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# MFs pause investments on silver shortage, premiums

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THE SHARP RISE in silver prices – almost 100% since January – has led to an acute scarcity in the Indian market, and pushed prices higher than the global benchmark. As a result, six fund houses have taken a call to halt fresh investments, including lump-sum, switch-in transactions and fresh registration systematic investment plans/systematic transfer plans into their silver exchange-traded fund (ETF) fund of funds (FoFs).

However, all existing SIP and STP registered shall remain operational.

“Supply constraints in physical silver are causing a surge in silver ETF prices as ETFs are backed by physical precious metal – that is, silver

Kotak MF anticipates shortage in domestic silver supply to persist throughout this month

ETFs are trading at a premium to their respective iNAV. Till this supply uncertainty reduces ... we have decided to temporarily suspend all fresh and additional lumpsum investments, switch-ins, and fresh SIP transactions in Tata Silver ETF FoF,” Tata Mutual Fund said in a statement.

On Tuesday, international silver prices fell from an all-time high of \$52.37 per ounce on Monday to \$51.21. In India, silver prices were at ₹1,77,794/kg – an all-time high.

In the past month, prices of the white metal rose 33.49%, leading to high investor interest

in these products.

Abhilash Koikkara, head of forex and commodities at Nuvama Professional Clients Group, attributed the suspension of lump-sum investments to the premium at which they are trading to the spot market prices and lack of supply in the physical market. According to him, once the festive demand is out of the way, the disparity should get self-corrected to some extent.

Kotak Mutual Fund had also said in its press release that it anticipates that the shortage in domestic silver supply may persist throughout this month. As of October 9, the premium between international landed prices (USD spot price after currency conversion + applicable levies) and domestic silver prices was 5.70%.