# SILVER – GOLDEN OPPORTUNITY

written by Egon von Greyerz | September 6, 2019

There is one spectacular investment opportunity today that virtually no one talks about. It represents less than 0.1% of global financial assets. This investment has a potential upside of 36x or 3,500%. The downside is extremely limited since supply is finite and demand strong. It is selling at around production cost and has a real intrinsic value. It has also been money for thousands of years.

Yes, I am of course talking about silver. It is probably one of the most undervalued investments that you can buy today. Since the top in 2011 at $50, silver went as low as $14 in 2015. But we must remember that silver was $4 in 2002. Many investors have been burnt by silver, buying high and selling low. I heard of investors who bought at $50 as they expected a breakout above the 1980 high at $50. A fall of up to 70% since then obviously hurts but fortunately all silver investors will be amply rewarded in coming years, whatever their buying price was.

If you hold silver today, or if you intend to buy, **you are now looking at one of those times in history when an investment is likely to make spectacular gains for an extended period of several years.** At some point, probably this year, silver will move up several dollars in a day or two and later tens of dollars. Over the next 5 years silver could exceed $500.

## SILVER IS NOT FOR WIDOWS AND ORPHANS

But let me warn you already now. Silver is not for widows and orphans. The move up will also see periods of vicious corrections that will keep you awake at night, if you are a nervous investor. Thus there will be a massive volatility so the gains will also involve regular pains.

So definitively better to buy now before the real move starts. We have already seen a $4 move from the lows at the end of June, but that is nothing compared to what is coming.


It is normally not worthwhile to wait for pullbacks because they might not come or they will come from much higher levels. So although we will see massive volatility in silver, most of the surprises will be on the upside. There will be periods when all technical indicators are screaming overbought but the price continues to run. But don't forget that there will also be vicious corrections like the one we have just seen which is a great opportunity to buy silver.

## GOLD / SILVER RATIO IS THE KEY

So why I am so certain that silver will move up now. I have often stated that the real upturn in the precious metals will always be led by silver. Once gold broke the 6 year Maginot resistance line at $1,350 in late June, this was the signal for the metals getting out of the starting blocks.

So that break was the signal and the gold/silver ratio peaked a few days later at 94. (See chart) As silver is now going up faster than gold, the ratio is coming down fast and has so far lost 13%. But that is just the beginning. I expect that ratio to first come down to the 2011 low at 30. This means silver will go up 3x faster than gold (ratio goes from 94 to 30).


## WHEN GOLD REACHES $2,000, SILVER COULD BE $66

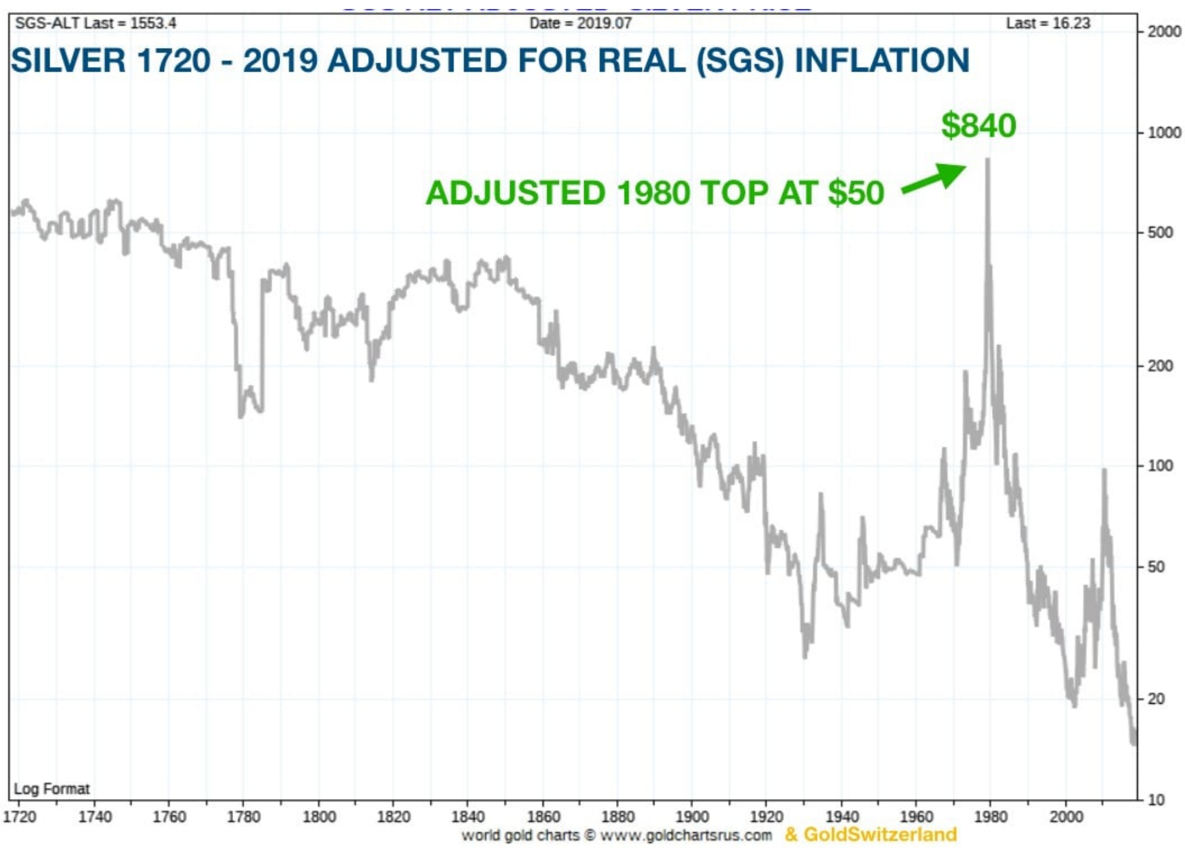
If we take an example that gold will reach an intermediate top at say $2,000, and the gold/silver ratio then reaches 30. That would mean a silver price of $66.

The long term historical average of the ratio is 15. That corresponds pretty well to the quantity of silver to gold in the ground which is 19 times and to the quantity of silver to gold mined which is 9, ( 9 ounces of silver mined for every one ounce of gold ).

## LONG TERM TARGETS GOLD $10,000 & SILVER $666

If we take our long term forecast for gold which is at least $10,000 in today’s money, and apply the gold/silver historical ratio of 15, we get a silver price of $666 which is quite possible.


GoldChartsRUS has produced a silver chart adjusted for real inflation (Shadow Statistics inflation index) which produces an adjusted silver price of $840 in 1980 instead of the actual peak price of $50. Thus, a price of $666 is certainly possible in the next 5 years.



## SILVER PAPER SHORTS – ONE YEAR’S PRODUCTION

We must remember that the futures markets are totally manipulated with chronic short massive positions. Just the silver shorts in New York and China represent more than one year’s silver production. Once the futures market breaks, there will be no physical silver available.

Silver demand is now increasing dramatically and the ETFs have seen an increase of 125 million ounces in the last month. That makes 500 million per year which is 50% of annual production. Investment silver is normally around 30% of demand with the rest being industrial use and silverware. Thus, **there is not enough silver for this elevated demand and we must question if the ETFs actually are getting the deliveries of physical silver or just paper promises.** I would not count on that they are getting physical silver.

There is a similar situation in gold. Since June gold ETFs, Published Repositories and Mutual Funds increased their gold holdings by 250 tonnes which is a record since 2016. The question is where is the gold coming from to meet this increased demand?

## SWISS REFINERS REPORT WEAK PHYSICAL DEMAND

Swiss refiners are still reporting very slow business and high stock levels. They are seeing material coming back from the Far East including China and Thailand. The same with many bullion banks which are reporting unusually high stocks. We would clearly have expected the Swiss refiners who produce 70% of all the gold bars in the world, to reflect the increase in demand from ETFs and other sources. I can only assume that the **ETFs are not actually getting physical deliveries but are just buying paper gold with an undertaking by the bullion bank to deliver physical.**

This confirms my strong opinion that no **one should ever buy gold or silver ETFs. All you get is a piece of paper that you own x ounces of gold.** Most ETF prospectuses state that they don’t have to hold the physical. And judging by the slow business and high stock levels of refiners and bullion banks, the ETFs seem to top up their paper stock rather than the physical.

Even if the ETFs do hold physical metals, it is still within the banking system with all the risks that involves. Investors in ETFs don’t have their own bars, they have no access to their gold. The gold is not insured and it is subject to all the risks of the financial system, especially if the ETF only has a paper claim on the bank it bought the gold or silver from.

Gold has had a spectacular year so far and outperformed virtually all major investment classes. In 2019, gold is up 20% in US dollars, 24% in Euros, 25% in UK Pounds and 15% in Yen.

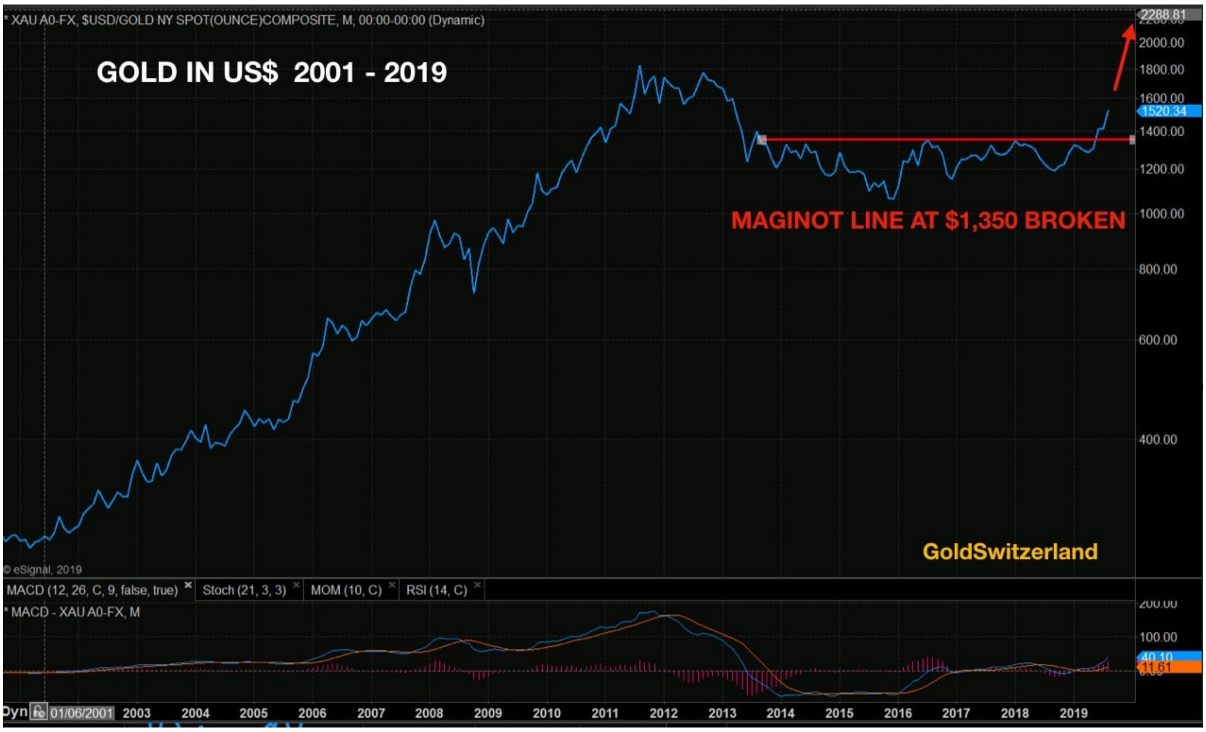
In August we have seen strong moves in gold. Gold took off when the Maginot Line was broken at $1,350 back in June.

## GOLD PAPER MARKET STILL RULES

The lack of physical demand confirms what we have always known, namely that the gold price is determined by the paper market. So in spite of the best year for gold since 2009, it is not yet reflected in the physical market. In one way, this situation makes the coming price move in gold and silver even more bullish. Futures exchanges and bullion banks are clearly accumulating even bigger short paper positions in gold and silver. When the paper market breaks there will be absolute panic in the physical market with gold going up by $1000s and silver by $10s. That will definitively happen in the next few years but it could happen at any time.

## GOLD IS FOR WEALTH PRESERVATION AND NOT FOR PRICE GAINS

I have given some potential price projections in this article. They are by no means meant to be sensational since I believe they are very realistic. But remember that you are not buying gold or silver for short term price gains and therefore price targets are unimportant.




Physical precious metals are bought for wealth preservation purposes. **You buy and own physical gold and silver as insurance against a totally rotten and manipulated financial system which is unlikely to survive in its present form.**

If you don’t already own gold and silver, buy now. Don’t be greedy and wait for pullbacks. That way, you might miss the boat totally which doesn’t just mean losing a potential investment gain. No, it means that you will be totally unprotected and unprepared for what is going to hit the world in coming years.

Even if you have to pay up when buying in the near term, that is totally irrelevant. In a few years gold and silver will be multiples of where it is now. And if you store it in the safest vaults and jurisdictions, you will be able to sleep well at night.