

Gold, Silver and the Miners Still In Rally Mode

Gold & Silver Miners Index Total Return vs. Price Change of Gold, Silver & U.S. Dollar

Year	Philadelphia Gold & Silver Index	Gold (Spot)	Silver (Spot)	U.S. Dollar Index (DXY)
2007	21.84%	30.94%	14.65%	-8.31%
2008	-28.54%	5.80%	-22.95%	6.01%
2009	35.85%	24.37%	48.03%	-4.24%
2010	34.67%	29.57%	83.16%	1.50%
2011	-20.28%	10.10%	-9.94%	1.46%
2012	-8.33%	7.06%	9.02%	-0.51%
2013	-49.18%	-28.28%	-35.83%	0.33%
2014	-18.27%	-1.44%	-19.31%	12.79%
2015	-34.14%	-10.41%	-11.86%	9.26%
2016	81.10%	9.15%	16.70%	4.11%
YTD 2017	10.42%	11.93%	12.55%	-2.18%

Source: Bloomberg. Past performance is no guarantee of future results. 2017 YTD thru 4/21/17.

View from the Observation Deck

1. Today's blog post illustrates the wide disparities that often exist between the annual price performance of an ounce of gold bullion and silver and the equity returns posted by the mining companies.
2. Since precious metals are priced in U.S. dollars, investors should also be aware of the relative strength of the U.S. dollar against other major global currencies, in our opinion. For this reason, we have included the U.S. Dollar Index (DXY) in the table.
3. From 2007 through 2016, the Philadelphia Stock Exchange Gold & Silver Index only posted a positive total return in four of the 10 years, but 2016 was a big rebound year following five consecutive down years (2011-2015).
4. From 12/29/06-12/30/16, the cumulative total return on the Philadelphia Stock Exchange Gold & Silver Index was -37.63%, compared to cumulative price increases of 80.51% and 23.87% for gold bullion and silver, respectively, according to Bloomberg. If gold and silver prices were to rise over the next few years, the miners could represent more of a value play potentially than the metals themselves, in our opinion.
5. Precious metals have historically been considered potential inflation hedges by investors. The Consumer Price Index stood at 2.4% in March 2017, up from 0.9% in March 2016, according to the Bureau of Labor Statistics.
6. Bloomberg's earnings (in dollars) for 2015 and 2016 and estimated earnings for 2017 and 2018 for the Philadelphia Stock Exchange Gold & Silver Index were -\$1.72 (2015), \$1.92 (2016), \$2.65 (2017 Est.) and \$3.82 (2018 Est.), as of 4/25/17.

The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment. The index performance data excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The Philadelphia Stock Exchange Gold & Silver Index is a capitalization-weighted index comprised of the leading companies involved in the mining of gold and silver. The U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies.