Physically backed silver ETFs outperformed all others in July as the dollar weakened, the market faced a global debt crisis and the government reported lower-than-expected economic growth.

IShares Silver Trust (SLV), up 14.8% in July, regained almost half its loss after plunging 34% from its all-time high in late April.

Investors flocked to safe havens such as silver and gold ETFs over worries that Congress’ failure to raise the U.S. debt ceiling would lead to a government default and debt downgrade, possibly pushing the economy into a recession.

Precious metals miners lagged the metals. Market Vectors Gold Miners (GDX) rose 4.2% but failed to hold above its 200-day moving average after breaking above it.

Global X Silver Miners (SIL) climbed 10.5% in July. It’s confirmed its uptrend by rising over its 200-day line and holding above it. It’s trading at a relatively cheap valuation of 1.5 times forward earnings vs. 13 for the average global stock ETF tracked by Morningstar.

The pure metals are perceived as a true hard asset, whereas mining stocks are seen as hybrids — part hard asset and part financial asset, says Tom Winmill, portfolio manager of Midas Fund.

“Financial assets generally are out of favor due to the European debt drama and the debt ceiling impasse in Washington,” Winmill said. Major producers such as Agnico-Eagle (AEM), Goldcorp (GG) and Silver Wheaton (SLW) have either missed earnings estimates or lowered future guidance, he added.

The second- and third-biggest gainers in the nonleveraged ETF universe were iShares MSCI Peru (EPU), +14.08%, and iShares MSCI Thailand (THD), +13.05%. By contrast, the benchmark iShares MSCI Emerging Markets Index (EEM) shed 1% and the S&P 500 slipped 2.2%.

“The Thai and Peru market rebounds highlight why politics is so important in emerging markets,” said Carl Delfeld, managing partner of Boulder Emerging Markets.

EPU sank 14% July 6, after Peru elected President Ollanta Humala, and then rebounded. Investors were unnerved over his left-wing views and campaign to tax mining companies. The leftist, former military officer hiked the monthly minimum wage to about $275 and raised pensions for people over 65 after his inauguration at month’s end.

“The plan to tax the mining companies remains somewhat unclear, and could lead to some volatility,” said Daniel Weiskopf, co-portfolio manager at Global ETF Strategies. “Then again, frontier and emerging markets should be expected to be volatile even if long-term growth looks sustainable.”
Peru, the world's third-largest copper producer, has many untapped natural resources such as timber, Weiskopf added. Its economy is projected to grow 6.6% this year and 5.9% in 2012, according to the International Monetary Fund.

EPU still trades under its 200-day moving average, so any uptrend is widely considered a counter-trend rally.

The Thailand ETF rocketed 5% July 5 after Thailand elected its first female prime minister, Yingluck Shinawatra, by a landslide. The 44-year-old business-executive-turned-politician spurred investor confidence because her political party's economic policies are focused on stimulating domestic consumption and investment.

Instilling Stability

Shinawatra was seen as a front for her older brother Thaksin Shinawatra — the former prime minister who was ousted in a military coup following corruption charges in 2006. But she has formed a five-party coalition government and has instilled a sense of political and economic stability.

"Thailand has had 18 political coups since ending absolute monarchy in 1932, so changes in government are viewed as 'business as usual,'" Delfeld said.

THD is trading at a 52-week high. It's extended 5% from a 68.03 buy point after breaking out of a cup-with-handle base.