

August 16, 2011 – The Enemies of Silver

The Enemies of Silver

By

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(My good friend and silver mentor, Izzy Friedman, has been going through a transformation stage in his life following the tragic loss of his beloved Gabriella some six months ago. He has travelled far and wide during this time, from Israel to Alaska and points in between, as he has bonded even more with his close but geographically dispersed family. In the interim, I have been deprived of our daily conversations, but I am hopeful they will resume quickly. — Ted Butler)

Lately silver is acting not the best compared to gold. You have to ask yourself why? Is there any legitimate basis for this action? The answer is categorically no. The reason silver is not acting well is : (1) The naked short sellers want to get out and they do this by forcing prices lower (2) The gold supporters are pressing silver prices lower to try to convince people to buy gold, not silver.

The naked shorts in COMEX and in SLV shares in the long run can't hold back the tsunami coming in silver without dirty tricks. The parties interested in depressing silver prices know that when the gates open for the free market prices, the prices can jump to heights unexpected. What kind of prices we can see in silver?

To equal the old ratio of gold and silver of 16 to 1, the price of silver has to be \$106. I ask you why 16 to 1 and not instead 1 to 1 or even silver prices higher than gold? Based upon supply and demand and the amount of each in existence silver should have more value than gold. Today this may not look like a realistic argument, but don't forget when silver was 4 to 5 dollars we (Mr. Butler and I) were telling you that we can see 10 times that price. Then we looked like crazy people, but today that's not the case. I say categorically that silver has more value than gold. Let's see if I look crazy about that in the future.

I think the real key to the future price of silver is China. In the future China will dictate the price because it will use up all the free silver available. Based upon its growth rate and population size, it will be impossible for China not to be the silver price decider. If you look China's jewelry production and consumption alone, to say nothing of retail investment and industrial demand, it must greatly impact prices. On my recent travels and based upon my past experience in the diamond business, I became aware of the jewelry from China and how beautiful it can be. With increasing disposable incomes, Chinese domestic demand will grow and this will take up enormous quantities of metal. The world's investors will follow the Chinese when they will find out that the big the demand in China will bring a shortage in silver. Then we will see the real price.

Can we see the situation of a silver shortage that will drive the price over \$1000? I say with gold prices at \$1,700, we can see over \$2,000 an ounce for silver. You will ask me when the shortage will arrive? At any time. Why? The answer is that so little freely available silver exists in the world. Plus, the investors who hold that silver are widely diverse and many in number, each holding relatively small amounts of metal per investor. I am speaking of people of moderate wealth, not big tycoons. The likelihood that these regular investors will sell at anything less than super high prices is remote. That's important. If you told me most of the silver owned in the world was in a few big hands, either wealthy tycoons or governments, then I would be worried about a price collapse because those few hands could be forced to sell. It's much harder to force many thousands of small investors to sell at once.

My theory is very simple. There is plenty of gold in the world but not much silver when you look very closely. The price of will tell you in the future if my opinion was correct but my hope is only that many of you will have the courage to hold silver for the long run. Thanks, Izzy.

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