

Investing in Silver as China Enters its “Spend” Phase

By [The Mogambo Guru](#)

05/24/10 Tampa, Florida – [Chris Mayer](#) of *Mayer’s Special Situations* is having a wonderful time cruising around China and marveling at the changes that the last 25 years have brought, and is thus driven to say, “One of the great investment opportunities of the next decade will be catering to the emerging middle class in China, India and Indonesia.”

Immediately, the Intrepid Entrepreneurial Mogambo (IEM) is planning and wondering how I am supposed to cater to these Asians with my new Mogambo Brand Lucky Tasty Eggrolls (MBLTE), who are half a world away. The logistics are boggling, but I am inspired to persevere in that he is not alone in that assessment, and he writes that CLSA, “an investment house with expertise in Asia” thinks that the future is even more stellar than that, and “predicts the consumer markets in China, India and Indonesia will enter a ‘hypergrowth’ phase as disposable incomes rise.”

And how high will Asian disposable incomes rise? Well, CLSA “notes that the number of Asians (excluding Japan) with disposable income of \$3,000 will rise from 570 million people to 945 million by 2015. About 85% of that increase comes from just China and India.” Wow! In 4.5 years!

This is stunning stuff, but I groan in dismay, as multiplying 945 million people times \$3,000 is a job for a calculator, and so I just unceremoniously stop and flop, hanging my head in weary anticipation of wrestling with a damned calculator using numbers so large that, deep down, I know that any number that comes up will be suspect, if not incomprehensible, and usually both.

So I am busily rooting around on my desk, trying to find the damned calculator, and I get mad because I can’t find it, and then I run across a memo from last week where my boss is informing me that some guys from the home office are going to be coming by – tomorrow! – to meet with me about my progress on some mysterious “report” that I was, apparently, supposed to be working on, and now I am mad AND scared out of my freaking mind, which I gather from finding my calculator only to hear it laughing rudely at me!

My own calculator is mocking me! Its frightening rudeness cuts through me like a knife, although nobody else can hear it until I jam it right up against their ears and say, “Listen to it! Listen to the laughing! Say you hear it or I’ll beat your brains out!” and then they all admit that, yes, they hear it, too, proving that I’m not crazy.

So, reassured, I was, at last, ready for my ordeal with the laughing calculator, and I returned to Mr. Mayer’s report for the data, where, to my delight and surprise, I see that he has done the math for me! Great!

He writes that by 2015, by which I figure he means “on December 31, 1914” that the consumption spending of this Asian (ex-Japan) middle class will rise from US\$2.9 trillion to US\$5.1 trillion.” Wow! Almost doubling in under 5 years!

And this does not even count all the spending by lots of upper income people, whose incomes will rise, nor does it count any of the hundreds of millions of the poorer Asian people who will still not be middle class, but whose incomes will also go up! Wow! That’s a lot of spending!

In considering China alone, he says that “By 2014, about 44% of the population in China will top this \$3,000 threshold – a 27% increase over 2009.” Wow again!

The point is not that that whole Asian region is a hotbed of potential economic activity, perfect for Mogambo Brand Lucky Tasty Eggrolls (MBLTE), which it is, but that a lot of that growth is going to be electronic and electrical, and that means silver. Lots of it! Oodles of it!

And this does not even mention all the myriad other industrial uses of silver that will demand more silver, which doesn’t even get started on how these famously health-conscious people are going to want the powerful anti-bacterial, anti-viral, anti-fungal, anti-everything qualities of silver in huge quantities, too! Wow!

Thus, the future of silver is mind-boggling, which gets me back to the staggering implications of the supply/demand dynamic, where buyers and sellers use price to change supply and demand until they are equal and thus clear the market; the price of silver must zoom because there is a shortage of silver now, and demand will increase tremendously into the indefinite future!

And, as hard as this is to believe, while silver historically sells for about 1/15th the price of gold, which means that silver should be somewhere around \$75 right now, that low figure is only if the comparative gold does not go up any more, which it will! By a lot!

That is why I cannot believe my eyes that silver is selling for less than \$20 an ounce right now! Twenty stinking dollars an ounce!!!

Those three exclamation points at the end of that last sentence are, as all Junior Mogambo Rangers (JMRs) know, a Secret Mogambo Code (SMC) for, “Hey! Wake up, moron! This is important!”

And indeed it is. And easy, too! All you have to do is buy silver and then just wait, sitting back in your chair watching TV which, from an investing point of view, is so pleasant that you tingle all over to realize that “Whee! This investing stuff is easy!”