

April 26, 2010 – These Are the Good Old Days

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Currently, the set up looks good in silver. From a supply/demand viewpoint, the wholesale market looks tight. The market structure looks constructive, with continued signs that the biggest short, JPMorgan, is trying to back away from selling additional contracts. The regulatory backdrop continues favorable, with the rapidity of derivatives reform truly amazing. We seem to be in a sweet spot with investment interest and awareness growing daily, but with no frenzied actual mass buying occurring yet. Long term holders seem to be settling in for much higher prices and large quantities of silver don't seem available anywhere near current prices. Sell-offs, if they come, should be temporary.

It might be instructive to step back from the current favorable set up and try to view silver in a different perspective. While we're all anxious to see the real silver story unfold, everything comes in due course. Maybe we should take a moment and try to reflect on something that is usually done only in hindsight. Try to picture the silver future, some years from now, and then look back to today. I would make the case that when we look back from the future, we will see today as being the good old days for buying and holding silver.

Those who've bought silver over the past ten years, and those that buy at current prices, will come to look back on these purchases with the fondest of memories. Silver made sense to buy and hold over the past decade. At \$5.00 it was dirt cheap. World inventories were depleted by 95% over 60 years. The price has responded accordingly, and despite being manipulated by a concentrated short position, silver's investment performance was still among the very best for the past five and ten years. It is easy to now look back at the days of \$4 and \$5 silver as the good old days for silver investment, but it wasn't so easy back then.

There were plenty of silver naysayer's back then, more actually, than there are today. People would argue that if silver was so great, why was the price so cheap? If there was a structural deficit, then why didn't the smart people on Wall Street see it? If there was a manipulation through short selling, why didn't anyone important speak of it? Sadly, such talk, did manage to prevent many from buying silver. Listening to the naysayer's, instead of concentrating on the hard facts, cost silver doubters a fortune. The lucky ones were able to see through the false negative rhetoric.

I see similarities today. Yes, the price of silver is higher than it was at \$4 or \$5. But the ~~facts today are more compelling than ever. For one thing, the manipulation due to~~

concentrated short selling on the COMEX is becoming widely known. We have an open CFTC investigation in progress and have just witnessed a public hearing on the issues of concentration and position limits. Try imagining such things happening ten years ago. Today, we have an absolute powerhouse financial entity, JPMorgan, alleged to be the big silver short, and not a nameless entity. Their response to the open allegations? Silence and a no-show at the most important public regulatory hearing in memory.

However, the main factor making silver more compelling today is the growing awareness of its facts and circumstances. A lot has been revealed in the silver market over the past ten years. This awareness has resulted in increased investment demand; from record U.S. Silver Eagle sales to massive institutional investment in ETFs. More silver has been bought for investment in the past four years than was bought in the past four decades. And this investment movement appears to be in its infancy. It's simply a matter of how quickly more people come to learn of the true merits of silver.

This is powerful set-up. All the bullish forces are in place. An incredibly small amount of silver is available for purchase. The end to a decades-old downward price manipulation is certain. There are growing demands from a world economy hungry for a vital commodity. There's a mountain of potential investment money looking for something sound to invest in, in a world sorely lacking in sound investment choices. All that's missing is the fuse being lit.

Just as those who invested in \$5.00 silver look back upon those days with fond remembrance, so will today's silver investors look back. Yes, we may be faced someday with the difficult decision as to when to sell, but we will also celebrate the wisdom of having bought at bargain levels. Make no mistake — it will be a celebration not only of profit, but also of the deep intellectual satisfaction that comes with a well-thought out and successful investment. An investment in silver will someday be considered a smart thing to have done back in the good old days.

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