

The Case for \$100 Silver

Its Path to Skyrocketing Prices



LEARCAPITAL
THE PRECIOUS METALS LEADER

The Case for \$100 Silver

Its Path to Skyrocketing Prices

By David M. Engstrom
Precious Metals Expert & Author

If you knew the silver price could double or triple, would you want to own some or buy more?

What if you could see a path to even higher prices—closer to \$100 an ounce? And would you be surprised to learn that silver, once 15 times more plentiful than gold, is now more rare than gold?

Whether it be in response to another debt crisis, shrinking supply or runaway inflation in a hyper-stimulated economy, silver could be poised to become one of the best investment opportunities of a generation. Why? There are many reasons, but perhaps the best reason is... because the available supply of silver is vanishing before our eyes.

Follow along as we now make the case for why record high silver prices could be coming.

When Silver Became Money

In 1792 our Federal Monetary System was created. The “Original Coinage Act of 1792” was passed in order that a common monetary system could be created for the new United States. Prior to doing so, money used in commerce was based largely on the British system of



Alexander Hamilton set the 15:1 ratio of the price of gold to silver, when the Federal Monetary System was created in 1792. Back then, all money was backed by physical metals. Not so today.

pounds, shillings and pence. Use of a variety of other foreign coins, made of both gold and silver, found no favor amongst merchants and citizens alike as it was cumbersome to calculate and convert relative values of each in their daily transactions. Hence, the Act called for a new standard form of money and the minting of gold and silver coins.

Taking into consideration the weights of the variety of foreign coins in circulation, Alexander Hamilton, then Secretary of the Treasury, made recommendations for coins of specific weights, content and purity. In studying



Questions? Speak to a specialist at (800) 781-5308.

IN THIS SPECIAL REPORT:

History of silver pricing and its value relative to gold and the US dollar

The elimination of the gold standard and the manipulation of money

Supply and demand — silver's use in industry and the growing shortage of silver

The end of silver price fixing

Connecting the dots ... the path to a skyrocketing silver price



the values set for foreign coinage, Hamilton observed that gold carried 15 times more value per the same unit of measure as did silver.

Since Biblical times, this ratio had been set based on the supply given us by Mother Earth. In short, silver in the Earth was deemed 15 times more plentiful than gold. So it was in the Act that a gold dollar would be worth 15 silver dollars. The silver to gold ratio was set at 15:1.

Soaring Silver Supply Weighs Heavily On Gold Demand

Throughout history, the supply of silver to gold often fluctuated. In the decade or so following the passage of the Act of 1792, silver supply dwindled. This served to discourage citizens from converting silver to coins as *raw silver was deemed more valuable than the face value of the coin to which it would be converted*. So widespread did the hoarding of silver become that by 1804, production of the silver dollar was halted.

Then, bolstered by a rise in silver production from Mexico and China, it was determined the minting of silver dollars could resume, but only upon the condition

that silver would be revalued against gold. The Coinage Act of 1834 reset the value of one ounce of gold to be equal to 16 ounces of silver.

Then came a great shift in supply. By 1840, the production of silver coinage was so dramatically outpacing that of gold, monetary policy was turned on its ear. *Now 40 ounces of silver coin were produced for each ounce of gold.*

Despite such a dramatic increase in silver coinage, the value in gold terms, (silver to gold) did not change. That meant, 16 ounces of silver could still be traded for one ounce of gold, despite the massive increase in silver production. So, while the mere growth in supply of silver should have caused a revaluation of silver more indicative of 40:1 levels of production, it did not.

What did occur, was the hoarding of gold. Silver was plentiful and could still be converted to coin. Now 40 ounces of silver coin could be traded for 2.5 ounces of gold coin. Hence, bank vaults began to fill with silver and empty of gold as hoarding gold by the populace and producers seemed prudent and wise.



The monetary system of fair weights and measures, as established in 1792, has long since been debased by the elimination of the gold standard and the printing of paper money.

Silver Takes Another Turn

On January 24, 1848, James Marshall, an employee and partner of mill owner John Sutter, discovered gold. By 1850, gold discovered at Sutter's Mill began to make its way into the economy via the increased production of gold coinage. Consistent with the laws of supply and demand, an increase in gold supply now meant gold value, relative to silver, would fall. The ratio of silver supply to gold dropped as low as 7:1. Now supply dictates a conversion of gold to silver as one ounce of gold could be traded for 16 ounces of silver which had become markedly more rare.

Then in 1859 we experienced another epic shift in the supply of silver to gold, as gold miners in the mountains of Nevada discovered a river of silver deposits. It was called the Comstock Lode. By 1860, with the silver to gold production level having fallen to just 7 ounces of silver to 1 ounce of gold, savvy investors now anticipated rising silver production from the Comstock Lode and a rapid decline in silver's value. Once again, it would become gold's turn to be the metal of choice for preserving and storing wealth.

Is history repeating itself now—right before our eyes? Which metal's turn is it to become the metal of choice for those who wish to attempt to multiply wealth through accumulation?

The Manipulation of Money

The monetary system of fair weights and measures, as established in 1792, has long since been debased by the elimination of the gold standard and the printing of paper money. A dollar is no longer defined as a precise amount of gold or silver as they relate in value to each other.

Instead, and as ridiculous as it sounds, *the value of gold and silver is now subject to the perceived value of a piece of paper (dollar) as measured against the perceived value of other pieces of paper (other currencies).*

It is this manipulation of money that has caused gold, of recent times, to carry more than 80 times the value of silver when measured in paper dollars. Something is amiss.

As thousands of years of history have taught us, the value of silver to gold should be measured by the



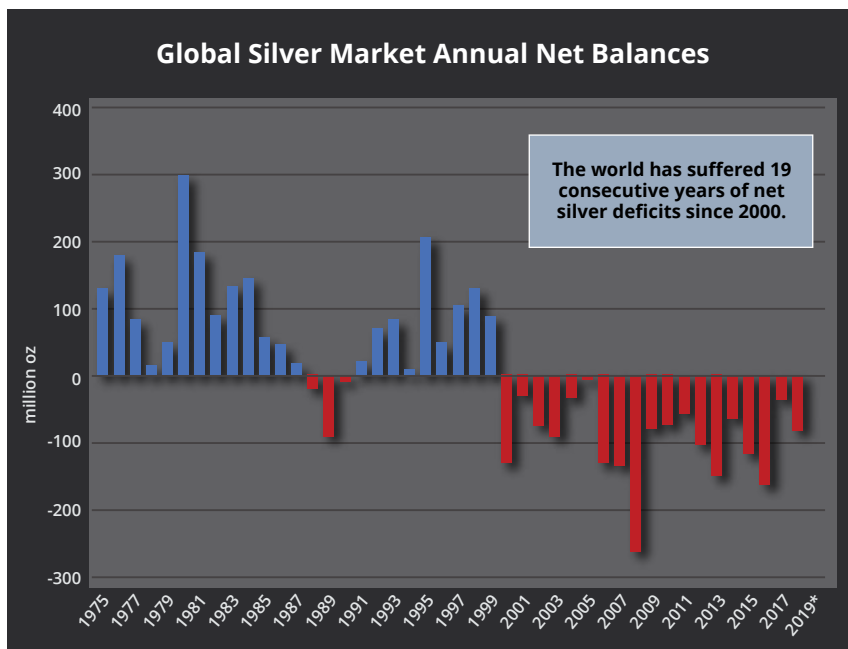
relative supply of each. If the supply of silver exceeds the supply of gold, then gold should be the metal of choice for storing wealth. If the supply of gold exceeds the supply of silver then we should be accumulating silver in anticipation of an eventual rebalancing of the supply/demand scales of value.

But since Nixon took us off the gold standard in 1971, we have to convert the value of each metal to dollars first in order to visualize where each metal should be priced. At the time of this writing, silver's value measured in dollars and compared to the value of gold measured in dollars, is more than 88:1.* When gold and silver were real money, whose value was measured by supply, this ratio would suggest the ability to trade 80 ounces of silver for 5 ounces of gold. Instead, today you have to sell 80 ounces of silver for about \$1,500 dollars in order to buy just one **ounce** of gold.

With gold currently trading around \$1,550 an ounce, and considering a 38:1 ratio, the case could be made for silver at approximately \$40 an ounce. That's consistent with the 136% rise we have seen over the last 35 years when the ratio reaches or exceeds 80:1. It does not take into consideration a potential rise in the gold price.

If we returned to the 16:1 ratio, the case could be made for silver at \$93 an ounce. In either case, we are applying a **dollar-based value** of each metal. This begs the question, given the current price for gold, what would the price of silver be if it were a **production-based value**? According to Keith Neumeyer, CEO of First Majestic Silver, the Earth now only produces 9 ounces of silver per ounce of gold. The supply of silver is shrinking. At today's gold price of approximately \$1,550 per ounce, one could make a case for silver at \$172 per ounce based on the production ratio of 9:1. Then why isn't it? Read on.

Silver Is Now More Rare Than Gold



*2019 data will be released with the World Silver Survey in spring of 2020.

Today, some investors give little credence to the silver-to-gold ratio saying it means nothing when both metals are priced in paper dollars. In other words, who cares anymore? So for the sake of argument, let's focus solely on supply dynamics and see which metal may be the favored choice for accumulation.

According to *The World Silver Survey 2019*, the supply of "investable identifiable above-ground stocks" at the end of 2018 was 79,308 metric tonnes. And gold? According to the World Gold Council, above ground gold reserves, today, are estimated at 190,040 metric tonnes. If it be true the Earth has produced 15 times

World Silver Shortage *in millions of ounces*

	2012	2013	2014	2015	2016	2017	2018
Total Supply	1,005.8	987.6	1,052.0	1,051.8	1,025.8	1,032.6	1,004.3
Demand by Category							
Jewelry	186.7	219.7	227.3	223.3	202.7	204.5	212.5
Coins & Bars	161.2	240.7	233.6	293.6	208.7	150.4	181.2
Silverware	43.8	59.3	61.2	63.2	52.4	57.6	61.1
Industrial Fabrication	600.1	604.6	596.3	582.6	566.4	585.8	578.6
ETP Inventory Build	55.3	2.5	1.4	-17.8	49.8	2.4	-20.3
Exchange Inventory Build	62.2	8.8	-5.3	12.6	79.8	51.5	71.2
Total Demand	1,109.3	1,135.6	1,114.5	1,157.5	1,159.8	1,052.2	1,084.3
Net Balance	-103.5	-147.9	-62.5	-105.8	-133.9	-19.7	-80.1

SOURCE: World Silver Survey 2019 by The Silver Institute. 2019 data will be released in spring of 2020.

more silver than gold, it is fair to conclude:

- The Earth, throughout history, has produced 2,808,000 tonnes of silver;
- More than 97% of silver ever mined is now gone;
- Silver is now more rare than gold;
- The silver to gold supply ratio is now .417:1 (That's less than half an ounce silver per one ounce of gold)

With only .417 of an ounce of investable silver now in existence per one ounce of gold... it seems crazy, by any measure, that one ounce of silver should be worth nearly 2 ounces of gold.

What's even more crazy is that when measured in dollars, gold is 89 times more valuable than silver. With the supply of silver vanishing, when will we see the silver price rise to levels more indicative of historical values?

Rising Demand – Declining Production

Industrial and commercial demand for silver is now virtually equal to all the mines can produce. According to *The World Silver Survey 2019*, total industrial demand at the close of 2018, including fabrication, jewelry and silverware, totaled 1084.3 million ounces. This against just 1004.3 million ounces of mine production. Mines were 80.1 million ounces short of meeting demand.

For a variety of reasons, industrial demand is expected to continue to grow. Much of this demand growth is expected to come from the solar industry. However, silver's growing use in electronics, medicine, jewelry, even warfare, will double stress the supply.

Silver is Becoming the New Oil

In less than two decades the electronics industry saw cell phones shrink from the size of a brick to a lady's compact. The big screen TV—once big as an armoire—now hangs on the wall like a picture. And, the new



tablet computer has more power than an old file cabinet-sized mainframe. The key ingredient to these innovations?

Silver! But we ain't seen nothin' yet!

Since 1999, the quest for green energy has been relentless. Innovations in solar technology have seen "sunlight to power efficiencies" increase nearly three-fold. The cost of solar now rivals that of conventional energy. Solar is becoming the new oil. But, without silver there would be no solar. As solar demand rises, so too will the demand for silver.

China is about to prove it. Their historic shift to green energy is underway. With an intent to build 100 of these massive 250-acre solar farms, China alone could consume half of an entire year's worth of silver production. And that's just China. The world is following.

The supply crisis is growing even more imminent. As we see, there already isn't enough silver to meet demand. Adding demand equivalent to half a year's worth of production, could ignite a price explosion equal to or greater than levels seen in 2011.

Insiders see the supply crisis ahead. Banking giant JPMorgan is now said to have a more than 130-million ounce physical stockpile, worth more than \$2.2 billion. Countries like India and China are also building huge reserves and investors see the future unfolding before their eyes. It is for these reasons and others that experts see a \$100 silver potential ahead. The time is soon coming...





The solar panels making up this giant panda in China's Shanxi province could power more than 10,000 homes. With its shift to green energy, China alone could consume half of an entire year's worth of silver production.

If You Want Silver, There Will Only Be One Place to Get It

If China's green energy ambitions come to fruition, with the rest of the world in hot pursuit, silver could become the most hotly demanded commodity on Earth. JPMorgan's growing stockpile of physical silver should be a clue that the supply crisis is only going to get worse. When 100% of mine production is gobbled up by industry, and reserves are totally depleted, (they may already be) there will only be one source from which to buy—that would be from those who already own it.

And then you ask: ***"If the supply of physical silver is rapidly vanishing, why has the silver price remained so suppressed for such a prolonged period of time?"***

Until January 2018, the machinations of fixing the daily physical price of silver are administered by a group of only nine members of the London Bullion Market Association (LBMA). This small group has seen fit to give more weight to the trading price of paper silver contracts—where physical silver is never delivered—

than to the price of silver being traded and physically delivered.

Trading paper silver contracts rarely results in physical delivery of the metal. In fact, unbelievably so, you don't even have to own physical silver in order to sell paper silver. ***You simply create ghost inventory, then sell it long or short. This has long been the complaint of silver miners and traders alike.*** If futures traders can trade many times the volume of physical silver than actually exists, a vanishing supply can effectively be hidden from sight of the investment community.

Until now, accusations of inappropriate (if not illegal) means of fixing physical metals prices, have been looked upon as more ravings from conspiracy theorists. That perception is changing. In 2016, Deutsche Bank, one of the world's largest banks, admitted to participating in illegal price fixing and agreed to rat out their banker accomplices and pay tens of millions of dollars in fines.

Then in an unexpected move in early 2017, Thomson Reuters and CME Group resigned from their positions



as auditors of the LBMA silver price fix. They were only three years into a five-year contract. Could it be they saw the writing on the wall? Was a price fixing dragnet about to ensnare multiple culprits in the price fixing scheme?

As 2018 rolled in, more evidence of price fixing came with it. For the first time ever, **USDebtClock.org** began to report on just how much fake supply of gold and silver were being created and traded.

The USDebtClock Paper-to-Silver Ratio is described as: The number of “paper” silver ounces traded on the major world Silver exchanges, divided by the actual world production of Silver (in Ounces). Sources: USGS, Silver Exchanges.

As I write, that number is 197.85 ounces of paper silver created and traded for each ounce of physical. By this measure, demand is minuscule compared to fake supply. Because this artificial creation of ghost inventory has reportedly been going on since silver’s 2011 price run up, the spot price has been fixed at what could be deemed artificially low for going on nine years now...

Now we connect the dots. When you trade inventory that does not exist, the price drops artificially low. That scares people out of their physical holdings and allows those who wish to accumulate physical, **a great buy-low opportunity**. Which is exactly what they do right before an era of illegal price fixing comes to an end and just before green energy and industrial demand rises to historical highs.

You can’t build solar energy farms with paper silver. That’s why, in 2020, as demand continues to exceed production, there will only be one place from which to buy silver. And that is from those who already own it.



Where Has the Silver Gone?

More than 97% of silver ever mined is now gone. Because of its widespread use in personal electronics and appliances, much of the silver ever mined has been discarded in landfills by our “throwaway society.”

Worldwide, it’s estimated that 45 million tonnes of e-waste was dumped in 2016, containing raw materials valued at \$64 billion. Only 20% of electronics are recycled.

The amount of e-waste is expected to climb to 52.2 million tonnes by 2021.

Congratulations, JPMorgan! And congratulations to those who still hold physical silver while they accumulate more! But, what if demand were to rise by an amount equal to 100% of the identifiable investable physical silver stocks?

The Path to Skyrocketing Silver Prices

In April of 2011, silver prices rose to \$48 an ounce. This gave the identifiable above ground stocks a total value of \$83.1 billion. As of January 2020, the total value of 2.785 billion ounces of identifiable above ground silver stocks is \$45.9 billion dollars based on a \$16.50 spot price. It's not a stretch to say now that if just \$37.2 billion dollars moved back into silver, we could revisit the April 2011 high of \$48 an ounce.

In 2011, the \$83.1 billion total value of silver represented an amount equal to just .53% of the \$15.6 trillion total market capitalization of listed U.S. domestic companies. Now, if we applied that same .53% metric to approximately \$30.6 trillion dollars of U.S. Total Market Capitalization, we would arrive at a total value of above ground stocks of \$162.18 billion. This suggests a spot price of \$58.23 an ounce.

[$\$162.18 \text{ billion} / 2.785 \text{ billion ounces} =$
\$58.23 per ounce]

According to a March, 2016 CNN report, foreign governments began dumping U.S. debt at a record rate. It appears dollars are being traded for physical silver and gold at an ever increasing pace. It makes sense. China wants more silver for solar power and India is acquiring tons of silver likely for similar reasons. Our own JPMorgan Chase has now amassed a huge stockpile of more than 130 million ounces of physical silver. What do they know?



The Trigger That Could Instantly Send Silver Prices Higher

Absent now the effects of price manipulation from the likes of Deutsche Bank and company, and given the fragility of supply, a sustained move by big banks, central banks and governments into silver could see hundreds of billions more dollars pumped into silver. That is assuming price fixing has or will soon come to an end.

As Alan Greenspan once said, "irrational exuberance" is now pervasive throughout our stock markets. Stocks could crack any time. It seems everyone knows



another crisis is coming despite record high after record high. Karl Icahn is on record as saying it's not a matter of *if* but *when*. When it does crack, it is reasonable to expect another flight into physical gold and silver such as we saw in the crisis of 2001-2002 and again in 2008-2009.

Combined, all these situations have become the trigger that could set off explosive silver demand and a rise in price to unprecedented highs. And, while the actual physical supply of silver cannot vanish in the years or decades to come what can vanish is the ability to pry it from the hands of those who have worked so long and hard and illegally to accumulate massive stockpiles.

As illustrated, the total value of today's entire identifiable investable above ground silver stocks is just \$45.9 billion dollars. In this day of printing quadrillions of dollars to blow up global stock, bond and derivative bubbles, why

would it be a stretch to believe at some point another measly trillion dollars will be printed to accumulate as much silver as possible? Why would it be a stretch to think investors will soon take some profits out of stocks and divert even just 1% of \$30.6 trillion of market cap (\$306 billion) and put it into silver? They've already done it with Bitcoin.

Whether it be to support a return to a hard money system or simply to survive another crisis, a trillion dollar move into silver would be a drop in the bucket compared to all the money printing taking place around the world. Can you see that happening?

If you own silver, consider holding onto it. If you don't own silver, you might want to get some now because the ability to own it at these suppressed prices is vanishing right before your eyes.

SOURCES

[http://seekingalpha.com/article/3980062-resurgence-silvers-monetary-role?auth_param=](http://seekingalpha.com/article/3980062-resurgence-silvers-monetary-role?auth_param=brn07:1blao1h:9dd3bfb7b868aed54bb677984ddd5090&uprof=45)

[brn07:1blao1h:9dd3bfb7b868aed54bb677984ddd5090&uprof=45](http://data.worldbank.org/indicator/CM.MKT.LCAP.CD)

<http://data.worldbank.org/indicator/CM.MKT.LCAP.CD>

<http://www.gold.org/supply-and-demand/supply>

http://trmcs-documents.s3.amazonaws.com/377d4e994bb540b286d7ccf30b81bece_20160505120341_World%20Silver%20Survey%202016.pdf

<http://data.worldbank.org/indicator/CM.MKT.LCAP.CD>

<http://data.worldbank.org/indicator/CM.MKT.LCAP.CD>

<http://money.cnn.com/2016/02/10/investing/china-gold/>

<http://schiffgold.com/key-gold-news/indians-chinese-holding-tightly-to-precious-metals/>

<http://www.goldcore.com/us/gold-blog/indian-silver-demand-explodes-to-us-silver-owners-delight/>

<https://www.youtube.com/watch?v=TCfLSvCtao>

<https://www.cnbc.com/2018/01/18/stock-markets-value-under-trump-has-grown-by-6-point-9-trillion-to-30-point-6-trillion.html>

<https://www.reuters.com/article/us-environment-waste/electronic-waste-at-new-high-squandering-gold-other-metals-study-idUSKBN1E721G>



CORPORATE ADDRESS

Lear Capital, Inc.
1990 S. Bundy Drive, Suite 650
Los Angeles, CA 90025

(800) 781-5308 www.LearCapital.com

Lear Capital, Inc.'s ("LCI") website and brochures and the other information it disseminates are for general educational purposes only. They are not and should not be considered investment advice. Customers may not rely on these general education/information materials for any purpose. The precious metals markets, moreover, are fluid and fast changing. Information provided herein may be superseded by intervening events.

LCI is not a financial planner, retirement specialist or investment professional. LCI does not provide legal advice, tax advice, or retirement-specific recommendations, and the information it provides does not take into account each customer's particular economic circumstances and investment/retirement objectives. Your investment and retirement needs may be different and should be factored into any investment decision.

Each customer is responsible for doing his or her own independent research regarding any decisions he or she makes about purchasing precious metals through LCI or elsewhere.

Precious metals may appreciate, depreciate, or stay the same depending on a variety of factors. LCI cannot guarantee, and makes no representation, that precious metals will appreciate or appreciate sufficiently to make customer a profit. LCI's precious metals prices include a spread (i.e., a margin over and above LCI's cost for the physical precious metals). This spread covers LCI's operating costs (such as rent, marketing and salaries) as well as LCI's profits. LCI's spreads are variable, but are typically in the range of 33% for Numismatic, Semi-Numismatic and IRA transactions. Customer's precious metals must appreciate enough to cover this spread for customer to make a profit.

Past performance is no guarantee of future performance.

C.P.D.Reg. No "T.S.11-05715"
