Silver price drops, sending metal into a bear market

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By Matt Krantz, USA TODAY

For some investors, silver may be become known by another name: fool's gold.

A silver ingot.

The price of silver collapsed for the fourth-consecutive day, falling a brutal 8% Thursday to $36.23 an ounce. Silver lost 25% of its value in just four days after hitting a peak of $48.58 last week. That's the metal's biggest four-day decline since 1983, Bloomberg News says.

Silver now finds itself in a crushing bear market that's not showing any signs of relenting. A 20% decline from a market high is the unofficial definition of a bear market.

Silver's crash "is relentless," says Jeffrey Sherman, commodities portfolio manager at DoubleLine Capital, who called for a correction months ago. "To see (the size of) this correction … it's unreal," he says.

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Meanwhile, gold is running into its own problems. The price of an ounce of gold fell 2.2% Thursday to $1,481.40, capping a 4.8% decline over the past four days.

Silver's reversal in fortune is a sudden and shocking comeuppance for investors who hoped to ride a remarkable rise in precious metals fanned by fears of inflation. Silver had skyrocketed 57% this year prior to the recent sell-off.

Silver's collapse continues to be fanned by:

• Tighter trading restrictions. The CME Group, a primary exchange for silver traders, has several times boosted the amount of cash that investors must have

Mom Dilemma #36: Your daughter insists on wearing her princess costume to the grocery store. Allow it or not?

YES, at least she's dressed!
NO, I have some rules!
relative to the value of silver they buy. These higher "margin" requirements drive up the cost of investing in silver and are a big reason for the crash, says Imaru Casanova, equity research analyst at McNicoll Lewis & Vlak.

-**Speculation that some big investors are bailing out.** Investors are spooked by news reports that large investors, including Soros Fund Management, may be selling precious metals, according to reports from The Wall Street Journal.

-**Market is ripe for volatility.** The market for silver is small, so even a bit of selling can escalate into a stampede, says Tom Winmill, portfolio manager of the Midas fund.

Sam Stovall of Standard & Poor's calls the recent selling a buying opportunity for silver and gold.

But DoubleLine's Sherman cautions that precious metals, especially silver, could have much more downside as the bubble and mania reverse. "It doesn't feel like this is a bottom yet," he says.

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