

Confessions of a Silver Optimist

By [The Mogambo Guru](#)

07/28/08 The historical high for silver was set 531 years ago in 1477, topping at (using the purchasing power of 1998 dollars) a princely \$806 an ounce. By comparison, the price of silver less than \$19 an ounce today. Thus, investing in silver is what the Mogambo calls a "no brainer".

There are signs of stupidity and panicky desperation everywhere, such as the Dow Jones Industrial Average index going up last week when earnings fell to \$132.14 from \$146.15! Earnings went down, but the shares went up because there were more buyers than sellers! Hahaha!

If you think that the fall in earnings to \$132.14 from \$146.15 is a lot, then congratulations! You are right! It is a huge loss of 9.6%!

So, earnings fell almost ten-freaking-percent, yet the underlying stocks went up? Hahaha!

I know what you are thinking, as I am thinking the same thing; we can use this to show our supervisors that we are valuable employees because in producing losses, we make the company more valuable! Therefore, we deserve a raise! A big raise, instead of being placed on Probationary Status!

And we, as valuable employees, are sick of having to park on the other side of the parking lot, and want nice spots right up front, too!

Deep down, you know this is not going to work, but stocks astonishingly rising after they start making less money is a fact. And so faced with such a paradox, you look around to see if you are in a bar somewhere, which would explain why you are so drunk out of your mind that you have misunderstood something important. But you are not, and immediately you then think, "I have had another medication error, or a stroke or something, because nothing makes sense anymore! Stocks are going up when their earnings fall!"

In case you are not impressed with a 10% fall in earnings, maybe you will be impressed that as a result of earnings falling and prices going up, the price-to-earnings ratio is now a stunning 87, when the long-term average P/E for stocks is about 12, and where stocks usually top out at a P/E of about 21! Hahahaha! Who are these idiots buying these stocks?

Of course, a little of this buying had to do with some panicked short-covering as lots of guys looked around and saw that the government's frantic search for a scapegoat for our economic troubles are, with some justification, looking at the flagrant abuses in short sales, and being short could mean A Bad Day at Black Rock.

Perhaps as a result of all of this corruption and stupidity, I never seem to tire of thinking about silver, and thinking about ways to get some more silver, and how I don't have any money to buy

any silver unless I cut back on the food that I feed the kids (I can't eat that cheap, nasty crap myself; it makes me sick. But it's obviously okay for them! I mean, they're still alive, right?), or get them jobs in some illegal sweatshop by making them pose as illegal immigrants willing to work for less than minimum wage. Or both!

But the wife says "no" to that fabulous plan, and to many MORE other Mogambo Good Ideas (MGI), too. And that kind of constant negativity is why I would love to just get the hell away from all of them and their ceaseless, selfish, suffocating demands, like, "Please come to my birthday party, daddy!" and, "Just tell us that you love us, daddy!" Ha! All I need is some silver, so when it finally explodes to the upside, it's "Sayonara, chumps!"

And while I don't know when that will happen, I do have an idea how high silver will get in price. The historical high for silver was set 531 years ago in 1477, topping at (using the purchasing power of 1998 dollars) a princely \$806 an ounce. By comparison, the price of silver less than \$19 an ounce today, and was only about \$5 an ounce in 1998, after having bottomed at under \$4 an ounce in 1992.

Now, fast-forward to today as our 2008 dollars, which have fallen 50% in purchasing power since 1998, means that the all-time high price for silver, set in 1477, now stands at \$1,012 an ounce, measured in the buying power of 2008 dollars! Over a thousand dollars an ounce! For silver! Whee!

In case you ain't noticed, we're unmistakably coming off the lows of a 530-year bear market in silver and, theoretically, entering a long bull market, which ought to be exciting to people who have a lot riding on silver gaining so much in price (me), or even just keep up with this kind of thing, like, for instance, Israel Friedman, writing at InvestmentRarities.com, who notes that there are 5 billion ounces of gold sitting around someplace in the world, but that there are only 2.5 billion ounces of silver, even though 5 times as much silver is mined every year than gold.

Therefore, silver is being consumed at prodigious rates, which is why Mr. Friedman says, "Silver is needed to maintain and improve future standards of living. Gold is needed for luxury and emotional reasons. Silver is for the optimist, gold for the pessimist."

In that optimistic vein, Mr. Friedman says, "I honestly believe that silver must eventually sell for five to ten times what the price of gold may be."

And that is just the kind of profit that I need! Whee!

Until next time,
The Mogambo Guru