

Silver is More Rare than Gold!

First things first, *silver isn't more rare than gold when we account for jewelry and silverware supplies*, but if we look only at the amount of identifiable silver bullion then silver is indeed more rare than gold.

Almost all the gold ever mined has been used in either jewelry or bullion. The difference between gold and silver jewelry, is that gold jewelry only trades at a small premium above the current market price when compared with silver, and therefore a price rise of say 100%-200% would be adequate incentive to melt the gold down, though who knows if people really would in such an environment where fiat is dying. For silver to acquire that much 'incentive', prices would need to rise in excess of \$50-\$80/ounce, and that's before the dollar starts to slip in purchasing power!

- According to the World Gold Council (and others) there are between 4-5 billion ounces of gold remaining in the world <http://www.gold.org/discover/knowledge/faqs/index.html>. I say 'remaining' somewhat unnecessarily, as it is estimated that 95% of all the gold mined in the history of the world is still around. Quite simply, gold is not used up, rather, it is preserved. This also use to be the case with silver, but times have changed dramatically since WWII.
- According to the Silver Institute and GMS, there are only 671 million ounces left of identifiable silver bullion left in the world <http://www.silverinstitute.org/publications/index.php> (World Silver Survey 2004).

The other form of silver that exists is stored in various forms in the hands of private individuals (i.e. coins, jewelry, and silverware). This brings the grand total of above- ground silver closer towards an estimated 25 billion ounces. But silver in these forms cannot be included in the market accessible total, as jewelry and silverware, most especially, are not likely to be sold back into the market in any considerable quantity until the price of silver rises much higher (c. \$50/ounce - \$80/ounce). Today, the majority of above-ground, refined, identifiable silver bullion is held at the COMEX warehouse, the largest supply of silver inventory in the world. **It holds a mere 120 million ounces, less than what Warren Buffet is reported to have purchased in the late 1990's.** Similarly pitiful is the fact the the U.S. Government used to hold several billions of ounces of silver in its coffers, but as of today it has nothing! In fact, the US Government actually had to begin purchasing considerable amounts of silver on the open market in 2002 in order to continue minting its popular 1 ounce Silver Eagles.

\$1,000/ounce Silver?

With the above numbers, we can now calculate silver and gold's relative value in terms of the 'almighty' US dollar, using silver's identifiable bullion figure of 671 million ounces and the 4.5 billion ounce figure for gold. **At prices of \$9.7/ounce silver and \$558/ounce gold, what we find is that the dollar amount of gold in existence is over \$2.5 trillion while the total dollar amount of**

silver is only about \$6.5 billion.

The difference between the two numbers is almost \$2.5 trillion dollars! That's \$2,500 billion. In other words, the total value of gold when comparing these forms is about 386 times that of silver. Even if we calculate this comparison using the estimated total amount of silver still in existence, 25 billion ounces, all the silver in the world is still only worth about 1/10 of all the gold in the world!

Also consider that the amount of gold increases daily, as more is mined and preserved, where as much of the silver that is mined every year is literally consumed by industry, and has undergone a 63 year deficit beginning in 1942!

I expect that some day down the road the total value of silver in existence will approach the total value of gold, reaching an extreme ratio of 1:1. This doesn't mean that their price ratio would approach 1:1. **The extreme gold to silver price ratio implied by this valuation would be about 1 to 5.6**, not factoring in the continually diminishing supplies of silver and the ever growing supplies of gold. In other words, a silver price of over \$100 at today's gold price, a price of about \$360/ounce at a gold price of 2,000/ounce, and a price of \$1785/ounce at a gold price of \$10,000/ounce.

Without serious dollar dilution, which seems unlikely, I expect silver to peak at around \$200/ounce and gold at around \$5,000/ounce. Prices would then probably correct significantly lower, say 70%, and stabilize in that area as large numbers of presently uneconomic mineral resources are quickly (1-3 years) brought into production, not to mention increased sales of silver jewelry and silverware. That is to say, a long term silver price of about \$50/ounce without dollar drama and disaster.

On the one hand you make a nice return of some 500%, and on the other you save yourself from a possible economic catastrophe that will beset most of the debt earth dwellers with the exception some several hundred million frugal Asians who will only get smarter about where they should and shouldn't invest their hard earned and saved money (wake up people, stop spending and start saving!). Silver looks to be as good as gold either way.

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