

Sep 28, 2009 – An Article By Izzy

The Silver Shortage Will Come
By
Israel Friedman

Based on the supply and demand situation of silver, it's only a question of time when a silver shortage will come. Nobody can predict exactly when this is going to happen, but we have more and more signs that those who control the price of silver are sweating to balance the supply.

The biggest question I have is, will the shorts be successful to cover their short position on time? Right now the CFTC seems to want to force all the manipulators to get in line by making them obey new rules of position limits, but I feel that the banks who are the big shorts will be exempt. Mr. Butler thinks that the CFTC will do the right thing, but I am skeptical. We argue about this a lot, as we both have strong opinions.

If the banks will not be forced to cover their short positions, only a true shortage in silver will bring the right price. Be prepared for that to happen. How much will silver be worth in a shortage situation? It's tricky to calculate, because a real shortage has never happened in silver history. But it is how you must think. My own thoughts go back to what some things cost during and after World War II in Europe. When there is not enough of something is when you see real crazy prices.

So I will give you my calculation. It will be a gradual explosion of prices and slowly the users and the new investors will eat up the world visible silver, which today is around 500 million ounces. In my calculation the first 100 million ounces of visible silver will disappear at a price of \$60 to \$100 an ounce. The second 100 million ounces will disappear by \$250, and the third 100 million ounces will disappear between \$250 and the price of gold ounce for ounce.

We will be left with 200 million ounces of silver which the owners will be not taking profits on at any price. The bullion in private hands I calculate will be the first to take profits, but Silver Eagle holders will hold for the long run. I still believe that Silver Eagles will do the best investment-wise and I will not be surprised that at one point the Eagle price will trade much higher than the price of silver in a bubble mania.

I am a fanatic silver believer and what I write is only my private belief. There are not many believers in silver. Just look at CNBC, the newspapers, other media, and gold investors. Hardly ever a good word on silver. Silver for them is a forgotten metal. One day they will be shocked when the shortage of silver will come and the price will go up

and then gold will be a forgotten sister. There is more gold in the world than silver, so parity in prices is a must.

I think Ted Butler spoke the truth in a recent speech he gave: "The supply/demand set up in silver, which has evolved over an incredibly long period of time, has been one continuous process promising to culminate in an explosion in price at some point. Quite simply, we are rapidly approaching that defining moment when there just won't be enough physical material to go around at anything but rapidly escalating prices. Those escalating prices will encourage and drive others, including industrial consumers, to enter what should become a buying frenzy. Superimpose upon that the sudden destruction of a decades-old downward price manipulation and you have all the necessary ingredients for a price event that will be referred to forever."

I would like to congratulate my friend Mr. Butler for releasing a newsletter on silver, and I hope it will become the No. 1 newsletter for the metal market.

(Editor's note "Izzy wrote this a few weeks ago, but I just got around to putting it up. I'm going to have it released publicly as well, as many appreciate Izzy's thoughts)

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