VANISHING SILVER

The Return to Record High Silver!

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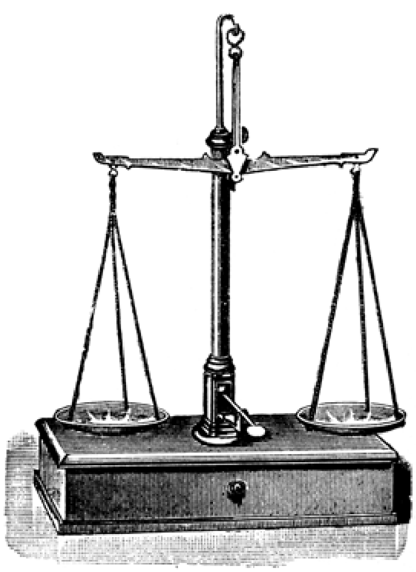
How much time does a clock's hands actually spend at midnight? A minute? A second? Or maybe no time at all. Whatever you believe that instant of time to be, it's in that same instant that silver prices could skyrocket higher.

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 supply of silver is vanishing before our eyes.

Follow along as we now make the case for record high silver prices to come.

When Silver Became Money

In 1792 our Federal Monetary System was created after numerous failed attempts to introduce paper currencies into commerce. 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 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 the values set for foreign coinage, Hamilton observed that gold carried 15 times more value per unit of measure than 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 written in the Act that a gold dollar would contain 24.75 grains of gold and a silver dollar would contain 371.25 grains of silver.

Soaring Silver Supply Weighs Heavy 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 coin 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 condition silver would be revalued against gold. The Coinage Act of 1834 reset the value of a dollar's worth of gold from 24.75 grains, as set by the Act of 1792, to 23.2 grains. This had the effect of lowering the value of silver. The original 15:1 ratio, silver to gold, was now 16:1.

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. 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. Bank vaults began to fill with silver and empty of gold. Silver had actually become worth less than the face value of the coin upon which it was minted. Hence, converting to gold at a time when gold supply, relative to silver, was dwindling, proved to be prudent and wise.

Silver Takes Another Turn

While the past performance of any investment cannot guarantee future results, history does have a history of repeating itself. On January 24, 1848, James Marshall, an employee and partner of mill owner John Sutter, discovered gold.

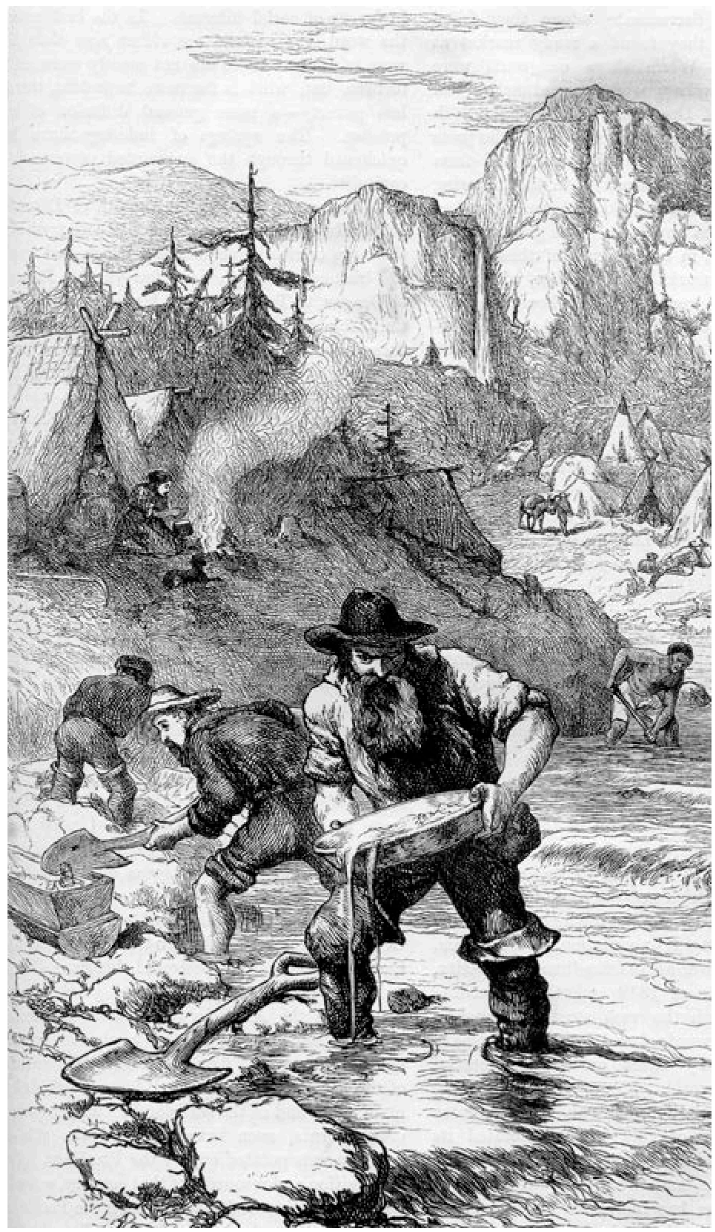
By 1850, gold discovered at Sutter's Mill began to make its way into the economy via the increased production of gold coinage. Consistent with the laws of supply and demand, an increase in gold supply now meant gold value, relative to silver, would fall.

By 1853, the value of silver contained in a silver dollar had risen to $1.07 worth of gold. As evidenced it was no longer prudent to hoard gold as gold was rapidly losing value against its monetary counterpart.

Then, just 11 years after the discovery of vast gold deposits at Sutter's Mill, another event of equal magnitude and effect on the money supply took place. In 1859, 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 anticipated rising silver production from the Comstock Lode and a rapid decline in silver's value. Once again, it was Gold's turn to become 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 multiply wealth through accumulation?



The Corruption of Money

The monetary system of fair weights and measures, as established in 1792, has long since been corrupted 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. A dollar is now a piece of paper whose value is constantly measured against the value of other paper currencies.

As a result, and as ridiculous as it sounds, *the value of gold and silver is now subject to the perceived value of a piece of paper as measured against the perceived value of other pieces of paper*. It is this corruption of money that has caused gold of recent times to carry 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 by more than 16:1, then gold should be the metal of choice for storing wealth. And so it is when the supply of gold exceeds the supply of silver by more than 1:16 that we should be accumulating silver in anticipation of an eventual rebalancing of the supply/demand scales of value.

At the time of this writing, silver's value as compared to gold and measured in dollars is 73:1. That is to say one ounce of gold is worth seventy three ounces of silver. As recently as March 2011 that ratio was a mere 38:1. Today's silver stacker believes the ratio will return to 38:1 or even the historic 16:1 level.

Illegal Price Suppressions?

This suggests silver is presently the metal of choice to accumulate. Such a return to lower ratios would either mean the price of silver would have to rise higher and faster than gold or the gold price would have to fall further and faster than the price of silver. At today's gold price one could make a case that silver should be $80 per ounce. Then why isn't it?

In April of this year, Deutsche Bank made a stunning confession. They admitted to illegally suppressing the price of both silver and gold. Upon confessing, Deutsche Bank agreed to pay a multi-billion dollar fine. They also agreed to rat out their accomplices in order to settle the two-year long legal battle. The confession helped spark a run on the silver price, one that many believe will return trading to a more supply/demand driven dynamic.

Silver Is Now More Rare Than Gold

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 Thomson Reuters World Silver Survey 2016, the supply of "investable identifiable above-ground stocks" at the end of 2015 was 71,578 metric tonnes. And gold? Above ground gold reserves today are estimated at 183,600 metric tonnes.

If it be true the Earth has produced 15 times more silver than gold, it is fair to conclude:

- The Earth, throughout history, has produced 2,754,000 tonnes of silver;
- More than 90% of silver ever mined is now gone;
- Silver is now more rare than gold;
- The silver to gold supply ratio is now .4:1
  (That's four tenths ounce silver per 1 ounce of gold)

With only four tenths 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 2.5 ounces of gold.

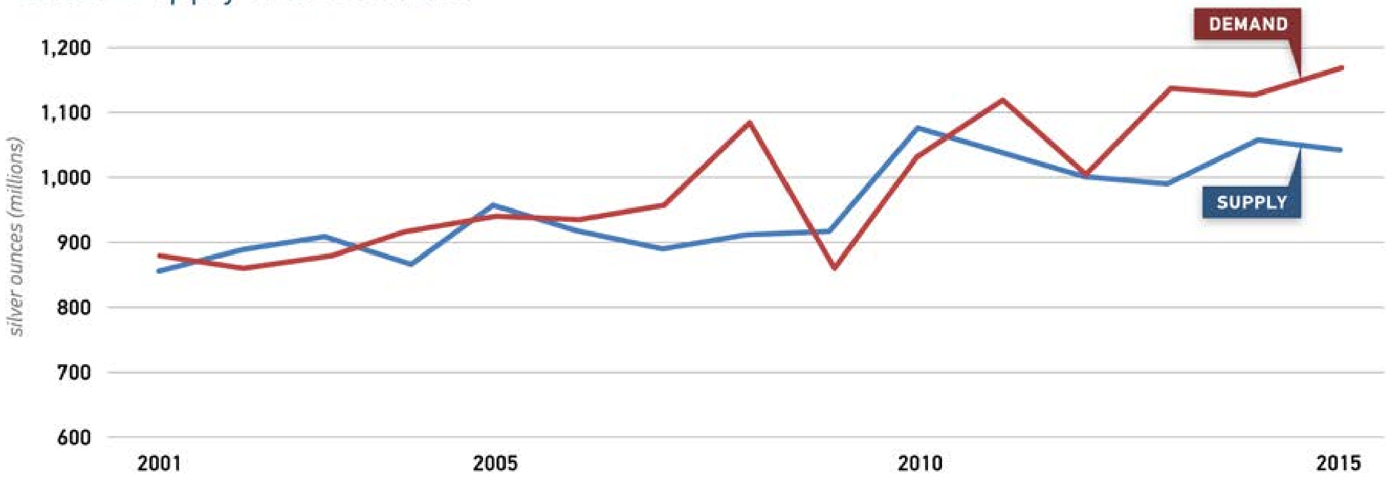
Nonetheless, silver is in incredibly short supply as compared to gold and getting shorter by the minute. According to the World Silver Survey 2016, new silver supply fell 129 million ounces short of demand last year. Here are some highlights of that report.

2015 Total New Supply *(million ounces)*	
Mine Production	886.7
Scrap and Other Sources	153.9
TOTAL	**1,040.6**

2015 Total New Demand *(million ounces)*	
Industrial, Jewelry, Silverware	878.1
Investment, Coins, Bars	292.3
TOTAL	**1,170.4**

Now we can begin to explore reasons why the world supply of silver is vanishing right before our eyes.

Silver Supply and Demand



Rising Demand

Industrial and commercial demand for silver is now virtually equal to all the mines can produce. 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, pose a threat to both existing supply and future production.

Realizing industry is now consuming nearly all that is being produced, investor demand is pushing new supply into deficit territory. In 2015 investment demand hit a record high of 292.3 million ounces. To put into perspective, 2015 investment demand was 38% higher than 2011, the year we saw silver prices climb above $48 an ounce.

Gold / Silver Price Ratio

Declining Production

While investment demand continues to grow in 2016, the World Silver Survey 2016 reports that mine production peaked in 2015. In 2016, mine production is expected to fall by 2% due to cutbacks in capital spending. The declining silver price since 2011 put many mines in a position where the all-in cost of production was higher than the selling price. Hence, cutbacks in capital expenditure and exploration were made in order to preserve mine profitability. The pipeline of new production is emptying.

If 2016 investment demand continues to grow at the blistering pace it has over the last 5 years, this increased demand, coupled with declining production, should continue to drive the silver price higher. Here's some facts that support this claim.

Fact 1 – If 2016 investment demand rises 23% as it did from 2014 to 2015, investment demand would increase by 67 million ounces to a total of 359 million ounces.

Fact 2 – An expected 2% decline in mine production would reduce supply by 17 million ounces.

Fact 3 – If scrap supply, which has declined every year for the last 5 years, continues its downward trend, total supply would fall another 19 million ounces.

If these projections hold, the 2015 production shortfall of 129 million ounces will balloon to 232 million ounces. However, we are beginning to see signs that these projections may prove extremely conservative. According to Zero Hedge and a May 2016 report from Resource Investor, *the Shanghai Futures exchange boosted its stockpile of physical silver by 47 million ounces since August of 2015*. Reportedly, most of those purchases were made in April of 2016.

In the absence of illegal price fixing by Deutsche Bank and its partners, the effect of the 2015 production shortfall is now being realized. From January 1, 2016 to June 23, silver prices have risen 25% to $17.35 an ounce. Many experts expect this trend to continue – even build momentum. Andy Hoffman, noted metals market analyst, has gone so far as to say the silver supply will run out in 2016. I can tell you with 100% certainty that we will NOT run out of silver

If You Want Silver There Is Only One Place To Get It

When silver demand begins to exceed supply, where does the silver come from to meet the demand? There's only one source - the people who already own it! It is this supply that is vanishing before our eyes as more and more people today are buying, holding and not selling their own share of this vanishing commodity. In 2015, the 129 million ounce shortfall to demand required those who already held silver to part with 5.6% of their own reserves.

It was this additional demand that helped push the silver price 25% higher. Now, the 2016 shortfall to demand is forecast to rise to 232 million ounces, or 10% of the total stockpile of identified investable silver stocks. Upward price pressure is building. Surely if demand continues to rise at this pace, it is reasonable to conclude the silver price would continue to rise in correlation. This should be enough to entice any investor to grab a piece of vanishing history.

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 June 23, 2016, the total value of 2.3 billion ounces of identifiable above ground silver stocks, is $39.9 billion dollars based on a $17.35 spot price. *It's not a stretch to say now that if just $43 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 $25 trillion dollars of total market capitalization, we would arrive at a total value of above ground stocks of $132.5 billion. *This suggests a spot price of $57.60 an ounce.*

At the beginning of 2016 the total value of silver stocks was just $31.9 billion dollars based on a spot price of

$13.88 an ounce. So far this year, as of June 23, 2016 we have seen the value of above ground investable stocks rise by $8 billion dollars. This $8 billion dollar move into above ground stocks is a miniscule number when compared to the $25 trillion or so of total market capitalization. Yet, it was sufficient enough to drive the silver price 25% higher. Money is on the move!

According to a March, 2016 CNN report, foreign governments have begun to dump U.S. debt at a record rate. Dollars are being traded for physical silver and gold at a pace never before seen. China bought 47 million more ounces. India is also in silver accumulation mode. Our own JP Morgan Chase has now amassed a huge stockpile of more than 67 million ounces of physical silver.

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 fragile supply situation of silver, a sustained move by big banks, central banks and governments into silver could see hundreds of billions more dollars pumped into silver.

Our own markets are now straining under pressure of declining volume to maintain levels near record highs. The stock markets could crack any time. Everyone knows another debt crisis is coming. 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 $39.9 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?

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

RESOURCES

- http://seekingalpha.com/article/3980062-resurgence-silvers-monetary-role
- 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
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- http://schiffgold.com/key-gold-news/indians-chinese-holding-tightly-to-precious-metals/
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