



## Silver Takes the Gold

By David Dutkewych

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### ***A Note from Andrew Gordon***

*Silver verses gold. It's an argument without end.*

*I know a precious metals investor who doesn't trust the ups and downs of industrial demand. So he prefers gold. But I also know other people (I'm including myself in this group) who don't trust the speculators who can push gold down as easily as up. They're partial to silver.*

*But if you bought gold real cheap, you're a winner. And the same can be said of silver. I bought most of my silver about six years ago. I made out very nicely. Neither gold nor silver is cheap right now. But if I had to choose one over the other, I'd stick to silver. It has real demand behind it. That counts a lot to me.*

### Dear Insider Fortunes Reader,

To hear my brother-in-law boast about his investments in silver, you'd never have guessed that he was an amateur investor.

That was, at least, until silver crashed roughly 40% within one week last April.

He has been uncharacteristically quiet ever since. But while amateurs may still be treating silver as if it had rabies, the buzz among insiders is quite different.

And we can thank Europe for that.

News headlines are filled with the Eurozone crisis once again. This time Italy's debt woes are the focus. Its government bonds are trading over the critical 7% level, a death sentence for a country's ability to service its debt.

This has struck fear into the markets, as it should.

But there's a silver lining for precious metal investors. I predict that safe-haven investment demand in silver will start to ramp up again.

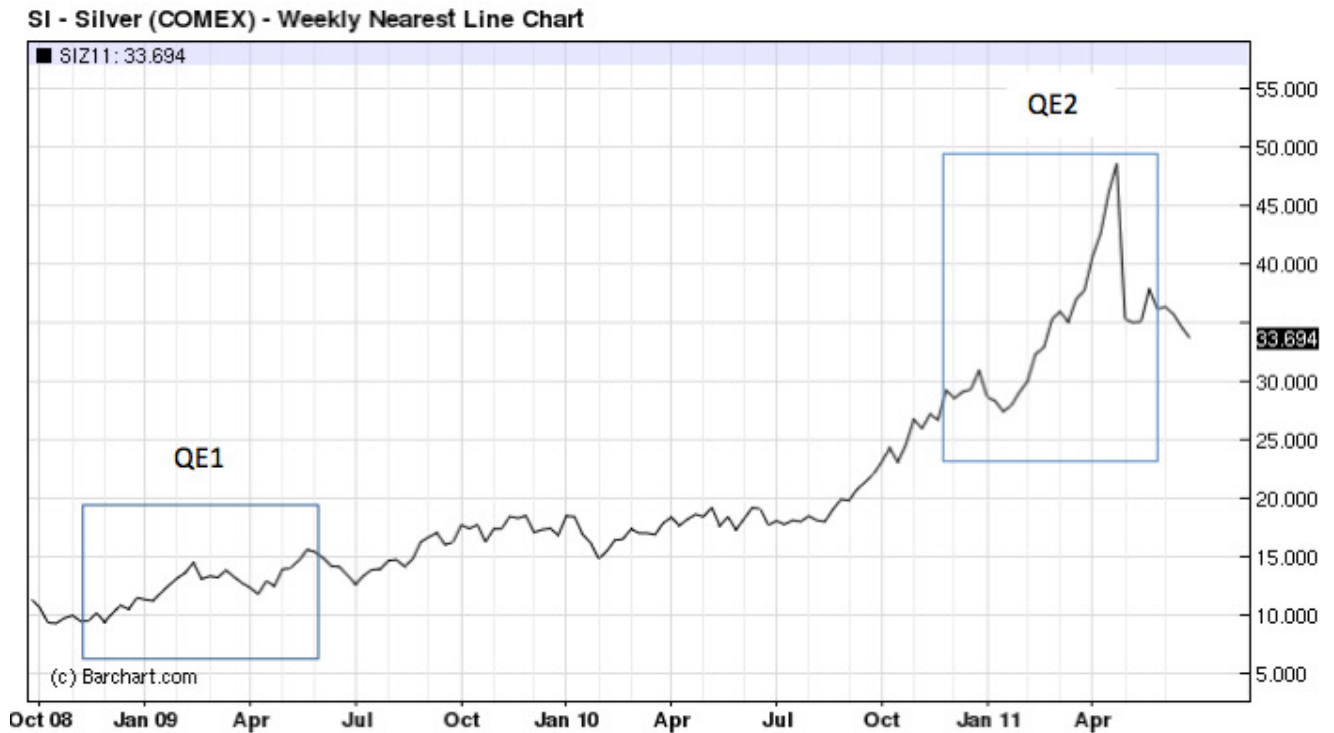
If Europe comes out of this mess with a deal, it'll most likely call for a long period of money printing and that's going to be bullish for precious metals. The US, as you know, has its own issues. Which will ultimately devalue the dollar and also contribute to silver's rise.

### The US and the Buck

Ben Bernanke, the Chairman of the Federal Reserve, has signaled that additional monetary stimulus may be needed next February to lower the U.S. unemployment rate. This is critical. It is the first time the Fed has admitted that another round of Quantitative Easing (QE3) may be necessary. Going down that road will mean creating more dollars to "stimulate" the economy.

Flooding the economy with dollars leads to inflation and a weaker buck. The more money-printing the Fed does, the more bullish I am on silver. You see, silver rallied strongly during QE1 and QE2. Once the Fed starts printing more dollars, precious metals and especially silver can't help but go up.

Take a look at the charts below.



Now in looking at the charts, QE1 may not look like a huge rally in silver.

But look closer. It actually rallied 50% from \$10 to \$15.

And QE2 sent silver from \$28 to \$33 (and as you can see, if a person played it right they could have sold out at \$45 or higher!).

But it's not just the devaluation of the dollar and inflation that will contribute to the rise of silver prices again. A global laundry list of economic problems, political tensions, and exchange rates are all factors that should boost silver prices.

Silver will outshine even gold and the rest of the metals.

Let's take a closer look at China and India to see why.

## Chinese and Indian Demand

Silver buying in China and India is expected to rise 40% in 2012. That's even higher than the 30% increase this year. And it's not just demand for jewelry or as a safe investment.

And that is because silver is not just a precious metal. Silver is widely used in the production of electronic equipment and industrial production, such as medical, solar power and water purification industries.

And it is this industrial demand that is one of the main factors boosting the price of silver in China and India.

For example, China is the world's largest producer of solar power and electronics. About 70% of China's silver demand comes from its fast-growing industrial sectors. And that's a big reason why China's imports of silver nearly quadrupled to more than 3,500 metric tons in 2010.

In India, silver investment is mostly from the rural areas where 70% of the country's 1.2 billion population lives.

Silver buying has taken off in this region. In 2010 India consumed about 2,800 metric tons of silver. In 2012 silver consumption is expected to rise to 5,000 metric tons. That's a 78% increase in consumption over two years.

This sharp rise is even causing logistical problems, according to UBS. Airline capacity to deliver the precious metal is being "stretched." And premiums are unsurprisingly on the rise. As the cost of transporting the metal rises, so does the price of silver.

Gold, on the other hand, mostly serves two purposes in India. One is traditional, the buying of jewelry. The other is monetary, government buying gold to soak up excess dollars or Rupee.

But India's ever expanding population also buys gold as protection against inflation, just like we do here in the States. Now with gold getting expensive, silver should play an ever-increasing role as a hedge against the ravages of inflation for India's citizens.

So let's review just for a moment why silver's prospects have taken a turn for the better in China and India...

- Demand is rising as more investors use silver as a store of value.
- The Chinese government is pushing solar power and electronics.
- Industrial growth is upping silver demand.
- Investors are buying more silver to hedge market losses.

But here's the critical factor that many analysts underestimate: Silver is cheaper than gold.

It has become the "poor man's gold" in both China and India. And that alone should take the demand for silver to new heights in both countries (plus everywhere else in the developing world).

I remain convinced that beyond the short-term nasty surprises out of Europe, the fundamentals for silver remain very favorable. And I'm not the only one.

Large managed futures funds, including hedge funds, in the past week continued to add precious metals to their long positions, including silver and gold, according to Merrill Lynch.

The big metal speculators are also increasing their purchases of gold, silver, copper and platinum. And their moves can move precious metal markets very quickly either up or down. So this is a good indication that silver is already on its way to moving much higher.

**Editors Note:** My colleague Andrew Gordon recently exposed some of these Wall Street speculators. They are the culprits behind the manipulation of gas, food, and yes, silver prices, along with every other commodity out there. If you haven't watched his investigative report exposing their actions, I encourage you to do so now. It will open your eyes to their misdeeds, but will also reveal a whole new way to profit during these turbulent markets. [Simply Click Here to Launch the Video](#)

## The Charts Look Favorable For A Rise In Silver Prices

Silver prices are down, mainly because of the bounce in the dollar. I see a lot of support for silver at these current levels. Take a look at this chart and see for yourself.

### SIZ11 - Silver (COMEX) - Daily Nearest OHLC Chart



I expect silver to break past the resistance at the \$36 level and run back up to the \$42-\$44 range.

With European debt problems worsening and Asian demand growing, now is the time to take advantage of silver's next move higher.

The easiest way to take advantage is to purchase the ETF, iShares Silver Trust (SLV).

Enjoy your profits in Silver,

David Dutkewych

Commodities Specialist

Insider Fortunes

**Editor's Note:** As mentioned, if you haven't had the chance to watch Andrew Gordon's investigative video, I strongly encourage you to do so now. Otherwise, you are willingly letting speculators rob as much as \$4,281 out of our pocket every year. [Click Here to Launch the Video Now](#)