Making his pot of gold from silver

Lim Ting Ping pays his way through NUS by investing in the precious metal, reports STEPHANIE RIAHY

As global uncertainties lead investors to speculate on the price of gold, Lim Ting Ping finds investment potential in a less well-known, but in his opinion, equally good option. Against the pressure to follow the sentiments of the crowd, he did his due research and started his investment in silver.

The 25-year-old investor’s success has allowed him to finance his entire four-year undergraduate studies at the National University of Singapore, as well as to start his own online marketing business. Yet, in retrospect, he believes that this is a risky investment strategy, and would advise new students investors to invest a portion of money earned from business – instead of investing with the goal of financing a business.

Q: How did you get started investing in silver?
A: I first got thinking about trading when I was in junior college, when a friend asked me if I have ever considered going into financial trading. This caught my interest, so I decided to read further about investing. I had the option of investing some money that I had saved from my Web posting business that I started when I was 14 years old.

But what should I invest in? What was clear (back then) was that I had learnt not to invest in the stock market. When I was in the army, I read a lot on economics in publications like Time magazine. At that time, I came across an article on the mortgage crisis issue – and I read this before the 2008 crisis happened. My friend was telling me that it was going down, and hence I thought that we should not be investing in the stock market. When I left the army, the idea was etched in my mind, and that is why I started investing in silver instead.

Q: How was your first trip investing in silver?
A: It was very simple. The first thing I bought was a very small ring, but I subsequently went further and invested all my money in silver. The price of silver went up, and it continued to go up again, so I made double the money from there on. Before the market crashed in October of 2008, I sold off my investments in silver. I bought silver at $12, it went up to an all-time high of $20, and I sold it off at $17.

However, even though I was making money in silver, I actually lost money in real terms, due to the exchange rate risk between the US dollar and the Singapore dollar. I realised that I made 10 per cent that month, but did not make money on a net basis because the US dollar was also going up. That’s when I realised I needed to be in the foreign exchange market, and this incident spurred me to learn about this new area.

Q: Why did you choose silver, of all commodities, to invest in?
A: I’ve done a lot of research on silver. If you look at the economic fundamentals, gold may seem more valuable in a sense. But if you look at the past, the amount of gold above ground is probably the same amount as silver. As people use more and more silver within the industrial context – for things like photography, iPods, televisions, for example – the amount of above-ground silver will actually be less than gold. So in a sense, the value of silver should be more since there’s less of it available.

As a result of this, I became more and more convinced that it made sense to buy silver, and it has certainly made the most money for me so far. As part of my strategy, I used a lot of options – I bought a lot of covered options on silver.

Q: Why do you stay committed to silver?
A: Although I discovered silver on my own, the reason I stayed committed in this trade is because of my professor, who taught me macroeconomics. He told us something that I will not forget. He said “inflation won’t happen in the short run, but only in the medium run”. This meant that even if the government pumps in money, inflation would only happen after about five years or more down the road.

During crisis, we usually expect prices to deflate, and that most asset prices will go down. I remembered my professor’s words, and I figured that since prices are low during the crash, I should buy because inflation should come up. Although it will not happen immediately, it will come. And if you look at prices now compared to the past, you will notice that prices have been moving up. So, I guess I made the right call back then. Because of my professor, I stayed committed to my investment trip in silver.

Q: What advice would you give a student who is seeking to invest to pay their way through college?
A: I suggest that from their income, they allocate 10 per cent for savings, 30 per cent for business, and 10 per cent for spending. It is only the other 50 per cent that should be invested.

I do not think students should invest in stocks because it is, in my opinion, a ponzi scheme. You don’t have control – and in investing, we want control. If I could go back in time and alter my investment strategy, I would actually start a business instead, or invest in a business. Ideally, I would start a business first to have a job that pays well, then invest that money into something. That should be the order of the process. But I do notice that most people start by investing first, and then they use that surplus money to finance a business. That’s the wrong approach. I think it’s too slow.

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