

Seven Reasons Why Silver Will Make You Rich!

John Edwards

I know most investors are looking for that one ultimate investment that will right all of their past wrongs. You know, make up for all the losses or non-starters they may have accumulated over the years. That one investment that will perhaps buy them a permanent vacation somewhere with white sand beaches, a nice cabin in the mountains, get them into the house of their dreams, or whatever does it the most for them. On GoldStockMania.com, I have talked a bit about the great profit potential of junior gold mining stocks and why now is a great time to invest in them. I also wanted to take a moment to talk about why I am very, very bullish on silver; **the metal which is overlooked by most but will make the few who own it extremely rich.** While gold will have a spectacular performance over the course of this bull market, it is **silver that will be the MVP.** Silver is about as close as you can get to a sure bet. Here are 7 reasons why silver will make you rich.

1) Gold to Silver ratio

Historically a gold to silver ratio has been maintained between gold and silver where a certain amount of silver could buy 1 oz of gold. In fact a long time ago, there used to be a US law that fixed the gold silver ratio at 1:15, which then allowed 15 silver ounces to buy 1 ounce of gold. Since 1840, the gold to silver ratio has ranged from 1:15 to as high as 1:97. Today's gold to silver ratio sits at about 1:63. Many analyst believe that this ratio is currently out of whack and will return to historical levels which according Ted Butler and others has averaged 12-15 oz of silver to 1 oz of gold. If the ratio returns to historical levels it would require a substantial rise in the price of silver. At \$1150 gold, silver would need to be around \$76/oz.

2) Inflation Past and Future

Just as gold is a great inflation hedge, so is silver. As you know silver has been known as the poor man's gold. The dollar has lost over 98% of its value as clearly shown in my article, [Gold vs Dollar, What A Knock Out!](#). This is just considering the inflation effect over the past 100 years or so, but what about right now and the near future? The erosion of dollar continues but at an accelerated pace not seen before in the history of this country, and thus makes it imperative to take the necessary precautions to protect the value of your savings now. I have not seen anything more compelling than silver to protect and dramatically increase my wealth at the same time.

The Federal Reserve is working overtime printing dollars and inflating the money supply which means every new dollar they create is taking away value from every one of the dollars in your pocket! This is where gold & silver really shine since this type of monetary expansion has always driven up the price of gold and silver historically. You can see just over the last year or two how the fed has really kicked it into overdrive. The inflationary effect of the spike you see on the graph has not yet hit, so it is still time to get positioned for the inflation tsunami and load up on silver while you can and while it's still cheap. There is no end in sight and they plan to print more dollars until their little printing press breaks. Wait till you see what they do to the dollar for an inflationary encore.

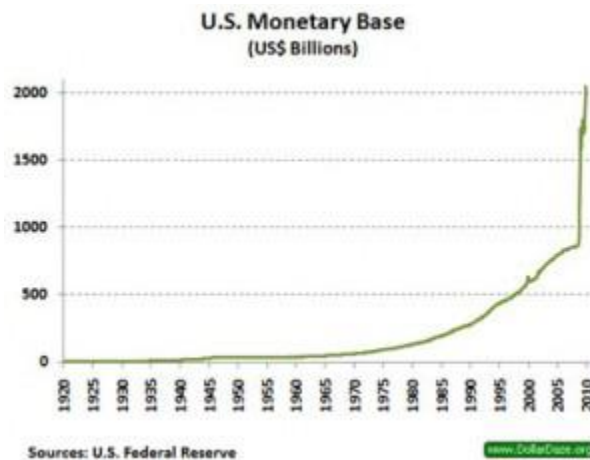


Chart of US Monetary Inflation

3) Increasing Silver Industrial & Investment Demand

Last year global silver demand hit 888 million ounces, while worldwide mining production totaled only 680 million ounces, thus creating a 208 million ounce deficit. Many people don't know that silver is the most used commodity in industry next to oil. Industrial demand continues to pick up with new applications for silver coming to the market all the time, like silver zinc batteries. [The silver zinc battery market alone is forecasted to be a large driver going forward for silver.](#) If you are looking for more reasons, then how about [Ten Thousand Reasons To Buy Silver](#), which goes into more detail about the numerous industrial applications that require silver. Yes, there are many of

them from water filters and band-aids to electronics such as cell phones and RFID tags.

Silver investment demand is on the rise as well and perhaps may soon surpass that of industrial demand. Just like people are turning to gold in the great flight to quality, silver is also starting to attract demand from investors. One of the biggest wildcards in the mix is China. Until recently, the Chinese government did not allow its citizens to buy precious metals. They have done a complete reverse and now [highly encourage all of their 1.3 billion citizens to buy, buy, buy](#). Don't forget about their neighbors, you know, the other country that has a 1 billion plus people in it, India. The Indians have a long history and tradition of buying both gold and silver. I believe silver demand in India will increase as the price of gold rises.

Demand is also picking up in the United States, with the US Mint reporting [record silver eagle coin sales for January 2010](#), it was the best silver eagle sales in the history of the US Mint for the month of January. Furthermore, the mint recently announced more record silver eagle coin sales for the month of March 2010 and for the first quarter of 2010. The US Mint **sold over 9 million silver eagles** during 1Q2010! At this rate, **silver eagle coin sales will consume all the US silver production for 2010**, which is typically around 40 million ounces of silver annually. This is very significant because, whoever typically buys US based silver will need to go and find it elsewhere since the US Mint by law, is required to use only silver produced in the United States. Don't even think about getting it from China, because they consume every ounce of gold and silver produced in their country and will not export any gold or silver. I wonder what the US Mint will do when the silver demand exceeds the amount of silver of produced in the US?

4) The Real Silver Advantages: Leverage & Availability

Since more people are waking up and running to gold for asset protection due to the erosion of the dollar and other fiat currencies, gold will naturally not be as affordable as silver. One could argue that we have already reached this point. People will come to reason that they can get the same level of protection as purchasing gold, but at a more affordable price by purchasing silver instead. The late comers to the party (which will be the majority, see my article, "[When Will You Buy Gold...](#)") who missed out on the chance to buy gold when it was only \$250/oz will want the next best thing which is silver. Likewise, many investors will also see that they can get a much higher leverage on purchasing silver. So if gold is starting to get too expensive for your wallet, then why not get some

leverage by purchasing silver? The best times to buy is whenever the prices are falling. Since you get way more ounces of silver for your money than gold, you naturally get more leverage. **Leverage coupled with a great investment, equals great profits!** Just be clear, do NOT buy silver on margin! Short term volatility makes buying silver and gold on margin too dangerous.

No matter what you have heard or read, there is only one real way to buy silver & gold and that is physical. If you are not buying physical silver and/or gold, then more than likely you have a paper claim to someone else's physical silver or gold (see [GATA.org](#) and below for more on this). Either make a trip to a reputable local coin shop or [buy gold and silver online at trusted bullion companies](#). You should really do both for geographic diversity. I also like the online storage options because it's so easy to buy, sell, and securely store my precious metals.

Silver availability is like a game of musical chairs, when the music stops someone will be without a chair. The amount of above ground silver has been just about exhausted over the past century. I have seen estimates as high as 1 billion ounces of silver world-wide above the ground. Even in this worse case scenario and assuming that all this silver is for sale (which most of it is not), all the silver in the world could be bought for just \$18 billion dollars! This is a drop in the bucket when compared to much larger markets like gold, oil, US Bond Market, etc. So silver availability is a huge advantage for silver investors as there is trillions of dollars that is very likely to one day come chasing a very tiny silver market. I have seen silver stock pile estimates around [300 million ounces](#) and lower. See more on this below.

5) Dwindling Silver Stock Piles

Going back in history, governments around the world use to have huge silver stock piles. Around the 1950's, the US government alone had 3.5 billion ounces of silver, the largest stock pile in history. Since then according to the CPM group, just about all of these stock piles have been sold off/consumed. The CPM data shows that world silver stock piles have gone from over 2 billion ounces in 1990 to under 300 million ounces in 2007. Furthermore, silver demand has outpaced silver production by 156% annually for 19 consecutive years. According to Ted Butler's article, [Why Silver is More Valuable Than Gold](#), more silver has been consumed than produced for over 60 years now. Available silver stockpiles have tanked to an estimated 140 million ounces or only a four-month supply of silver! No matter whose estimates you believe, the real point to get from all of this is that the quantity of silver has

been disappearing at an alarming rate while demand is substantially increasing. Conditions are ripe for a shortage. Now contrast this to gold, which after mining for the past 5,000 years, we still have about 90% of all that gold still here with us. All the silver mined over the same period is now mostly gone!

6) Eventual Comex Short Squeeze

Some people just like to play with dynamite for one reason or another. There are a handful of bullion banks that fit this description that hold excessive short positions in both gold and silver. However, the short positions held for silver are much larger, in fact, the largest for any commodity. At varying points, there have been a silver short position 80 times greater than gold short positions. These bullion banks according to Ted Butler and Gata.org are primarily led by JP Morgan and HSBC. Although it is hard to imagine anyone willing to make such stupid bets, the bullion banks known as commercial traders have shorted more than 200 percent of all known silver inventory!

NIA believes the precious metals markets are currently being artificially suppressed by paper gold and silver that doesn't physically exist. At last week's CFTC hearings, Jeffrey Christian of the CPM Group admitted that banks have leveraged their physical bullion by 100 to 1. This means for every 100 ounces of paper gold/silver that trade, there could be as little as 1 ounce of physical gold/silver in the vaults backing it. However, Mr. Christian sees no problem with this because he says "it has been persistently that way for decades" and there are "any number of mechanisms allowing for cash settlements."

What Mr. Christian fails to realize is, most investors around the world holding paper gold/silver believe they own physical gold/silver. There will come a time when these investors don't want cash settlements in U.S. dollars, but they will want the physical precious metals themselves. When investors around the globe eventually call for physical delivery of their precious metals, NIA believes it will result in the biggest short squeeze in the history of all commodities. Src- NIA, [Silver Short Squeeze Could Be Imminent](#)

The problem with shorting, is that eventually the short positions have to be bought back. Finally when the stars align and the conditions are right, you will see the mother of all short squeezes perhaps ever seen before. I talked

about this in my article, [A Gold Price Explosion Just Around The Corner?](#) If the futures long traders would just demand physical delivery instead of cash settlements and contract rollovers, we would see this short squeeze happen a lot sooner than later. This one of the primary reasons everyone should buy physical silver and gold instead of paper claims to gold & silver. These commercial bullion banks are offering a lot of paper contracts that are impossible deliver on. A silver short squeeze has not been seen in more than 20 years, since the Hunt brothers demanded physical delivery of their silver. Which shows that massive short selling to manage the price of silver and gold works until it doesn't right. If you have not seen this yet, check out the article just published by the [NY Post, Trader Blows Whistle on Gold, Silver Price Manipulation.](#)

7) Silver Leasing

According to Ted Butler in his article, [Silver Leasing or Silver Fleecing](#), there are/were about 150 million ounces of gold and about 1 billion ounces of silver that have been leased out. What does this mean? It means that some gold & silver producers at one time or another did not have enough gold or silver to sell to their customers, so they leased (borrowed) the metals from others (like central banks) that had ample supplies at the time. The producers then would sell these metals to their customers.

The leasing created a phantom supply of gold and especially silver. The problem here is, all of this leased gold and silver has to eventually be produced or paid back. It is the equivalent of borrowing money and living off of it with the plan of paying it back at some point in the future. The problem is, when pay back comes you have to come up with the borrowed money and you still have to come up with additional money to continue to live off of. So the 1 billion ounces of silver has to be produced/repaid at the some point, all the while silver demand continues to increase along with yearly silver deficits. According to [Guide to Investing in Gold & Silver](#), it would take a 100% mining devotion for two years to repay all the gold and silver leases outstanding.

Summary

Silver is perhaps one of the greatest investments one can make at this point in time. Investors looking for a safe and very profitable investment should definitely have silver as a part of their investment portfolio.