

Hot Topics: **SILVER**

Information you can use

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This is a Weekly silver chart, meaning that each vertical red or green bar represents one week of trading. Can you spot a trend here? Note that silver has turned decisively down in the past three weeks, and actually fell exactly \$1.00 an ounce today.

Note the horizontal blue line, which exactly touches the highs in July 2008 and November 2009. If you look at another charge you see things like that happen all the time, but even so this one is fascinating. Once Silver failed to go above \$19.50 an ounce it had no other direction to go but down.

What's next? According to ordinary Elliott Wave analysis, silver should fall below its 2008 low of \$8.40 an ounce. There are lots of reasons why that shouldn't happen, but all of them are fundamental. This looks like it's going to be one of those times when the technicals will dictate the market action.

Should you sell your silver? Definitely not. You have to remember that someday the four major New York banks will see their manipulation fail, though it is working very much to their advantage right now. With silver down one dollar today those four banks made a tidy profit of \$150 million in one day. That has nothing to do with silver's 60 year deficit. Silver's industrial and medicinal uses are increasing despite the global recession, and someday the price will rise very quickly and very dramatically.

What can you do?

If you are a silver investor or, and wish to hedge against the declining value of your position, you basically have two choices: you can purchase a put against silver in your commodities account or a put against your SLV in your brokerage account, or you can purchase one of the "inverse ETFs" that rise when the precious metals decline. If you are a subscriber to my *Wealth Creation and Preservation* newsletter you should take a look at the "**inverse ETFs**" we are buying in order to profit as these markets fall. It is a strategy I have never used before, for these inverse ETFs didn't even exist a few years ago, and there is no guarantee that they will work even if the markets to fall. However, I believe that if they are carefully

applied, these ETFs can at the very least offset the decline in the remaining stocks and ETFs we are holding onto. Today, in my "test" account with real dollars the inverse ETFs are beginning to prove their value.

What about gold?

I seldom write about gold because I don't hold much of it myself and don't recommend it for my clients. I have sold almost all of the gold I purchased several years ago and doubled my money on most of my holdings. My most recent sale was three \$20 Saint-Gaudens double eagles I sold on eBay; each has fallen more than \$600 in value from the price I received for them just a few weeks ago.

Keep in mind that there may be some 5,000,000,000 ounces of gold in the world, and only 1,000,000,000 ounces of silver. All the gold ever mined is still, for the most part, available; when it has been used in industry is often recycled because it is so valuable. Silver, on the other hand, tends not to be recycled, and we are simply running out.

The likelihood of gold ever being used as a backing for any nation's currency is remote. It would take an extremely painful global depression based upon the collapse of fiat currencies worldwide to induce us to go back to a gold standard, though it is entirely possible that we are about to experience that much pain and more.

Please take a look at the *Current Investment Recommendations* and the *WCandP Portfolio*. You will see some strategy changes and some changes in holdings. I fully expect to make money for my clients in 2010 despite the declining markets, and I would be happy to show you how you can do it as well.

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