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Gold for the 21st Century | Episode 7
Michael DiRienzo, President & CEO, The Silver Institute

This week on *Gold for the 21st Century*, we welcome Michael DiRienzo, President & CEO at The Silver Institute, into the SmarterMarkets™ studio. David Greely sits down with Michael to discuss the outlook for silver, its role in the energy transition, and the role it can and should play in investor portfolios and our financial system in the 21st century.

Michael DiRienzo (00s):

The green economy is paving the way for silver's use in industrial uses. And quite frankly, you are looking at upwards of 55% of silver demand going into industrial demand. And PVs, photovoltaics, have really, really shown us the way forward in that respect. Not to mention the electrification of everything.

Announcer (22s):

Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building smarter markets be the antidote?

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David Greely (01m 11s):

Welcome back to Gold for the 21st Century on SmarterMarkets. I am Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Michael DiRienzo, President and CEO at the Silver Institute. We will be discussing the outlook for silver, its role in the energy transition, and the role it can and should play in investor portfolios and our financial system in the 21st century. Hello Michael, welcome to SmarterMarkets.

Michael DiRienzo (01m 39s):

Thank you so much. I am excited to be here with you all today. Heard a lot about this podcast and it's an exciting time to be in the precious metals industry. Thank you.

David Greely (01m 49s):

We are excited to have you here and it is an exciting time and really appreciate you coming here to talk with us about what's happening in the silver market. Often gold will capture people's attention and then they will begin to think about silver. And at the Silver Institute you think about silver I would imagine just about all the time. So if you were to kind of want to clue people in who are just beginning to think about silver, what are some of the things they should know?

Michael DiRienzo (02m 16s):

First of all, thank you again and let me tell you a little bit about the Silver Institute. It's kind of like the World Gold Council but at a much smaller scale monetarily and employee wise and so forth. But we too like them promote one medal and that's silver and we do it through a variety of means. So last month we put out our World Silver Survey 2025, which is a look back at the market in 2024. House will have some forward thinking into the thoughts that our consultants at metals focus have for 2025. We do that report, we do market trend reports throughout the year and they can be on various aspects of the silver market. We put out a bimonthly silver news we have on the ground programs in Mexico, Peru, India, and China and we do a lot of speaking at conferences.

Michael DiRienzo (03m 13s):

So we just return from the India Silver Conference. Next month we will be speaking or I should say I will be speaking at the Asia Pacific Precious Metals Conference. And later in the year we will be speaking at the China International Silver Conference and we will also attend the LBMA's Precious Metals Conference. So we want a lot of visibility for silver. We try to spread the word of silver and all its many facets to a wide ranging audience and that's what we do. Our members are leading primary and secondary silver producers,

refiners those that use silver at the end of the day or sell silver at the end of the day and when you widen that scope to our sponsors of the World Silver Survey, you add in various commodity banks that trade in silver as well. So we have been around since 1971, so we're over 50 years old and the mandate continues marching on.

David Greely (04m 17s):

And I am curious with your recent trip to India, what was the conversation at the conference?

Michael DiRienzo (04m 22s):

Well, the conversation was really about silver and its reaction to gold and you know, quite frankly silver has not performed to date with respect to the increase in the gold price right. I did a CNBC interview while I was in Delhi with the local CNBC station in India and I guess my point was really twofold. One is that we are going into the fifth year of a supply deficit, meaning that the structural deficit will continue. It might be a little smaller this year than in years past because we expect more mine production but when you look at a ratio of gold to silver, the gold silver ratio, you are looking at it a hundred ounces of silver to buy one ounce of gold all right and that just screams one thing, that it's a prime opportunity to buy silver and that was really the general theme throughout the conference. Other things we chatted about in India was how can the Silver Institute help the Indian market? Now India has been quite strong on many fronts in recent years. It's a big industrial demand center. They have the world's fourth largest silver mining company. They obviously are very, very important to the jewelry and silverware industry. So India's a key player. I mean you look at China, India, and the United States and they're very, very important.

David Greely (06m 00s):

And I wanted to ask you a bit because in some of the publications that the Silver Institute publishes that you referred to earlier, I think one of the really interesting things about silver is it's always had fairly prominent industrial uses as well as store of value. And these uses change over time. You know, there was a time when photography was on film and a large source of demand for silver was from photography. Now, you know, the Silver Institute's written quite a bit on how the energy transition is driving new uses and demand for silver and I was curious, what role do you see silver playing in the energy transition and you know, how is that driving some new forms of demand?

Michael DiRienzo (06m 44s):

The green economy and artificial intelligence are really going to pave the way for silver on the industrial side as we move forward. Motor of voltaic use of silver wasn't even really on the map in 2012, 2013. It was very, very small and look where it is today and as you mentioned about photography 20 years ago, photography was the number one use of silver in the industrial arena and now it's a relatively small component. I mean it's still around, but it's just really small. We all have digital cameras on our phones. It's more of a hobbyist issue now and there are some developing countries that still use silver halide photography with respect to x-rays and other uses. The green economy is paving the way for silver's use in industrial uses and quite frankly, you are looking at upwards of 55% of silver demand going to industrial demand and PVs photovoltaics is really, really showing us the way forward in that respect. Not to mention the electrification of everything, right. With respect to automobiles, the electrical grids, infrastructure and so forth if it has an on and off switch, you could be about 99% certain that there is silver in that component. So everything from our TVs to our computers to our iPhones, iPads, whatever it is, there's silver in that in that component.

David Greely (08m 19s):

And what makes silver so useful? I mean I imagine it's a very good conductor but an expensive one.

Michael DiRienzo (08m 24s):

It's a number one conductor of electricity. I mean coppers is close second, but silver is number one. So when people start talking about thrifting out of silver to go to copper, they are often flummoxed except the end of the day because you are going to need silver. There are certain components of the industrial market where thrifting is ongoing and it's certainly happening in PV, but the number of installations across the globe that are increasing year in by year out we will increase silver's use as well.

David Greely (08m 58s):

And with the photovoltaics, China's had such a dominant position in solar panel production and installation in recent years. Are you seeing different patterns of regional demand for silver emerging?

Michael DiRienzo (09m 13s):

Yeah, we are and you know, leaving the United States out of it for a moment, I mean it's really picking up steam in Europe. All right, for the incentives to install in your home solar panel installations continue. The incentives with the new administration here in the United States will probably come to an end at the federal level, but that doesn't mean they're going to end at the state and local level of government. So Europe is a close second to China. Japan as well is a key player in this industry. Australia is an up and comer with respect to solar panel installations. Look at green energy as green energy and there may be some people who fight tooth and nail against green energy and I don't know why, but they do. If they are either pro-coal or pro-gas or whatever the fact of the matter remains is that this is a trend that's not going to reverse. We are not going back to coal fired power plants as our number one dominant source of energy, clean energy is here to stay. The percentage with respect to the sales of electric vehicles or hybrid vehicles globally is on the rise. The incentives are still there provided by the auto manufacturers to buy a clean energy vehicle and you know, you look in Europe, you look in the United States and everywhere else, this is a trend that's not going to stop.

David Greely (10m 49s):

So we have got strong demand coming from photovoltaics, that sort of industrial use, strong demand. China, Europe, Japan coming Australia as well. Where is the supply coming from. You mentioned India has one of the fourth largest producers, but where does silver come from these days?

Michael DiRienzo (11m 08s):

On silver supply side, you are looking at countries like Mexico, which is still the leading silver mining country and that's followed by China and then Peru, Bolivia and Chile. There were certain operations in regions in the last few years, few years that were impacted by some geopolitical issues, strikes and so forth but some of those mines are coming back on stream, especially in Mexico. China does not have one huge silver deposit, nor do they have a huge gold deposit. They have a lot of deposits there, a lot of mines, which when they are all taken in totality, China is the number one gold producer in the world. Now most people think offhand, if you were to ask them on the street, they would say South Africa, but it's really China. They are the number two silver producer in the world now. They have eclipsed Peru a few years ago, but those are the leading countries and the United States' top 10 as well. There are some really significant projects in the United States and some leading silver mining companies, which I am proud to say are members of the Silver Institute, which are continuing to improve their operations and mine more silver in the United States.

David Greely (12m 27s):

Yeah, I do think most people will be surprised to hear that China was a leading producer of both gold and silver. I am curious, you had mentioned some of the geopolitical issues in the past creating problems on the production side. How are the recent geopolitical issues, the tariffs, the potential for us tariffs? How are they affecting the silver market?

Michael DiRienzo (12m 49s):

Well, when President Trump was elected in November of last year, he had said quite frankly, that he wanted to impose a 25% tariff on every product coming from Canada and Mexico and what you saw was in both the gold and silver industries, a rush to transport gold and silver from Asia, from London to New York in advance of April 2nd. You know, we are happy to say that Bullion was carved out of that, I don't want to say agreement, but his proclamation and the 25% tariffs is not going to affect from Mexico and Canada door rate that's being sent to the United States for a refining because they fall under the existing trade agreements between all three countries. So, but there is a potential down the road where these tariffs could quite possibly impact the industrial side. And it's something that we're very mindful of. I mean, as goes China, there goes global GDP, right?

Michael DiRienzo (13m 56s):

And if these tariffs are, if they remain in place and we have every reason to believe they will, until these certain trade agreements are reached between individual countries and the current administration here in the United States we are going to see some questions arise with respect to demand for silver on the industrial side. We don't think it will be too impactful. As a matter of fact, I think it's less than 0.05% that we are calling for in a reduction of total industrial demand. We have set four years of records with respect to global industrial demand. There may be a small decrease this year, but nonetheless it's still going to be very strong, especially when you compare it to 10, 8, 9 years ago.

David Greely (14m 48s):

Yeah. Now for a US consumer, if you were to see an impact from the tariffs on silver potentially in the future, what sort of products would those impact? For a US consumer,

Michael DiRienzo (15m 01s):

You would see that in products that are made in China, a lot of electronic components. You would see your apple phones, iPads and so forth. There may be a small increase, but it's not going to be silver related. It's just going to be tariff related. So I don't think President Trump is single-handedly going after silver. We know that's not the case, but we think that consumer demand could be impacted. Another area where it could be impacted is in automobiles, right. A lot of the parts that are used in US manufacturing of automobiles come from places like Mexico and Canada and China. So there could be a small impact there. The question is who pays the price because someone has going to have to, is it the consumer, is it the individual country or is it the company?

David Greely (15m 53s):

And you had mentioned earlier that a hundred ounces of silver to buy an ounce of gold. Right Now, how do you tend to see rising gold prices affecting the price of silver?

Michael DiRienzo (16m 05s):

We are about to put out a report on the jewelry side. Okay. Now we surveyed hundreds of retail, US-based jewelry manufacturers and in some cases the consumer is being priced out of the gold market. So we think it's going to be great for silver at the end of the day and the beautiful artisan and design of some of these silver pieces are quite fantastic. So we think that there is going to be an increase in, at least from the US side of silver jewelry demand and that's just based on the price of gold today. Okay and a lot of the gold that's being sold today is not being bought by an individual. It could be through an ETF, GLD or the spider gold product but the fact of the matter is a lot of it's being bought by Central Banks. They are acquiring a lot of gold and Central Banks don't hold silver. So silver is not swept up into that phenomena.

David Greely (17m 07s):

Is there any reason why Central Banks have never held silver?

Michael DiRienzo (17m 11s):

They did it at a time. I mean, you have to go back to like the 1950s, 1960s. First of all, it's hard to store. It is a store of value. It's a very, a lot of people look at silver as the number one store of value because it's affordable and it too acts reacts, I should say, in times of economic and political uncertainty. Central Banks in the last few decades have not purchased silver. I can't think of any right now offhand that have a silver position in their Central Bank portfolio. There may be some small smaller ones. We heard last year that Russia was going to start acquiring silver. We have seen no evidence of that come into light.

David Greely (17m 58s):

You know, on this podcast we like to talk about market infrastructure, where there may be problems or market infrastructure may be lacking and how we can improve it and I think there's a better understanding of that in the gold market than in the silver market. For example. Many people understand that gold trade spot in London and futures in New York. I was wondering if you could walk us through like how is the silver market structured globally?

Michael DiRienzo (18m 25s):

It's the same way all right. There is a lot of people out there that say that there are people in banks that are shorting the silver market to keep the silver price low. We don't necessarily believe that. We just think that silver is silver and gold is gold and quite frankly, they trade the same way. There is an LBMA gold and silver market price every morning that's used by the banks. It's not so much used by the end consumer or potential purchaser of those products, but it's a trading value to start the day in taking the United States, for example, there is a market price that is set, but is it set for real? No, because these markets trade 24x7, right? So when our markets close later this afternoon, we have to wait only a few hours until Asia opens and then that price will continue to increase or decrease. But you know, if you look at today's action in the market, I mean silver on a percentage basis is doing better than gold. Gold. I don't know the percentage of increase it has this year, but silver's up about 12 or 13%. It was up 21% in 2024. So it's hard to make an argument that the silver price is not gonna go somewhere north because we think it is.

David Greely (19m 46s):

And you know, you said the structure is very similar to the gold market. You know, in the recent period the last couple years between COVID potential for US tariffs, there had been some pronounced dislocations between the futures market in New York and the spot market in London. Has the silver market experienced similar challenges or price dislocations?

Michael DiRienzo (20m 08s):

Yeah, we did this year on what's known as exchange for physical EFs. It impacted gold to a really big extent. Then when you look at February and March before the April 2nd pronouncement, and it also affected silver and quite frankly there was a dislocation and but the market bore that and we are where we are today and quite frankly, the EFPs basically ended on April 3rd. The shipment stopped coming in from Asia and more importantly from London and there are still ships out there that are, have gold and silver on them that are waiting to enter New York. So that has been mitigated and there are people who look at the New York price, the London price, the futures price, and they will make those decisions based on whether it's allocated or disallocated or whatever. But quite frankly, what's missing from the silver market today is strong, robust institutional investment.

David Greely (21m 17s):

And what would that add to the silver market if it were to come in?

Michael DiRienzo (21m 21s):

Well, it's coming in, it's starting to trickle in and in our world, silver Survey 2025, you've see an increase in institutional investment. We are working on platforms and programs to educate institutions and institutional investors holding silver and we just began that this year. We have been doing it all along. But this is an active program that we started this year and quite frankly, there are institutions that are doing that. I mean, if you look at, take the United States for example, I don't know the number of states, but it's above 20, that at an enact of laws at the statewide level to rid taxes on gold and silver purchases. Okay because they were taxed and if you look at the United States tax Code, on one hand they recognize that silver and gold are investment products with respect to them being allowed into retirement funds, IRAs but on the other hand, they look at silver and gold as a collectible when it comes time for the capital gains tax.

Michael DiRienzo (22m 31s):

And it just makes absolutely zero sense, right? I mean, a gold bar is not a collectible. Silver bar is not a collectible and American Eagle coin or a Canadian maple leaf, they're not collectibles. Okay those are investment products and you know, there are anomalies across the globe. There is a VAT tax in certain countries in Europe on silver, but there's not a VAT tax on gold. So it's an impediment. But we started to see countries like India that have lowered their rates on the importation of silver and have lowered the rates on the taxes for Indian consumers who purchase silver and we are hopeful that trunk continues. I know that Thailand, for example, is facing a similar situation. The Thailand jewelry industry relies on I would say a 100% of importation. I don't think they mine silver in Thailand. So a potential tax on silver could impact that particular jewelry market.

David Greely (23m 33s):

So that's interesting. So kind of more equitable tax treatment of silver being held as a store of value would be a big improvement. Are there other improvements in either the market infrastructure or applications of financial technology that you would like to see to improve the silver market?

Michael DiRienzo (23m 53s):

Yeah, I mean, look it, we, since 2006, the silver market has been, we have had ETP products, right. We started off with Barclay's, ETP here, it went off like gangbusters in 2006. In 2004 through State Street, the gold product came online and two years later, the silver product came online. I mean, this is just a way of democratizing investment in these precious metals and especially silver. It makes it easy to get in and out of a position from your desktop or even your iPhone. These things are being innovated as we speak throughout the world and if you just take India, for example, two years in to their exchange traded products, two or three years, it is a real convenient way for Indians to invest into silver. Historically, Indians wear their gold and silver on their bodies as a sign of wealth, and now they are getting into the electronic trading of silver and we think that is a trend that's going to continue for quite some time.

David Greely (25m 02s):

And when you look at that sort of more monetary use of silver, you have mentioned Asia a couple times as a leading area, is it much more advanced, the use of silver for store of wealth, for holding the physical? Does that tend to happen more in Asia than say other parts of the world?

Michael DiRienzo (25m 21s):

I think so, yeah. I mean, I don't see it here in the United States and we don't see it in Europe so much. But if you walk down the streets in Mumbai or Delhi, women are wearing their gold cups and silver jewelry and it's quite prominent. I don't think you are going to see

that trend continue to other countries so much but I do believe that we are in a situation taking the United States, for example, where many people believe that the stock market is quite frothy and there is a discrepancy between the value of these stocks and what the prices and I was watching CNBC this morning and a very big leading Paul Tudor Jones said he expects 10, 15, 20% reduction in the stock market in 2025 and beyond. So you know, when that happens, people tend to turn towards precious metals. Will there be interest rate cuts in the United States this year? Yes. Will they happen at the next Fed meeting? Maybe not. But that also tends to support precious metals investment, including silver, because you have a place to put your money with respect to, to gold and silver.

Michael DiRienzo (26m 24s):

Now on the silver side, it tends to follow gold. It always has. There is not a time in, it has been two or three times in our lifetime where you have seen silver react in a way, and you go back to the Hunt Brothers squeeze, you go back to 2011 and you go back to COVID and silver outperformed gold in all three instances. So the thing is, is that when it comes to silver investment, it's volatile. I mean, it could go up real fast, it could plateau and it could fall but that's true with anything, correct. It's just how do you make the argument that silver is a time tested investment? Well, you don't because it is a time tested investment and quite frankly, it is just about convincing enough people, institutions in particular to get into the silver game.

David Greely (27m 38s):

And when you are talking with, whether it's institutions, whether it's kind of the regular person on the street, do you feel there are certain misconceptions about silver and how it trades that come up again and again, a little bit earlier in the conversation you had mentioned about, you know, silver being shorted. Everybody loves a good story like the Hunt Brothers. Is there any misconceptions out there about silver that you'd like to dispel?

Michael DiRienzo (28m 03s):

Well, one thing I really don't like is when people call silver poor man's gold. Okay, so that to me is somewhat offensive to the silver players in the market in general. But quite frankly, there are a lot of developments that are impacting gold and silver prices, right? The gold prices are around \$3,400 an ounce silver, roughly at \$33. It's telling you something, okay. It's telling you that investors are showing concern about economic and political landscapes. I think the Fed is going to play a role in this down the road with respect to interest rate changes. There'll be other developments with respect to trends in employment, GDP, growth, inflation, and of course the strength of the US dollar. So yeah, I think that all comes into play at the end of the day.

David Greely (28m 52s):

Well, I would like to thank you for coming here. I have one more question for you before you go, but I appreciate you talking us through how silver stands on its own. This podcast series we are calling gold for the 21st century but I would like to ask you, what do you believe the role of silver should be in our financial system in the 21st century?

Michael DiRienzo (29m 11s):

You have to look at silver's basic components, right? It's half and more than half industrial and it's also a store of value, right? There are people who purchase silver because of its industrial side. There is people that do a combination above and there are people who purchase silver for a sole investment play and as I mentioned earlier, silver has the opportunity to move percentage-wise in an upward arc that will blow gold away and there are many people throughout the world that are proclaiming that silver has the potential to go much higher than it is today. So as an investor getting in at \$33, I think it's smart when you look at the ratio between gold and silver, I think it's a smart, smart play and when you look at the fundamentals of the market, yet again, we are calling for the fifth consecutive year of a structural market deficit where demand outstrips current market supply. This is something that is not insignificant. These are things that are all leading to a base of a higher silver price down the road.

David Greely (30m 23s):

Thanks again to Michael DiRienzo, President and CEO at the Silver Institute. We hope you enjoyed the episode. We will be back next week with another episode of Gold for the 21st Century. We hope you will join us.

Announcer (30m 37s):

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