



# SILVER



## SILVER: MOST ACCOMODATING METAL

**THROUGHOUT HISTORY,** many different things have been used as a form of money; such as stones, salt, shells and beads. From the very beginning, silver and gold have displaced all other mediums of exchange.

The invention of the printing press brought with it paper currency.

No government has ever successfully substituted paper for real money, because no government can “print” silver.

**NORMALLY,** silver prices are anticipatory rather than reactionary. Once the forces of the inflation index begin to be felt, investors will buy into the market to make sure they are in position before the general public. Their buying tends to drive prices upward.

**THE SUPPLY:** New mining production is not stimulated by silver prices. Mining production is fairly fixed because over 70 percent of the silver produced is a by product of copper, lead and zinc. Economists agree that silver consumption exceeds production, that the shortage is being supplied from private above ground hoards, and that the price of silver has risen ...

... dramatically as the result of it. Part of that shortage is made up from recycling jewelry, film and some electronic parts. The majority however, is supplied by a diminishing world’s supply of silver.

**THE DEMAND:** Silver has chemical and physical properties which are unique. It is the best conductor of heat, the most reflective of light and, next to gold, the most resistant to corrosion.

The Technological Revolution has transformed the metal of coin and art into a metal of electronics, photography, computers, aerospace and medicine!

Silver is one of the most perfect conductors of electricity and therefore is considered an industrial metal besides a monetary metal. Since WWII, an average of 200 new uses for silver were found each year. If science and technology continue to progress, it is reasonable to assume that new uses are yet to be found.

**SILVER AND INFLATION:** Fifty years ago you could buy a loaf of bread for a dime. Today you still can...if it is the same silver dime. The real value of silver, like gold, hasn’t changed. It never changes, only the currency changes. During periods of inflation, it takes more ...

... dollars to buy an ounce of silver as the dollar loses its value. It is said the price of silver goes up, but the value stays the same. Silver is a store of value and therefore a protection against inflation.

High interest rates tend to depress silver prices because the silver users (photo, electronic, jewelers, etc.) find it uneconomical to tie up money in inventories of silver so they sell their stockpiles and drive the market down. However, inflation then becomes a self-correcting factor and it eventually adjusts itself.

As we witness the deflationary collapse of traditional financial institutions on the one hand, the destruction of the dollar’s value on the other hand, we are forced to find somewhere to put our capital for preservation. Silver will be the subject of tremendous bidding for this purpose.

**SILVER UNDERVALUED,** Silver at current levels is extremely undervalued. For centuries gold has traded at a multiple of 16 times the price per oz. of silver. This ratio makes silvers real value today close to \$50 per oz. Even being fairly conservative – say half this ratio - , we could still see silver at well over \$20 per oz.

**INVESTMENT POTENTIAL:** Most silver is produced as a by-product of mining gold, copper, zinc or lead. Thus higher silver prices will not markedly increase the amount of silver mined each year.

Fact! In 1980 when silver went up to \$50 per oz, less silver was mined than the year before.

It is only prudent for an Investor to own something whose demand should always be greater than its supply.

Dwindling supply and increased demand should reflect in substantially higher prices.

The largest US producer of silver, Barrick Gold Corp (ABX – NYSE) recently announced they would be reducing their hedging exposure by making delivery on their forward contracts using current production.

This means that most of their 20 million or so oz’s of silver production will not be supplied to the market this year, but will go to fulfill their previous delivery contracts. This will add to the already tight supply deficit numbers, which should create more upward price momentum.



