energy. These forces are putting enormous pressure on commodity prices. The green transformation combined with the current policy trajectory could be laying a path to the next commodity super-cycle. The idea of a super-cycle is also supported by pent-up demand as economies normalize and reopen. Government spending is a pillar which would support the super-cycle hypothesis.

The pillars of support are to be found with the European Union which has a fiscal stimulus package of €1.8 trillion, 30% of which is aimed firmly at green energy and to fighting climate change. In the US the Biden administration is pushing a \$3 trillion bill aimed at climate change and infrastructure projects.

The EV revolution not only applies to battery-focused materials, but also to traditional metal products such as aluminum, used to build lower weight vehicles, and also silver as it is used widely in photovoltaic installations.

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