

January 04, 2008

## **Solid Gold Silver Surge**

by The Mogambo Guru

*"And if you think that silver could go to its rough 15-to-1 long-term ratio to gold, then a \$1,200 per ounce gold price would mean an \$80 per ounce silver! Wow! The stuff is selling for 15 bucks right now!"*

Roger Reynolds of the famous "Shame on you Federal Reserve!!!" newsletter, (sporting three exclamation points for added emphasis!), notes that gold, "ALWAYS does well as long as the inflation rate is above the interest rates."

And in case you ain't noticed, inflation in consumer prices is almost 300% higher than even the yield on the 30-year T-bond! And [gold](#) is up over 30% this year! See how it works, my darling Junior Mogambo Rangers (JMRs)?

And in case you STILL ain't noticed, even though I just freaking pointed it out to you, inflation in consumer prices is so horrific that it is (when measured the old-fashioned way) running north of 10%, and the growth in the money supply is running north of 15%, meaning that consumer prices will continue to go terrifyingly up, and up, and up for a long, long time, meaning that (here I pause to let you come up with the answer on your own, which you don't because you can't, because you don't pay attention when I am talking to you, which I have already spoken to you about, which you have no doubt already forgotten, too) the lesson is that [gold will continue to go up](#) and up and up and up for a long time.

How much will it go up? Since you asked, I will merely quote James Turk of the Freemarket Gold & Money Report, who fearlessly forecasts that in 2008, "Gold will finally break into 4-digits, which will be an event that gains worldwide attention. I think the high in 2008 will be \$1,500, and the low will be \$780."

Seeing how excited we are at this glorious news, he goes on, "Gold will probably end the year at \$1200-\$1300, generating at least a 50% gain in 2008. The same monetary problems driving gold higher for the past six years continue, including: (1) the dollar will continue to decline, threatening its 6-decade global monetary stranglehold as the world's reserve currency, (2) inflation will worsen as the prices of commodities as well as other goods and services rise, (3) the federal government budget deficit will grow, further [debasement of the dollar](#), and (4) global trade imbalances will continue to create huge pools of hot-money looking for a safe home, much of which will end up in gold."

Now, for those who ponder the timeless riddle of why all of the people in history always rushed to gold in economic turmoil, and who turn in desperation to the Loudmouth Mogambo Know-It-All (LMKIA) to ask me why they do it, I tell you: "I don't know. They just do. Go away!"

But perhaps a part of the answer may be gleaned when he goes on to say, "Add to the above monetary problems a new worry - counterparty risk. This risk was highlighted by the bank-run at Northern Rock, and the depositor withdrawals presently underway in some institutional money-market funds in the US. Funds and more financial institutions will collapse in 2008, further highlighting this growing counter-party risk. Gold will

benefit from this turmoil because it is the only money without counterparty risk - its value is not based on the promise of some financial institution", and that, "This attribute of gold will become more widely recognized in 2008, significantly increasing worldwide [demand for gold](#)."

And as for silver? I'm glad you asked! He thinks, "Silver will clear \$30 in 2008, as the (gold-silver) ratio falls below 40. A \$1200 gold price and 40-to-1 ratio puts the price of silver at \$30. Silver is the best play for 2008, but silver is never a smooth ride."

And if you think that silver could go to its rough 15-to-1 long-term ratio to gold, then a \$1,200 per ounce gold price would mean an \$80 per ounce silver! Wow! The stuff is [selling for 15 bucks right now!](#)

And for those holding gold mining stocks, too, the news is just as good or better, as he figures that "The XAU Index will nearly double, closing over 300 at some point during the year." Double!

Then he started getting into that technical analysis stuff, which is over my head, so I started to leave, maybe grab a burger. But I was halted mid-stride when he said that "the technicals are fascinatingly bullish", and that the long-term silver chart has shown that "silver continues to trade within its long-term accumulation pattern" which it has, "been forming for more than two decades." A two-decade accumulation period? Wow! Who the hell ARE these long-term thinkers?

He doesn't want to get stuck in one of my wild conspiracy theories, and to change the subject by waving a shiny object in front of my eyes, he says that one highly unusual thing is silver's chart pattern of an "upward pointing flag", which he says is significant because "Upward pointing flags are rare. They illustrate unusual strength. In effect, there is so much demand for silver, every dip is bought. Buyers (particularly the shorts) therefore get anxious, and don't wait for a price retracement. They just keep buying, which describes what's happening. Silver is being accumulated".

I was hoping to make some sense of it, maybe make a few bucks on it, but since I am clueless and stupid, it promises to be a long night of research and work. Fortunately, I was saved from the prospect of actual labor when he volunteered, "2008 will be the 'Year of Silver'. Look for silver to outshine gold in 2008." Wow! Just what I wanted to hear!

You, too, I'll bet!