



78 Approaching Forces For Higher Silver Prices *... as of 12/13/2003*

by Douglas Kanarowski

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I am an individual investor that has been following the evolving silver story for the past 19 years. Being curious about how high silver prices might eventually go, I began making a list of the APPROACHING FORCES that will likely contribute to higher prices. To make the list, entries must satisfy two substantial qualifiers: FAIRLY LARGE IN SCOPE and are STILL YET TO COME. I was surprised at length of my final list. The following represents a collection of what others have said over the years and a dose of my own common sense and thinking.

Before I start, one tremendously important fact needs to be established so that you can better assimilate "THE APPROACHING FORCES" information. Drum roll please NO ONE ON EARTH KNOWS WHAT THE TRUE PRICE OF SILVER SHOULD BE!! Why is this? Because, since 1945, the end of WWII, the U.S. government has been selling-off the world's largest-ever silver stockpile. For the past 57 years, the government has dumped a total of 6 billion ounces of silver onto the world market. (This quantity equates to about 100 million ounces per year. And, as of late 2002, the entire U.S. government stockpile is now officially gone.) My conclusion is that ANY MARKET that has undergone this degree of distortion for this long, has lost all contact with the irrefutable laws of supply and demand that ultimately will determine price.

1. The same PROFESSIONAL DEALERS and INSIDERS that have made so much and done so much structural damage on the downside will surely be positioned to capitalize on the upside. At the very least, their personal accounts will somehow be properly positioned. (For example, as recently as the summer of 2002, these insiders had been short more than 350 million ounces of silver when the entire COMEX warehouse only held about 100 million ounces.) These people are just too big, powerful, smart and well connected to let this stellar opportunity pass them up. Their activities have not simply analogous to holding a lifejacket underwater but rather holding a helium filled balloon underwater. It not only wants to break the surface but also wants to fly to the moon.
2. Because of the ongoing silver supply deficit (every year since 1990), known silver stockpiles are low and are well on their way to zero. Between now and "zero-stockpile day", SOMEONE-SOMEWHERE WILL ATTEMPT TO BUY AS MUCH AS POSSIBLE OF THE REMAINING PHYSICAL STOCK. Wealthy individuals, hedge funds, political entities and un-named countries are all possible candidates. At \$5 silver, the 100 million-ounce COMEX stock could be had for \$500 million. This "accident waiting to

happen" will come unannounced and as a surprise. Why hasn't this already happened? In part because the perpetrators will be unfairly villainized for causing the resulting shortage & price spike.

3. For eons the US GOVERNMENT has been a silver supplier. They have announced that beginning sometime in 2002, they will become a buyer due to exhausted supplies; an effective double whammy for silver price.
 4. In a rapidly rising price environment, the process of metal coming to market will SLOW. Why? A DELAYED SHIPMENT will stand an excellent chance of being worth even more.
 5. In a free market, the amount of metal coming to market will have to "overshoot" demand to create at least some SURPLUS. Stated another way, the words "silver deficit" will have to be removed from current literature. A permanent silver deficit is economically impossible in a free market.
 6. The practice of "just-in-time" or zero inventory techniques will give way to the old STOCKING-UP MENTALITY for all distributors and end users. Why? Survival and price protection. Inventory building will increase demand & price.
 7. The historically common practice of stockpiling silver by the big money crowd is not currently in vogue. WORLDWIDE REBUILDING of government STRATEGIC STOCKPILES, central banker VAULTS and Swiss custodial BANK ACCOUNTS will come back into fashion by TPTB.
 8. Due to such a long period of low prices there has been a decrease in silver SUBSTITUTION research than would otherwise have the been the case.
 9. Since silver cannot be created, it can only originate from 3 sources: ABOVE GROUND SUPPLIES, re-cycled silver, and mine production. Above ground supplies are nearing exhaustion, leaving only two remaining sources. Simple math. 3 minus 1 leaves us with only 2 sources.
 10. Silver MINES open and silver mines close. More primary silver mines are CLOSING than opening (usually due to depletion). A report from silver expert David Morgan, showed a loss of 50 million ounces of production in 2001.
 11. History reveals that year over year silver production has increased for as far back as the eye can see. A new era will begin in 2002 as YEAR OVER YEAR SILVER PRODUCTION IS PROJECTED TO DECREASE. This production decrease will aggravate the current supply/demand imbalance.
 12. Because silver has been priced below its all-in production cost for so long, silver EXPLORATION has practically ceased. The net result is that there are almost no silver projects in the pipeline to activate. Rather than just re-opening shuttered mines to meet demand, the industry will have to start from ground zero exploration.
- I have attended a large mining show for several years running. Most exhibitors have multiple gold mining projects in the works but true silver projects are in the extreme minority.
13. Once a discovery is made, a mining project must advance through a series of pre-production steps before a mine is opened. In-fill drilling, feasibility studies, permitting, project financing, infrastructure construction and the like. Because silver has been priced below its production cost for a so long, DEVELOPMENT and ADVANCEMENT phases of silver projects has practically ceased.
 14. Because silver has been profitless for so long, when the POS rises and mining companies decide to gear up, one of their 'discoveries' will be A SHORTAGE OF EXPERIENCED WORKERS. Who is left that still has the technical knowledge, experience and gumption to get the job done?
 15. Around 75% of mined silver originates from by-product base metal mining. A

- deepening RECESSION, particularly in manufacturing, will dampen the demand for base metals resulting in decreased overall silver production.
16. Any ANXIETY BASED CRISIS that comes along will boost demand. Stock market, holy war, oil shock, civil unrest, default, currency crisis etc. are possibilities.
 17. Higher ENERGY PRICES and OTHER PRODUCTION COSTS are here to stay. The process of mining, smelting, transporting and refining require huge amounts of energy. Higher production costs of any kind necessitate higher commodity costs.
 18. Presently, the PAPER COMMODITY PRICE is determining physical silver price. A price jolt will occur when prices begin to be set by physical silver availability.
 19. Large quantities of silver have been LEASED into the world market. Leasing is generally only productive in a falling price environment. During this process, silver that is BORROWED (leased) is actually SOLD into the physical market, depressing prices. As falling prices reverse or the supply of lease silver evaporates, this prevailing negative counterforce will nearly evaporate. Leasing is like holding your hand in a fire.
 20. In most cases there will be a legal and/or contractual obligation to RETURN LEASED SILVER to the lenders (not paper). This force will add to the demand side of the equation. (Some bankers may have leased material in their safekeeping without the knowledge or approval of the actual owners).
 21. Metal LEASE RATES have averaged near historically low levels. Rising lease rates will increase the incentive to return borrowed metal from an ever-shrinking physical pool.
 22. A historically, huge PAPER SHORT POSITION has depressed prices. When prices begin to rise in earnest, most short sellers will switch to becoming buyers (some will default). To close out a short position, the short must deliver physical silver or buy out their contracts if so allowed.
 23. A percentage of FORWARD SELLING MINERS will repay their metal loans with physical silver thus removing those ounces from the grasp of the marketplace and increasing the shortage in the marketplace.
 24. A percentage of UNDERWATER, HEDGED MINERS may slow production, close down, or go bankrupt. Because they will owe so much while being denied the profit from higher prices, they will have little remaining incentive to produce their product.
 25. LEGAL attacks and LAWSUITS by a wide range of parties will be launched that will effectively curtail some production. Lawsuits by two or more of the following parties will be commonplace. Auditors, bankers, bullion banks, central bankers, commodity houses, counter parties, depositors, employees, government agencies, hedge funds, individuals, insurance companies, lessees, lessors, management, mining companies, regulators, shareholders, speculators, third parties, and users.
 26. If and when the STRONG DOLLAR falls as is expected, it will take more dollars to buy the equivalent amount of silver.
 27. When supplies are exhausted and prices skyrocket, GOVERNMENT will be expected to "do something". The usual, counterproductive answer is to interfere and regulate. In economic circles, it is a well-established fact that when anything is regulated, you get less of it. (I would not be surprised if they seized all available supplies and rationed them "according to need" could happen with all visible COMEX stocks no matter who the owner is. A similar situation just happened to energy suppliers to Calif.)
 28. The RULES that the COMEX and Commodity Futures Trading Commission (CFTC) presently operate by could be described as liberal to the extreme and have contributed to depressed metal prices. More rigid and restrictive RULE CHANGES should be anticipated.

29. In a free market, INFLATIONARY FORCES are unevenly manifest in different economic sectors. One day it's Nevada land prices. The next day it's the price of milk. The long term price of silver has gone nowhere for years which seems to indicate in part that ongoing price inflation has not yet been properly priced into the commodity.
30. When INFLATIONARY FORCES once again sweep the land, SILVER and other PM's will shine as usual. Why? PM's have always been one of the vehicles of choice during inflationary periods.
31. During most market conditions, ASTUTE INVESTORS do not try to pick bottoms. Rather, the preferred technique is to wait until an apparent bottom can be observed before big positions are initiated. With silver fundamentals as well known as they are, you can be assured that there are huge amounts of investment money poised to enter this arena once a technical turnaround is apparent.
32. At this point in the silver cycle, man has placed a higher value on collecting ever-depreciating piles of paper promises rather than the actual, tangible wealth itself. Consequently, on a historical basis, SILVER INVESTMENT DEMAND is vastly under-represented compared to its other uses. When this "blonde moment" passes and history repeats itself, man will again discover why all history books refer to the beautiful, white metal as a PRECIOUS METAL. Accumulating INVESTMENT SILVER (bars, coins and bullion) will once again be popular and this underrepresented area of silver demand/consumption will greatly expand.

Special note to the above: Because physical silver and silver mining stock is so scarce, this is likely to be one of the few times in history when "waiting for the big breakout" may completely fail the investor. The market might resemble the game of musical chairs with only one major rule change. This time when the music stops, there will only one empty chair for each one hundred players. Therefore, prudent silver-related purchases should be made now.

33. INVESTMENT DEMAND ... JAPAN, A SPECIAL CASE. DESIRE and NEED are not the true forces that move markets. The potential consumer/investor must also have the FINANCIAL ABILITY to meet his desires and needs. Many third world people have a desire and need for refrigerators & air conditioners. But, they lack the financial means to follow through. Enter JAPANESE SILVER INVESTMENT DEMAND... a special case scenario. The world's most successful savers (financial ability) are being pushed to the edge of a financial cliff. Precious metals investment represent their only viable means of escape & PROFIT. With an average nest egg of \$115K and \$5 silver, the entire 100 million-ounce silver COMEX stockpile could theoretically be bought by 4,348 Japanese families. DESIRE, NEED & ABILITY are all in place for this activity to begin.
34. A certain percentage of investors will be attracted to silver for only one reason, BECAUSE IT'S GOING UP! Like a month attracted to light, these momentum investors will want to jump on the bandwagon as they begin to see an established track record develop.
35. Due to the INTERNET etc., the world will quickly be alerted to what is happening and why. They will want their piece of the action.
36. The total silver MARKET IS TINY. It would take perhaps \$10 billion dollars to buy all the remaining physical silver and silver mining stocks in the world at today's prices. Only a few dollars moving into this market will have the resultant force of a tsunami.
37. Mutual funds and other institutional players are grossly underrepresented in ownership of PM stocks and physical. If and when these investors simply RE-BALANCE their PORTFOLIOS to include silver, it will result in a tidal wave of demand for this tiny market segment.
38. If GOLD FUND MANAGERS only agree that silver will make appreciably larger

percentage moves than gold, then we can conclude that even the GOLD FUNDS (who can own silver shares and physical), ARE UNDERWEIGHTED in silver. Once they begin listing multiple silver mining companies among their "largest holdings", we will know that they finally got the proper message.

39. Virtually every US and world citizen already has a WORKING KNOWLEDGE of what silver is. We're not talking semiconductors, megabytes, export quotas, or quasars where the learning curve is extreme. When silver begins to get world attention, this residual, in-place knowledge will grease the skids for the novice silver investment demand.
40. In the coming economic environment, precious metals may be one of the few investment areas making established up trends. Individuals, businesses, mutual funds, pension funds and hedge funds who WOULD NOT DREAM OF INVESTING IN METALS today may have few other choices.
41. NEW USES are constantly being discovered in a very immense range of applications. Silver may be the most versatile metal of all.
42. NEW USES Special case. SUPERCONDUCTIVITY technology as applied to electricity transmission efficiency will increase silver demand. (On one hand this is just a repeat of "new uses for silver being discovered." However the amount of silver that this area may use is so relatively high, that it merits its own place on this list.)
43. NEW USES Special case. Increased use in battery manufacture as automobiles evolve into ELECTRIC-GAS HYBRIDS for greater fuel efficiency.
44. NEW USES Special case. Traditional SOLDERING MATERIALS have primarily contained a tin-lead alloy. In Japan, environmental concerns have prompted regulations calling for the complete phasing out of lead in consumer and electronics products sold there by 2005. A tin-silver alloy containing about 3.5% silver has proven to be the best of the alternative alloys.
45. The % OF SILVER BULLS in the newsletter business is now at historically low levels. This number & their newsletter readership can only go up.
46. The more taxes rise (the overall trend has always been up), the more people will seek ways to keep the government out of their pockets. Silver is one of the few remaining alternatives available to AVOID SOME TAXATION.
47. In a growing environment of litigation, envy & financial distress, the NON-REPORTABILITY advantages of silver will enhance its demand.
48. Due to a growing need for government revenue and mass computerization, a rapid DETERIORATION OF PERSONAL FREEDOM & PRIVACY is underway. Many will conclude that rather than opening an offshore trust, secret Swiss account or the like, most of the same benefits can be had by simply selling those dollars locally and purchasing non-counterfeitable assets like precious metals, gemstones, collectibles and the like. These holdings represent pure, distilled freedom & privacy. Assuming that they are properly concealed, they are pure wealth that can never ever be taken away from you, taxed or litigated away.
49. If a mineral is found in great abundance in the earth's crust, depletion will never be a real issue. But a silver occurrence is an extremely rare event. Therefore, every day that a silver mine is in production it is one day closer to its closing date due to REAL DEPLETION. "They ain't making any more of it."
50. In broad geologic terms, the deeper you go in a gold mine, the richer the ore deposit becomes. Silver is the opposite. The deeper you go in a silver mine, the lower are the concentrations of silver. To state this PERCENTAGE DEPLETION another way, because silver deposits are found near surface, they have already been found and mined out.
51. At this point in the business cycle, there is a very high level of confidence in paper or

- fiat, especially the US dollar. This cycle can be expected to change. The result will be INCREASED TRANSFER OF PAPER WEALTH to PM's.
52. There are presently no PM backed currencies in the world. Yet, the history of currency shows us that all paper currencies eventually crash. A SILVER BACKED CURRENCY is just a matter of time. The discussion phase has already begun in some quarters.
 53. For many reasons, WE HAVE NOT HAD A PURE AND FREE MARKET IN WORLD SILVER since the US government began supporting the price of silver in the late 1800'. Also, they have been selling silver nonstop since the end of WWII. This LONGSTANDING, ARTIFICIAL INTERVENTION is finally coming to an end and the market just won't know how to act rationally. It will be like turning loose a 50 year old elephant in your community that has been born and raised in a zoo all of its life. Both silver and the elephant will rise many an eyebrow as they adjust to their long-sought freedom.
 54. In world markets, virtually all commodities go from being under priced to being overpriced and back again. There is no reason to believe that the POS will stop rising when it reaches its EQUILIBRIUM PRICE.
 55. The present public perception says that "BECAUSE SILVER IS SO CHEAP, IT CAN'T BE VALUABLE!" A Ted Butler essay said it this way, "PEOPLE DON'T LIKE SILVER BECAUSE YOU GET TOO MUCH FOR YOUR MONEY." What can we conclude? After silver gets high priced, people will then recognize that silver IS VALUABLE and will then want it ... adding to the demand.
 56. As a civilization advances, the per capita usage of silver increases by a disproportionately wider margin. Much of the third world population, particularly in Asia, is rapidly advancing toward the ranks of the "developed world". This APPROACHING MASS OF HUMANITY will want to take their share of family pictures and connect their new refrigerators, TV's, washing machines, cell phones and air conditioners to the electric/electronic, silver-consuming grid just like you and I.
 57. The industrial demand for silver significantly exceeds the supply from mines and recycling. When above ground inventories run out, mines and recycling will not be able to gear up to fill all of the demand. SOME SILVER USERS MUST NECESSARILY BE DENIED SILVER. Who will they be? If the macro users (jewelry, flatware & coin makers) were the biggest buyers, rising prices could shut them out of the market and market equilibrium would be quickly reached. However, this is not the case. It is the micro users (companies that use the tiny amounts of silver per product) that are the largest silver consumers. ... Kodak & DuPont. The message is that equilibrium will occur, but only at prices that are extreme.
 58. For both the little and big people in the distant corners of the world, squirreling away US dollars has been one of the preferred methods of saving. It is estimated that two-thirds of the US currency in existence is in circulation in other countries. The USS Titanic has already struck a few icebergs but still larger, unavoidable ones are directly ahead. Once it finally becomes apparent that the ship is lost, THESE FOREIGNERS WILL SHED THEIR DOLLAR BILL LIFEJACKETS and successfully escape in seaworthy gold, silver and platinum lifeboats.
 59. During falling equity markets, investors have always rushed to high dividend paying enterprises. To pay high dividends, a company needs to be lean n' mean and be positioned in a profitable sector. While silver mining companies are currently unprofitable and pay no dividends, these companies can be expected to be wildly profitable and have more cash than they know what to do with. HIGH DIVIDENDS from silver mining companies are therefore inevitable.
 60. Unlike real estate, farmers, bankers, doctors, labor unions, and even the homeless, silver has a NO POLITICAL ADVOCATES and enjoys NO LEGALIZED PRIVILEGES that everyone else seems to enjoy. Silver presently gets "no respect" and it shares the dog house with only gold, uranium and tobacco. (It even earns negative respect from the Silver Users Association who's mission seems to be to depress silver prices to

their own benefit.) Once stockpiles go to zero, an immense appreciation for the unloved metal will emerge and special financial favors will follow.

61. Gold is ACCUMULATED but silver is LOST due to micro-usage-depletion. Consequently, silver has less total quantity in existence every single day. As hard as this is to believe, reliable estimates indicate that there is currently 10 times more gold than silver in above ground stocks! While this phenomenon has been going on for some time and is not a new force, THIS OBSCURE STATISTIC IS NOT WIDELY KNOWN and clearly has not been priced into the commodity.
62. For eons top brokerage houses, astute financial advisors and professional money managers have RECOMMENDED a baseline 5-20% PORTFOLIO DIVERSIFICATION into precious metals. Partly due to the lengthy, worldwide bull market in equities and the extended bear market in precious metals, this sage advice has largely been ignored in recent years. A return to this prudent guideline will equate to an increase in PM demand.
63. The prophecy that "China is a sleeping giant" is certainly proving to be true. As a group, CHINESE PEOPLE are not only extremely hard-working but they also RANK AT THE TOP AS SAVERS. Furthermore, they have more experience with the pitfalls of paper currency than any other nation. The combination of the above factors clearly suggests a future, high level of precious metal demand.
64. "A great speculator looks for "REVERSE BUBBLES" (the exact opposite of BUBBLES or MANIAS) where everything that can possibly go wrong over an extended period of time (at least several years) HAS and the bear has fed upon itself to a point of hyper pessimism. The still viable investment will be on sale for 90% off or more!" All competing market forces are ultimately reflected in one single measurement; the price. The primary evidence of a reverse bubble in silver is that it has been priced below its worldwide cost of production on a multi-year basis. Therefore, SILVER EASILY QUALIFIES AS A REVERSE BUBBLE.
65. By all CONTRARIAN AND PSYCHOLOGICAL MEASURES, the outlook for silver just doesn't get any better. This essential ingredient of all modern societies is thoroughly un-loved, un-wanted, un-appreciated and un-heard of by the mainstream. (Who can name a single silver mining company?) Its stellar investment merits are un-popular and completely un-recognized in the investment community at large to a point that nobody cares and nobody wants to know. Profound, unwarranted pessimism is at the heart of all historically important bull markets.
66. As the world wide bear market in equities grinds onward, advisory services, brokerage houses, pension fund managers, mutual fund managers, certified financial planners, and investment advisors will increasingly come under the gun for non-performance. More and more, if these PAID PROFESSIONAL INVESTMENT ADVISORS want to keep their accounts, jobs, commissions and bonuses they WILL BE COMPELLED TO BUY THE POSITIVE PERFORMANCE OF THE PM SECTOR (whether they like it or not). For them, the new mantra will be, "Buy or Die."
67. With rare exceptions, all of the PM's (gold, silver, and platinum), appear to be "joined at the hip" and have historically moved together in price. The market outlook for platinum is presently neutral (1-03). However, gold appears to be in the early stages of a strong bull market that is supported by excellent fundamentals. DUE TO THE INTERRELATIONSHIP OF THE PM FAMILY, A MAJOR MOVE IN GOLD WILL AUTOMATICALLY FUEL A CORRESPONDING BUYING INTEREST IN SISTER SILVER.
68. A precious metal INVESTOR is an individual who buys precious metals today with the expectation of selling in the future for a profit. There are generally three classes of precious metal investor's that will emerge: the un-informed-wealthy, the smart-wealthy, and *joe-sixpack-amateur-investor. When the inevitable wave of PM investment buying begins, the un-informed-wealthy will buy gold because it is going up and that's what they always buy. The smart-wealthy will buy a higher proportion of silver over gold-platinum because SILVER WILL OFFER A HIGHER PERCENTAGE

RETURN. When JOE-SIXPACK-amateur-investor starts his investment buying, he will choose silver over gold-platinum because he GETS MORE FOR HIS MONEY. Conclusion: By all accounts, SILVER WILL WIN THE PM INVESTMENT POPULARITY CONTEST. Evidence of this scenario playing out will be observed in a narrowing of the gold-silver ratio.

*Footnote on Joe-Sixpack: In 15 years of talking the stock market to novice investors, one particular phenomenon has happened virtually 100% of the time. Given the same industry, tell Joe about company X selling for \$1 per share and company Y selling for \$30 a share. He will want to buy the one dollar stock EVERY SINGLE TIME even though the higher priced stock may, for any number of concrete reasons, hold exceptional promise for a greater PERCENTAGE return.

69. Interest rates have a profound effect on investment decisions. Currently, INTEREST RATES ARE EXTREMELY LOW AND CAN BE EXPECTED TO RESULT IN A HIGHER DEMAND FOR PRECIOUS METAL PRODUCTS. A low rate environment reduces the opportunity costs of holding non-interest paying PM bullion. Furthermore, low rates also increase the incentive to buy PM stocks on margin.
70. Many entering the PM investment arena will be correctly armed with the arithmetic/mechanical truth that \$5 SILVER CAN MORE EASILY DOUBLE THAN \$400 GOLD.

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71. (added 8-22-03) In the approaching economic climate that we face, the long established cycle of a "preference for cash" will be replaced at the producer level with "holding onto the commodity they produce" as a MONEY SUBSTITUTE. One major gold producer appears to already be doing this.
72. (added 8-22-03) Present and future silver mines will be located in multiple countries and political jurisdictions around the world. In a low price silver environment, the miners are accepted and welcomed. IN A HIGH PRICE ENVIRONMENT, ENVY, GREED AND THE LAW OF THE JUNGLE ENTER THE EQUATION. Increased political interference will surface and run the gamut from increased taxation & bribes to nationalization & outright confiscation of "our national treasures." All interference will ultimately result in higher costs to the silver end-user.
73. (added 8-22-03) Theoretically, when the overall stock market is rising, a single investment dollar entering the market may be sub-divided between the 400 stocks in the S&P 500 that are rising. However in a falling market, that single dollar will now only be divided between the 25 stocks that are rising within the falling market. The COUNTER-CYCLICAL PM STOCKS ARE THE BENEFICIARIES OF A MULTIPLIER EFFECT. Being in the smaller group, they receive a much higher proportion of each investment dollar.
74. (added 10-16-03) A SELF-REINFORCING INFORMATION LOOP is likely to form. Initial investment success (as measured by ever rising prices) will create a foundation of even more investment, which leads to yet higher prices, which encourages more investment etc. Without even realizing it "Should I buy?" will unconsciously evolve into, "Should I buy more?" Only the first question has begun to appear on some investor radar screens. The second, is patiently hiding in the shadow of the first, waiting for its certain-curtain call.
75. (added 10-23-03) Today, the average level of INVESTOR INTELLIGENCE AND SOPHISTICATION of today's PM investor far exceeds that of his counterpart in the general equities markets. While Joe Schmoie can't even give you a working definition of a mutual fund, Mr. Gold En Bug, can argue the merits of his chosen PM stock til the cows come home. In the marketplace, every PM share purchased requires a corresponding counter-party sale. What happens to the price of PM shares when there are no dumb sellers?

76. (added 10-23-03) Normally, when an INTERNATIONAL INVESTOR wants to enter a hot, equity sector, he can simply buy a local company listed on his home stock exchange. What country doesn't have its own retailers, banks, phone companies, energy suppliers and food providers? Enter silver deposits and silver miners. Both are extremely rare on a world-wide basis and therefore often unavailable locally. Conclusion: Since many international citizens can't buy in their own backyard, they will have to come to your backyard An unusual and unexpected phenomenon adding to demand.
77. (added 10-23-03) Professor Theo Retical reminds us that in economic circles, the more ways a product is offered, the higher the final sales are likely to be. Seven-Eleven stores already sell lemonade, but if we put a lemonade stand on every street corner in America, lemonade sales would skyrocket. Enter SILVER MINING MUTUAL FUNDS (none of which presently exist.) As an outgrowth of the expanding silver market, fund companies can be expected to meet increasing investor demand by providing newly-created, silver funds. Their presence will channel existing silver investment dollars AND grow the silver investment pool, thereby expanding the silver market that much further.
78. (added 11-15-03) Some degree of environmentalism is and will always be. However, new to the world stage is A RISING WORLD TIDE OF RADICAL ENVIRONMENTALISM. Young minds now believe the building blocks of a modern civilization originate from factories, not forests n' fields. And from minds, instead of mines. Such is not the case but matters not. Although radical environmentalism could close a silver mine or stop another from opening (decreasing supply), virtually all miners will face substantially higher costs due to ever-increasing, environmental law compliance. From the financial side, because civilization must have its silver, this "environmental tax" is necessarily passed on to the consumer raising the POS that much higher.

It would not be fair to only present one side of the silver story. So the question is, "What forces might contribute to LOWER silver prices?" See below:

1. In a high price environment, some jewelry, tableware, silver coins and the like will come out of hiding and be sold into the market. It is thought that much of this silver is long gone. Most people don't own any silver to sell and have never seen a real silver coin.
2. In a very high price environment, STERLING SILVERWARE and TABLE ITEMS will be too costly and many potential buyers will be priced out of this market.
3. Sales of silver JEWELRY that is now being sold at your local shopping mall and flea markets will practically vanish. (However, investment demand can be expected to more than take its place.)
4. High prices will cause end users to attempt to MINIMIZE USAGE by any means available. If an electronics manufacturer can get by with using just a little bit less silver solder, he will.
5. A RECESSION or DEPRESSION will result in less industrial silver demand. (This force is more than likely to be offset by decreased by-product mining).
6. During a silver shortage, fewer and fewer retail outlets (coin shops and the like) will have silver available for distribution. If some potential buyers are not able to satisfy their demand, potential maximum demand will be reduced.

On one hand, making investment predictions and projections is a huge waste of time because almost no one is ever right. But on the other hand, virtually all investment buying and selling is an exercise in price prediction. We only buy when we expect a price increase

and sell when anticipating a general price decrease.

Short term, medium term, and long term predictions (expectations) all have their place. When comparing the price of silver and gold, I predict the following: In the 3 to 7yr time frame, I expect the POS to exceed the POG.

A huge question that silver investors will face in the future will be WHEN TO SELL. This document will help. Just mark off each of these forces as they occur. When they are nearly all checked off, we will be closer to the end than the beginning.

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See also: [What Impact Will Digital Photography Have on Silver?](#)

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