



Why Silver Price Is Set to Soar

Precious metals remain the most undervalued of all the asset classes. Silver is even more undervalued than gold and is undervalued when compared to other strategic commodities such as oil and uranium.

Silver has excellent and unchanged strong fundamentals but also the technical picture for silver is textbook bullish with a continuing series of higher highs and higher lows.

The fundamentals reasons for a bullish outlook on silver is due to continuing and increasing global macroeconomic and geopolitical risks; silver's historic role as money and a store of value; the declining and very small supply of silver; significant industrial demand and most importantly significant and increasing investment demand.

Silver price: historic role as a store of value

thus the monetary metals and safe haven assets of gold and silver are likely to continue to outperform other asset classes. Also they are likely to outperform other commodities such as the base metals, oil and uranium. These commodities would be likely to experience a fall in price were there to be a significant slowdown in the global economy which would create demand destruction.

Because of their historic and continuing role as monetary or currency metals and as safe haven assets gold and especially silver are likely to outperform. This is because they are not simply commodities but also currencies which cannot be debased like our modern fiat paper and electronic currencies.

Silver price: declining supply

before looking at the demand side of the silver equation it is important to consider the supply side.

In 1900 there were 12 billion oz of silver in the world. By 1990, the internationally respected commodities-research firm CPM Group says that figure had been reduced to around 2.2 billion ounces of silver. Today, that figure has fallen to about 300 million ounces in above ground refined silver. It is estimated that 95% of the silver ever mined has been consumed by the global photography, technology, medical, defense and electronic industries. This silver is gone forever.

CBS Marketwatch published an article in March 2007 entitled 'Silver may shine brightest among metals', in which Kevin Kerr wrote that "Due to current supply/demand trends, the amount of silver above

ground is projected to shrink to a critically low level in 2010. As supply shrinks, prices will keep rising steadily to new highs. Many in the investment world are unaware of this part of silver's story. Industrial demand has been outstripping mining supply for the past 15 years, driving above ground supply to historically low levels.”

Silver price: significant and increasing industrial demand

another important factor as to why silver is likely to outperform other asset classes and commodities besides the declining silver supply is increasing industrial demand.

ETFs

Investment demand for silver has also been rising rapidly the past few years with investors hedging themselves against rising inflation, possible currency devaluations and geopolitical and macroeconomic risk.

The silver market is currently in a transitional period where investment demand is starting to have a real impact on silver prices. Much of the new demand comes from iShares Silver ETF launched in April 2006. The fund has so far attracted 120 million ounces of silver investment. It is up nearly 30 million ounces since the start of 2007. It's important to remember that the silver market is very small - only some 300 million ounces. **That means the ETF alone now accounts for more than one-third of the global silver market, and growing investment into the iShares ETF should drive prices much higher.** If even a small amount of money by percentages flows into the silver market from investors, ultra high net worth individuals (ultra-HNWIs), hedge funds, pension funds and institutions around the world, silver will almost certainly reach the nominal non inflation adjusted high it reached in 1980 of nearly \$50 per ounce.

Huge short position

perhaps the foremost analyst of the silver market today is Mr. Theodore Butler. He believes that gold and particularly silver are the laggards in the commodity complex due to price manipulation. At over 300 million ounces, the largest 8 traders on the COMEX are short more silver bullion than exists in total known world inventories, including total SLV holdings and total COMEX inventories.

”If there is one thing that separates silver from any other asset class, or any other item in any asset class, it is the presence of an unprecedented concentrated short position in COMEX silver futures. It is the existence of this concentrated short position that will, at some point, launch the silver price to the heavens. This short position has grown so large, and is held by so few entities, that it no longer matters how it will be resolved. It must be resolved and, whether that resolution involves default or buying by short covering, it will have the same bullish impact on price. You don't have to look any further than the concentrated COMEX short position as to why silver has not outperformed every other commodity. Just as it explains price under performance, it is telling you why there must be over performance in the future. **At some point, the price of silver must accelerate upward to price levels that are truly shocking.**”

Hedge Funds

globally, hedge fund's speculative capital has doubled to more than \$2 trillion (or two thousand billion) in the last three years. Some hedge funds have started moving into the silver market. Charles Supapodok of Artemis Capital Management is seeking to raise a \$300 million hedge fund to invest mainly in silver. Artemis Silver Fund, advised by Artemis Capital Management, will put 80 percent of the fund's holdings in silver.

Again due to the incredibly small size of the global silver market if even only a percentage of the roughly

9,000 to 10,000 hedge funds in the world decide to take positions in the silver market the price will increase in value by multiples.

Rarely are there 'no brainers' in life and very rarely are there 'no brainer' investment opportunities. Invariably, 'too good to be true' investments turn out to be just that.

However, this is not the case with silver. It remains the investment opportunity of a life time.

Silver is unique in terms of being both a monetary and an industrial metal and having the highest optical reflectivity and the highest thermal and electrical conductivity amongst all metals. Silver industrial and investment demand is increasing very significantly and meanwhile supply is falling. The fact that the huge majority of the investment public and financial services industry remains ignorant of the fundamentals in silver means that the bull market in silver remains in its early stages. Silver remains probably the most undervalued asset class.

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