

Hello Everyone,

Republicans should apologize to President Obama, “for complaining that he was spending and borrowing too much...”
Sen. Rand Paul, R-Kentucky

The Senator is right. No one is even trying anymore. Neither the R's nor the D's. And if you are looking for reasons why silver is up over 55% in the past 30 days, you need look no further than the printing press...or the digital equivalent thereof.

Thereof? Hmmm. That's a pretty fancy word for an Army guy.

Today's missive looks at silver. which, by the way, is the best performing asset so far in 2020. Gold is second. The NASDAQ (think Microsoft, Amazon, Google, Apple & Facebook-- --and yes, that spells MAGA with an F at the end) comes in third.

Silver is our chameleon investment. Sometimes precious. Sometimes not. The switch flipped in March to precious. There are reasons for that, but those reasons are way too geeky for this forum. The switch just flipped. Really. Thereof.

Signed, Your Still-Uses-His-Fingers-To-Count-Syllables-In-Words Financial Advisor,
Greg

KKOB 08.07.2020 Silver—The Chameleon

Bob: So, Greg, on Monday, we closed out the gold series. But some of our listeners wanted to know about silver. So can we tackle that today?

Greg: Sure. There is old saying.

Gold is the money of kings.

Silver is the money of gentlemen.

Barter is the money of peasants.

Debt is money of slaves.

And, since not many of us are kings, let's look at the money of ladies and gentlemen.

The first thing to realize is this----silver is bit of chameleon. It is both an industrial metal and a precious metal. On the industrial side, silver is used in batteries, glass coatings, LED & RFID chips, solar panels, semiconductors, & touch screens.

Plus, silver kills bacteria. So, silver is used in water purification. Even hospital sheets have thin silver threads woven throughout to keep infections down.

Anyway, if you view silver through only the industrial/technology lens, you will value it the same way you value copper, or lead, or tin. Through that lens, when the economy is booming, you'd expect silver to rise. In a recession, you'd expect the opposite.

Bob: But, like you said, silver is also a precious metal. I mean most people can't afford to go out and buy 20 ounces of gold. That would set you back over \$40,000. But, 20 ounces of silver might be 500-600 bucks.

Greg: Exactly. And this is likely why we have seen a huge run in silver over the past few months. In fact, over the past 30 days, silver is up over 57%. That's a pretty good month. And we know that move is not from industrial demand. The response to Covid19 obviously triggered a global recession.

This tells me the lens on silver has shifted from the industrial side to the precious metals side. And I believe your intrepid listeners know the reason why.

People everywhere are concerned about the debasement of ---not just the dollar--- but all currencies. And since there are millions of ladies and gentlemen (and only a few kings), the buying-power behind silver is morphing into a tsunami of demand. I think in physics it is called potential energy converting to kinetic energy.

Bob: But beside physics, this could also be a psychological issue. Once you start to question the value of paper money, it's natural to want something

you can touch and hold. And since gold is pricy, the masses then switch to silver. Therefore, you get the euphoria of a rapidly rising price.

But, wouldn't that also mean that once the luster falls off silver, the downdrafts could be as dramatic as the increases were?

Greg: That is very accurate analysis. And something we have seen repeatedly throughout the history of silver. Fortunes made. Fortunes lost.

Bob, just in our lifetime, we have twice seen silver go from \$2 or \$3 an ounce to \$50...then back to \$3. I remember one story of a guy who bought silver at \$2, rode it to \$45 or \$50 and sold it all. With the proceeds, he then bought a hotel on one of those Caribbean islands and lived the rest of his life on the beach. He was a local legend.

The point is ...you must have some selling strategy. And don't base that strategy on price. Price will trick you....especially as currencies are debased, which is what is happening now.

I believe the smarter way is to sell based on ratios. There are historical "fair value" ratios between gold & silver (and gold and the Dow) that will likely give you a better feel for when something (like silver) is overpriced or underpriced.

Bob: Plus, I would think that discipline would take some of the emotion out of it. You would have some reasoning and logic behind your buying and selling decisions.

Greg: Discipline is a good word. At some point, the lens on silver will shift back to the industrial/technology side. When that happens....and if history is any guide...look out below. Thus, your goal should be to think like the Caribbean hotel guy. Then you can spend your retirement sipping on drinks with those the little umbrellas in them!

Bob: That sounds great to me. How do people reach you?

Greg: Just go to my website at zanettifinancial.com.

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