

Buying Silver and Avoiding the Sharks

By [The Mogambo Guru](#)

03/29/11 Tampa, Florida – I keep pounding, pounding, pounding the table that silver is the biggest bargain out there, for, at last count, a jillion reasons, and that anybody who does not buy silver Right Freaking Now (RFN) is making the mistake of a lifetime, and the family is all, like, “Will you please stop pounding the table? It is irritating and is making things spill, aside from the fact that we don’t have any money with which to buy silver, and you know that!” which devolved into a lengthy discussion about who among them was the most irritated with me and everything I say or do.

So, to make these idiots happy, I stopped pounding, losing a lot of my spark of emphasis in the process. It just wasn’t the same, and my breakfast cereal was getting soggy, too, so without using my trademark pounding to buttress my arguments, I decided to just let Jason Hommel, of the *Silver Stock Report* newsletter, highlight my “Buy silver or you are a moron!” theme with notices of a few serious delivery problems in the silver market, indicating shortages, to which he surmises that “the futures market is about to default on silver and gold deliveries. There is a growing market awareness that the banks have sold short over \$200 billion to \$400 billion in silver, while all the world’s silver mines only produce about \$30 billion of silver annually.”

The lesson seems to be that there is shark-infested water everywhere, and “Market participants are now taking on the cornered banks, putting them into an epic short squeeze of having to deliver silver that does not exist in quantity even remotely compared to the amount of money that exists that can buy silver.”

Now, as a cynical, paranoid ordinary trader/investor kind of guy who has been around long enough to have been eaten by financial sharks a few times, I am sure that they exist, and even today, baby sharks nibble at me, eating me, bite by bite, taking 1.5% of assets in fees and expenses every freaking year!

On the other hand, I never thought that I could be on the side of the sharks, and prove that “what goes around comes around” to my advantage, for a change!

And the good news from a “buy silver and prosper from inflation, Pilgrim!” standpoint, inflation and money-inspired growth ain’t a-gonna stop, neither, as I was reading a Bloomberg.com article that brought up the Federal Reserve perhaps ending their long series of monetary stimulus programs one day soon.

It ain’t a-gonna be, because but “While the Fed hasn’t committed to the specific methods it will use to exit, or in what order, it has been releasing details about its progress in building new programs and expanding its ability to drain reserves.”

Making a little joke of this, I note that this is, of course, akin to the fire department buying fire extinguishers instead of putting out the fire, so that in the future, if they do decide to put out the fire, they will be able to put out the fire! Hahaha!

Of course, I know this is not a fair analogy, and it's not very funny, either, despite my pathetic use of "Hahaha!" to try and convince you otherwise.

To try to correct that serious shortcoming, and to perhaps make it more apt, let me expand to say that first the volunteer firefighters would have to set a lot of houses on fire so that there would be both a demand for a permanent fire department paying high incomes to full-time employees, and there would be a big need for new housing to replace all the charred rubble, both seemingly stimulating the economy, but, alas, as the Austrian School of economics shows, not, although they end up accumulating a lot of fire extinguishers.

Okay, I can see that it's more apt, but still not funny, and getting un-funnier all the time, a deplorable condition that will undoubtedly be made worse when I continue to expand the analogy to the corrupt city council counterfeiting money to pay the firefighters and themselves, and pay for that spiffy new firehouse and City Hall, and pay for all that shiny new government gear and programs, thus creating a continual addition of money to the economy that drives prices up, drives the riffraff like me out, and drives the economy into the toilet.

With a start, I recoiled in horror, showing what a wussy coward I am about inflation, as the analogy became all too frightening when it included the inflation in prices that an inflation in the money supply brings!

That was, however, not the actual part that made my eyes open wide and the skin on my head draw back in fear, although I must warn you that it doesn't look that way when it happens, as I ruefully noted when the kids said to each other "Hey, look! Dad's ears are wiggling!"

This, of course, started the predictable domino effect from, "Why do you need ears when you never hear anything we say?", to "We keep saying that we need you to give us more money!", to "You're a cheap, horrible person!", to "I hate you! I hate you! I hate you!"

No, the part that really, really REALLY scared me was when the Journal followed that up with the sentence "This includes increasing the number of its counterparties." Gaaaahhhh!

It's the idea of derivatives all over again! "Spreading the risk"! Yikes! Run for it! We're Freaking Doomed (WFD)!

If you are NOT running in fear, then you are either stupid (and thus you cannot learn that you should be buying gold and silver when the Federal Reserve is creating so monstrously much money) or it means that you are smart (and thus you already have a lot of gold and silver).

It's just that easy to distinguish between the two! Whee!