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# Gold still a better option than silver

Posted by [arshad](#) on November 9, 2010 in [Business](#), [World](#)



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Price ratio hints at a peak for silver, while gold may rise more

A sudden spurt in silver prices have narrowed its price ratio with gold, which indicates consumers may cautiously shift to gold if they require to invest in precious metals any more. The price ratio is now 51, a level not seen since 2007, which means people should abstain from fresh investment in silver, while gold has potential.

Competing with each other, both gold and silver have offered enormous investment opportunities in the past few years. While gold has offered a 26 per cent return, silver made consumers wealthier by a staggering 42.7 per cent in the past year.

While gold prices have surged to a new record at Rs 20,100 per 10g, silver surpassed the benchmark Rs 40,000 per kg (including tax) on Monday in Mumbai's Zaveri bazar.

In relation to silver, gold offers an enormous opportunity, until the ratio rises to 70. In 1991, when silver hit its lows, the ratio peaked at 100. The metal, since, saw a huge upside investment move, to the current level at \$26.81 an ounce in London. Gold is currently traded at \$1,392 in London.

Historically, an all-time high ratio of 100 in the early 1990s took silver from \$3 to \$8, an almost 200 per cent increase. Similarly, in 2003, when the ratio was near 80, prices jumped 100 per cent from \$4 to \$8. In 2009, the ratio came close to 79 and silver moved from \$10 to \$16, a rise of 60 per cent. Until the first fortnight of June, the ratio came close to 71 and silver rose to the current level of \$21.9. On all these occasions, silver gradually cooled in proportion to gold.

Investors in precious metals always look at this ratio between silver and gold, as both are considered safe-haven investment options and offer the same hedging opportunity. Silver's ratio with gold, which has reached near 50 for the first time after 2007, hints the investment is skewed towards gold.

“Unsustainable”

“The current price of precious metals is unsustainable, as no consumers will be willing to buy these metals afresh,” said Prithviraj Kothari, president of the Bombay Bullion Association.

According an estimate by the World Gold Council, gold sales during the first week of November was estimated to rise 40 per cent from the 56 tonnes during the Diwali week a year ago.