

Cyprus Headlines Keep Silver Prices Buoyed

Written by [Marcus Holland](#), editor of [financialtrading.com](#)

Silver continues to gain traction and is forming a base which could be the pivot point for higher prices in the future. Cyprus developments continue to carry the headlines driving up the demand for the precious metal in the face of European economic uncertainty. With bank depositors in Cyprus ready to make a run on their national banks, the demand for a hard currency such as silver should increase demand in the short term.

Cyprus developments continue to drive sentiment within the capital markets. The situation remains very fluid, and it is not clear if there will be a vote in the near future. The newly elected Cypriot President, who seemed to have been among the strongest advocates of taxing small depositors, has been forced to reconsider. The Cyprus government and parliament are searching for alternatives to a tax on small depositors who have less money in banks than the insurance limit.

Although the dollar has gained little ground in the past two trading sessions, there is an underlying bid to the greenback which is creating headwinds for silver prices. Historically, silver prices have been negatively correlated to the price of the dollar, and rallies in the dollar have been met with a selloff in the precious metal. Silver is often viewed as a currency, which is paired with the dollar. When the dollar bloc increases, silver prices fall under pressure.

The gold versus silver ratio, which is a calculation of gold prices divided by silver prices shows that the relative value of gold versus silver is close to a 2-year high. The ratio hit a five year low when both gold and silver prices surged in early 2011. The current level near 56 reflects relatively low demand for silver relative to gold, and the recent consolidation in silver over the past few months. Silver prices generally lead the precious metals complex higher and lower as silver prices have a higher beta relative to gold prices.



Technically, weekly silver prices are near the bottom end of a large range that stretches from the highs made in April of 2011 near 50 dollars per ounce to the lows created near the end of 2011 and the middle of 2012 near 26 dollars per ounce. The price range from about \$26 to \$50 shows the potential volatility within the silver sector, and the relatively low risk silver prices project at the moment.

The silver risk reward trade is very attractive and a [CFD trade](#) with a built in stop out level near current support near 26.10 could be a good bet. The upside would allow investors to take profits on a long

silver trade near resistance at the January 2013 highs at 32.70. A break of that resistance level would initially target the highs made in November at 34.50 per ounce.

Weekly momentum on silver prices is negative with the MACD printing in negative territory. The RSI (relative strength index) oscillator which measures overbought and oversold levels is printing near 40, which is on the low end of the neutral range.

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