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# The Top Three Silver Investments for the Coming Crisis

*A Sovereign Society Research Report on Silver*

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### Let History be Your Guide

Silver has a long and rich history that dates back to antiquity. First mined around 5,000 years ago in Anatolia (modern-day Turkey), silver was used for coinage and as a precious metal for jewelry and architectural adornment by the ancient Greek, Roman, Punic, Chinese and Italian Renaissance civilizations. These uses have continued today.

Perhaps most importantly, silver's intrinsic value is embedded deep in the human psyche, and this is possibly what has made it the world's favorite metal. In spite of market vagaries, its value will never fall to zero. And, in spite of historic price tumbles, it will always rise from the ashes.

Precious-metal investors are alarmed today, because silver has lost more than 50% of its value since peaking in April 2011.

This is a great buying opportunity. Silver prices have long had a roller-coaster history and, despite their tarnished performance in recent months, the metal will rise again before long.

As this special report is being written, the white metal has plummeted to around \$20 an ounce. I believe this is a temporary knee-jerk blip on the back of the Fed's recent decision to curtail its monetary stimulus program.

China is also partly to blame for silver's recent tumble. Investors have grown increasingly nervous about the Asian giant's inflated credit bubble as well as fears about a slowdown in Chinese growth triggering a major sell-off of the white metal.

A recent slowdown in the solar energy industry, largely the result of a trade dispute between China and the European Union, has also hit silver demand.

Recent sharp drops in precious-metal prices have driven an even wider wedge between the two camps with deeply held convictions (gold and silver bugs vs. those who believe these metals are overvalued).

So, should you buy silver?

I'm not alone in my strong belief that the answer to this question is a resounding "yes." Some of the brightest minds in the investment world have latched onto the white metal.

Jim Rogers, the legendary contrarian investor, says: "If you put a gun to my head and said you have to buy one, I would buy silver rather than gold."

At one point, Warren Buffett acquired an incredible amount of silver, estimated at one-fifth of the world's supply.

And Robert Kiyosaki, author of *Rich Dad, Poor Dad*, tabs silver as his No. 1 investment.

Why is silver so sought after?

Basically, it is the only affordable asset that can protect your wealth from inflation and kick off 50% to 100% returns. And when our monetary system collapses, I have no doubt silver will trade north of \$100 an ounce.

This report will reveal all of silver's demand-drivers and the top three investments.

## **Four Reasons to Buy Silver Today**

### **#1. The Ultimate Antidote to the Declining Dollar and Failing Economy**

The numbers are staggering.

The U.S. national debt is past \$17 trillion and rapidly approaching unfunded liabilities of more than \$123 trillion for various entitlement programs.

Those figures explain why the Federal Reserve will not be raising interest rates anytime soon and why I keep saying that, in spite of recent Fed murmurings to the contrary, rates won't move until at least 2016.

And when they do begin to move, the pace will be so gradual that we'll be stuck in a low-rate environment through late this decade.

But think about what would happen if rates went back to 4.5%, as they were prior to the financial crisis.

The day-to-day cost of running the country could spiral out of control, as debt repayment would consume the dollars needed to run the government.

The equation, thus, is very simple — U.S. interest rates can't go higher in the short term because America's shaky finances will collapse.

Therefore, the necessarily low interest rates, coupled with one of the largest debts history has ever known, are bad signs for the U.S. dollar.

However, from this situation, comes opportunity.

Silver is now languishing around \$20.

Silver's current slump is largely based on improving investor sentiment regarding America and the troubled European Union.

America is slowly shaking off the worst of the financial crisis, and the euro zone, despite nagging issues, is creeping ever so slowly toward recovery.

I don't believe this recovery will last. I believe more trouble is brewing. The national debt is continuing to rise toward a crisis, and the U.S. dollar is growing flimsier by the day.

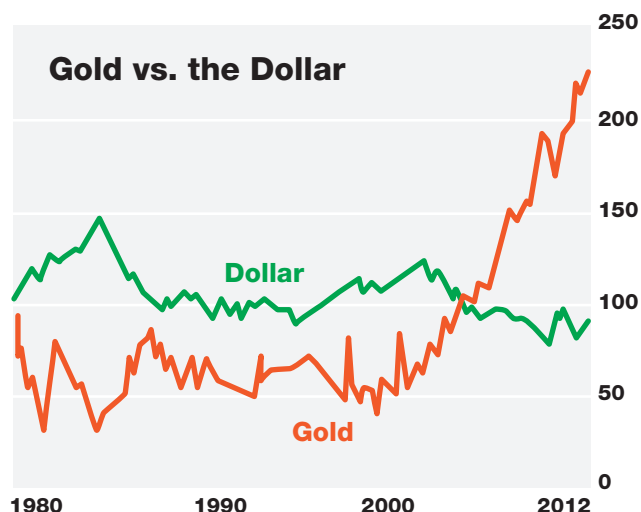
When it becomes clear that the world is not recovering even a tenth as fast as it should to wipe our debt crisis and all the trouble caused by the weakening dollar, silver will come back into focus.

If the metal returns to \$48.70, as it did in 2011, buying at today's prices would mean more than doubling your money.

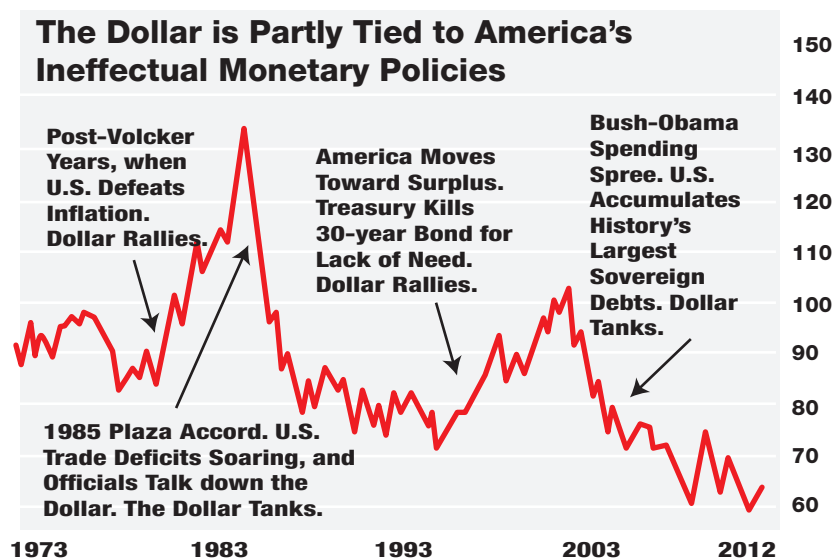
Precious metals serve more as a currency than a commodity today ... and you can see what I mean in these two charts.

The chart directly below plots gold against the dollar from late 1980 through 2012. The two move in almost-perfect opposition, just like every currency pair in the world.

The implication is that as the dollar weakens or strengthens, gold pursues the opposite path.



This opposition is important because of what the second chart says about the dollar as it relates to America's increasingly incompetent fiscal and monetary policies.



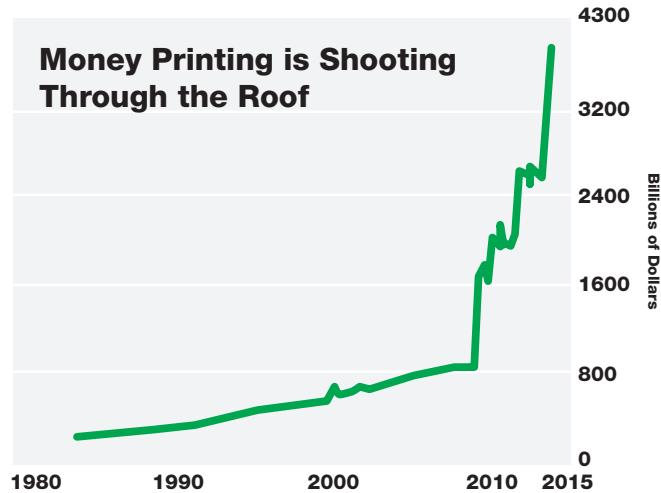
Meanwhile, the above chart, which runs from 1973 through 2012, shows the same dollar index as the first chart, but we've included notations describing the overarching monetary theme for each broad period of dollar strength and weakness.

Together, these two charts tell you that the U.S. dollar will not strengthen meaningfully over an extended period unless America's monetary environment improves. And right now, America's monetary environment is playing out in the exact opposite direction.

In a nutshell, Washington's policies are pushing our currency toward a cliff, weakening the inherent value of the greenback the closer we get to that edge. If that happens, the world's only store of known, respected value will be silver and gold.

For that reason alone — for the insurance they provide — these precious metals demand a place inside your portfolio.

But inflation is another solid economic reason to hold silver among your store of assets. As you can see from the chart below, the money supply has continued to expand at a breakneck pace.



This was one of the key reasons behind the 2009 to 2011 stock-market rally and the bull market in gold. All of that fresh money is chasing hard assets and inflating stocks across the board.

I have no doubt that this is an inflationary epidemic in the making. Sooner rather than later, all these newly created dollars will put serious upward pressure on prices and send commodities skyrocketing.

Holding hard assets, like silver, provides insurance in the event of a dollar collapse. Unlike paper money or stocks, it can't be printed by the government, or issued on demand by publicly-traded companies.

## #2. The Gold-to-Silver Ratio is Out of Whack

For thousands of years, the ratio of gold to silver was 16-to-1, or less. In 3000 B.C., the ratio was set at 3-to-1. Although we are unlikely to see that level again, the fact remains that today's gold-to-silver ratio is seriously out of whack.

As of this printing, it takes around 63 ounces of silver to buy one ounce of gold. That means, to fall in line with historic norms, one of two things has to happen:

1. Gold must fall in value, relative to silver.
2. Silver must rise in value, relative to gold.

I believe the second outcome is more likely.

If the gold-to-silver ratio falls from 63, here's what could happen to the price of silver. (These numbers reflect gold at around \$1,250/oz and silver at around \$20 /oz.)

Gold-to-Silver Ratio	Silver Price, per ounce
63:1	\$20.00
40:1	\$30.00
30:1	\$40.00
20:1	\$60.00
15:1	\$80.00

It would not be far-fetched to see silver jump from \$25 to \$50 or more.

### **#3. Gold is Hoarded; Silver is Hoarded and Consumed**

Today, more than 90% of the world's silver is consumed by industry.

During World War II, the U.S. loaned out silver from its strategic stockpile for industrial uses because of a shortage of non-ferrous base metals, such as copper, nickel and tin, which were then being diverted toward the war effort. This practice served to highlight silver's industrial qualities and, as a result, was a major turning point in consumption.

Silver is not only precious and rare. It's also a noble metal because it resists corrosion and oxidation. At the same time, it is as an extraordinarily efficient conductor of electricity and heat. Today, silver is used in wiring, electronics, batteries, bearings, catalysts and solder, to name just a few of its practical applications.

With other unique properties, like its strength, malleability, ductility, sensitivity to light and high reflectance, as well as the ability to endure extreme temperature ranges, it is an element that cannot be substituted.

Plasma TVs use almost an ounce of silver per screen. Energy-efficient windows are treated with silver to reflect the sun's heat. It is even present in our clothing as silver nanoparticles, used to inhibit the growth of bacteria and fungi.

And in the pharmaceutical, electrical and medical industries there are numerous high tech applications that require silver. Almost everywhere we turn, silver can be found, performing an important function in our day-to-day lives.

The important point to keep in mind is that once silver is consumed by industry, it's often gone for good. Compare that to gold, which is sparingly used in electronic components and rarely destroyed or used up. All of this impacts the silver price by reducing supply.

### **#4. The U.S. National Stockpile of Silver is Empty**

Supply constraints also raise the demand for silver. Scarce resources may lead to shortages.

The U.S. has several historic primary silver districts. Most of them were shut down in the bear markets of the 1980s and 1990s. Today, most silver production in the U.S. is a byproduct of copper and gold mining, both of which, in the U.S., are in decline.

Primary silver deposits are extremely rare. Less than a third of the silver mined globally comes from primary silver mines. The average yield of the top primary silver miners dropped 34% between 2005 and 2011.

It was even worse in 2012, dropping 13%. Silver grades are actually declining. And as ore grades decline, it takes more energy to produce the same or less metal. Most silver mines today are producing their best stuff, yet over the last seven years, ore grades have dropped more than 40%.

There has been little new silver production in the U.S. and very few silver discoveries. And the impact on the silver markets is obvious.

The U.S. stockpile of silver was once a huge supply source, holding more than 1 billion ounces of the metal.

But today, it's empty.

And that's bullish for silver for two reasons:

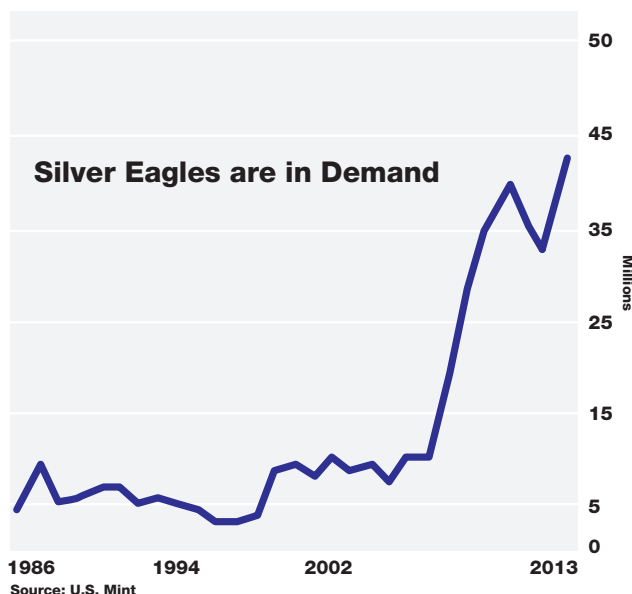
1. A once-major supply source is gone, which is potentially good for a rising silver price.
2. When the U.S. government needs silver, it has to compete for it on the open market.

### 3. #5. Booming Demand for Silver Eagle Coins

The U.S. Silver Eagle explains the demand for silver.

There are serious issues with supply. People are starting to snatch up silver like it's about to disappear off the face of the earth, despite the price of bullion. And this brings us to the Silver Eagle coin. In Q1 of 2013, its sales were 42% of the total sales for the prior year. By the end of 2013, sales were in at 42.6 million. That beat 2011's record sales of 39.8 million by about 2.8 million.

To grasp the enormity of that figure, check out the chart below of Silver Eagle sales over the past 20 years:



As you can see, demand has surged. That's why the Mint has been forced to ration silver coins every year since 2008.

And since the U.S. has no remaining stockpile of silver, every ounce that goes toward these Silver Eagle sales has to be purchased on the open market. The U.S. Mint is required by law to produce Silver Eagles in quantities sufficient to meet the public demand.

That demand has been so heavy that the Mint actually had to suspend sales of Silver Eagles just a couple of weeks into 2013 — and it still smashed the all-time monthly sales record last January by selling 7.5 million of the hugely popular coins. In December of 2013, the Mint again suspended sales after huge investor demand caused its inventory to run dry. The Mint is set to resume its sales in late January.

This scorching demand shows no sign of abating. So, while the demand for coins is small compared with the industrial use of silver, it reveals that gold's little brother has remained the world's most popular metal.

And as more and more Americans wake up and realize they're being looted by inflation, this could ultimately add a real boost to silver prices, particularly to the value of coins, which are an excellent, time-tested and portable store of wealth.

Should you buy Eagles? That depends on your personal investment situation, but there are numerous investment opportunities.

If you'd like to buy silver coins with your IRA, Eagles are a simple, compliant way to pad your retirement account.

The downside is that they come with a giant "premium." Quite often, you'll be asked to pay between 10% and 30% over the spot price to get your hands on these coins. But, of course, the premium is returned when you sell. As of this writing in mid-January, the price is about \$24.38 for a 1-ounce Silver American Eagle.

But, as you'll see in a minute, it's possible to secure real, physical silver for a much smaller premium, as low as between 2% and 3% over spot.

## How to Buy Silver

### #1. Buying Silver Bullion vs. Silver Eagles

Silver bullion can be purchased in individual units and is one of the best and most-discounted ways to buy silver. It can be acquired for as little as one ounce or as much as 1,000-ounce bars, depending on your budget.

At present, 1-ounce bars are selling for around \$21.57. That's a huge discount over what you'd pay for Silver Eagle coins. That means you could save hundreds, even thousands of dollars, depending on how much silver you buy.

New bars can be purchased directly from silver mints.

However, you can also buy bars on the secondary market. This is often the greatest silver bargain you can find and it tends to be cheaper than new bars bought directly from silver mints.

### #2. Scratch and Dent Silver at a 25% Discount

Another popular way of acquiring silver is to buy “junk” or scratch and dent coins. These are pre-1965 quarters and dimes that hold no collectible value — but contain a percentage of silver.

Reputable coin dealers sell bags of “junk” silver from \$100 to \$1,000 face value. You can get your hands on these for a 25% discount per ounce on the current spot price of the metal.

Not bad!

This scratch and dent silver can be a little banged up and often comes with a variety of mintmarks. But you still get a full ounce and for a very fair price. The Professional Coin Grading Service (PCGS) has a network of reputable, authorized dealers you can go to for scratch and dent silver.

PCGS, Professional Coin Grading Service  
P.O. Box 9458  
Newport Beach, CA 92658  
1-800-447-8848 or pcgs.com

### #3. Buying Silver Stocks

There is another way to take advantage of the coming rise in the silver price: Invest in silver-mining companies on the stock market. But, it is crucial that you pick the right ones at the right price.

This investment path provides you with more liquidity and can be easier to buy and sell than investing in silver bullion or Eagle coins.

With silver stocks, each dollar invested could be magnified several times as underlying metal prices move. Most investors' ideal strategy is to allocate their cash into undervalued assets and then watch as their investment grows. Basically, we want to buy a dollar for 50 cents — and that's exactly the kind of opportunity many silver-mining stocks represent.

Many high-quality, precious-metal stocks are a good value today. Major miners are building shareholder value through exploration and acquisitions — and when the silver price rises, many of these stocks will skyrocket.

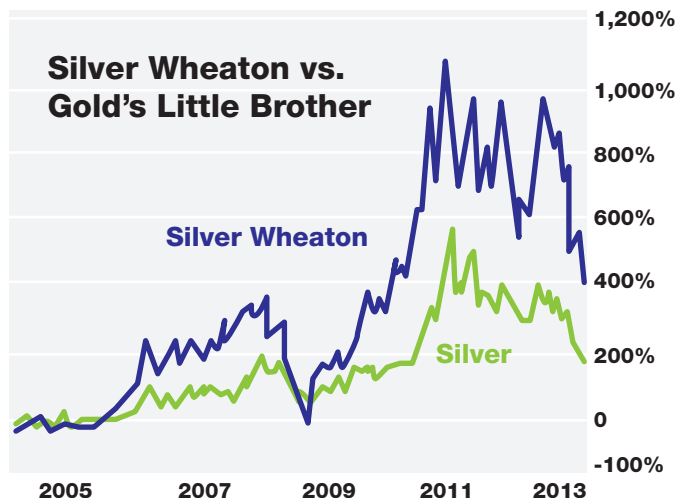
There are a number of stocks to play and the subscribers of many of our advisory services are extremely familiar with them. So, I'm going to share my top three silver stock picks with you.

**Silver Wheaton (NYSE: SLW):** This company's story has success written all over it. The company began when a small group from the Wheaton River Mining Company broke off after the group merged with Goldcorp and began buying silver-production operations at mines around the world. It is now the largest precious-metal streaming company in the world, and it's definitely one of our favorites.

The Silver Wheaton model is to give a company with a development-ready silver asset a significant chunk of cash to help with construction and production. In return, SLW gets the right to purchase a chunk of the mine's silver output for a fixed amount.

In the 10 years since the company was founded in 2004, its operating model has allowed investors, as well as producers of byproduct silver, to capitalize on the metal during times when it is undervalued.

The chart below shows how SLW's share price pops when the price of silver climbs.



When The Sovereign Society called the last silver boom in 2006, our subscribers enjoyed a near-200% gain on the rise that followed in Silver Wheaton's stock prices. Silver Wheaton has long been a "best of breed" company, and I believe it is currently undervalued and oversold.

**Action to take: Buy Silver Wheaton (NYSE: SLW) up to \$25. Use a 25% trailing stop-loss.**

**Endeavour Silver Corporation (NYSE: EXK):** An investment in this premier, mid-tier mining-and-exploration company focused on Mexico depends on your appetite for risk. It's a speculative play — but when it pays, it will pay big.

The company, which wholly owns all of its mining divisions, has increased production every year since it started in 2004.

In 2012, Endeavour produced silver at \$5.08 per ounce, the lowest in the sector. And in early 2013, the company purchased the El Cubo mine from Aurico Gold, and it says it expects the acquisition to increase its production from 4.5 million ounces in 2012, to more than 5.3 million ounces in 2014.

The company's share price has collapsed 56% since January 2013, mimicking silver's dramatic tumble from grace. However, when silver climbs, I expect Endeavor's shares will skyrocket.

Both the spot price of silver and EXK saw a bottom at the end of June 2013. The price has since tried to take this low out three times. This could indicate that both silver and EXK have reached their bottoms and are beginning to rebound.

**Action to take: Buy Endeavour Silver Corporation (NYSE: EXK) up to \$4. Use a 30% trailing stop-loss.**

**First Majestic Silver Corporation (NYSE: AG):** First Majestic Silver owns and operates five producing silver mines in Mexico. In addition, the company also owns two advanced-stage silver developments, as well as three early-stage development projects, all located in Mexico.

First Majestic has also ramped up its production in most of its mines. Total silver production reached 11.7 million ounces at the end of 2013, compared with 4.3 million ounces in 2010.

First Majestic has also secured six developments for future operations. These projects, all located in Mexico, have helped First Majestic increase its proven and probable reserve base from 5.6 (metric) tons in 2010 to more than 20 (metric) tons last year. This equates to at least a 250% increase and will provide great value for investors once the silver price rebounds.

If Endeavour Silver is your speculative play, then First Majestic Silver should be viewed as your “Old Faithful” in this sector.

Over the past five years, First Majestic’s share price jumped by a staggering 394%.

Over the same period, Endeavour climbed 105% and the spot price of silver climbed 80%.

In the past year, the share price of First Majestic has slumped by 51% and hit a low of \$9.26 on June 26. Since then, the price tried to pierce that low three times in December 2013 — and failed each time.

That means we have a great opportunity to buy this stock close to the bottom.

**Action to take: Buy First Majestic Silver Corporation (NYSE: AG) up to \$14. Use a 25% trailing stop-loss.**

## The Bottom Line

Silver should be trading at more than \$50 an ounce today. The fact that it’s around \$20 means you can effectively buy it at a huge discount, in advance of its next major rally.

At these prices, silver offers an exciting entry point for new investors and a massive upside potential for 2014 and beyond.

Historically, when silver rallies, it explodes! Once silver starts to move up, a hungry crowd of traders and investors will push the price much higher.

You may not have the power to change what the government is doing, but you do have the power to change what you’re doing about it.

Until next time, stay Sovereign ...



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