The Double Play OPPORTUNITY

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The Double Play Opportunity

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Do you believe gold and silver prices are headed much higher?

A breakout in gold and silver prices is predicted by many. Some experts say $10,000 gold ahead. Others say $500 silver. For the most part, these experts make a decent case for their predictions. But, when asked when prices will skyrocket, the smart ones usually refrain from giving exact dates. Then, there are those who spout dates like they have a crystal ball with a calendar feature.

I have watched these experts for many years. They tend to have all the accuracy of a stopped clock. Because of this, many would-be investors have become complacent, even disinterested in precious metals markets. As a result, they have been blinded to the facts and have lacked enthusiasm for participating in what could be the greatest buying opportunity leading into the greatest bull run in the history of precious metals.

For at least two decades, gold and silver prices have been on the rise. Despite not hitting high price targets set by some, overall performance has been solid, even stellar. It may shock you to learn that over the last 20 years both gold and silver have outperformed stocks. Even with stocks now trading near record highs, gold and silver win.

2001 Through Now
(Medium Term Peformance)

	Value 12/31/2001	Current Value	Percentage Increase
Gold	$278.00	$1,852.00	566%
Silver	$4.61	$22.00	377%
Dow	10,021	32,637	225%
S&P 500	1,148	4,057	253%

Over the last 20 years both gold and silver have outperformed stocks.

I am about to document the awesome performance of gold and silver over the last two decades for you. Then I will explore the question of "when"? When will prices vault higher, coming within reach of the predictions of so many experts? It will be historic. And it could put precious metals OUT of the reach of new buyers. I will make the case that the longer you delay, the sweeter the buying opportunities that are slipping through your fingers.

Seeing the affect the Russian-Ukraine war is having on prices of metals like nickel and palladium begs the question: How much gold and silver does Russia produce and will trade sanctions have a similar effect on gold and silver prices?

For the skeptics of the potential for record high gold and silver prices to come, let's take a quick look at two other metals that have shocked the world with their recent performance.

Record High Nickel

On March 1, 2022, nickel was trading at $25,438 per tonne. By March 8, the price had launched to a staggering $101,365. That's nearly a 300% increase in just 8 days. By March 9 trading was halted. The rapid rise in price was blamed on Russia. According to a Reuters report, Russia produces around 10% of the world's supply of nickel. Due to recent trade sanctions on Russia, that supply is now in jeopardy.

Record High Palladium

In March 2022, palladium surged to a record high of $3103 an ounce before settling back to a trading range of around $2500 an ounce. Four years ago it was fairly stable at under $1000 an ounce. That's over 200% increase in 4 years, and an 1808% increase since 1994. Once again the Russia/Ukraine war is being blamed for the disruption in supply due to the imposition of trade sanctions on Russia. Recent statistics show that Russia produces 43% of the world supply of palladium. Palladium is used to make catalytic converters in the automotive industry.

Russian Gold and Silver Production

Seeing the effect the "war" is having on prices of metals like nickel and palladium begs the question: How much gold and silver does Russia produce and will trade sanctions have a similar effect on gold and silver prices?

Let's take a look at gold. Russia produces some 330 tonnes of gold annually. Global production is approximately 3,463 metric tonnes. That represents 9.5% of global gold production which is nearly the same percentage of nickel produced. While gold prices have yet to see a similar parabolic rise in price to that experienced in the nickel market, gold prices have maintained their upward price momentum in the long term.

Silver is a different story. Global production of silver currently runs at about 26,375 tonnes (848 million ounces) and Russia produces about 2100 tonnes. That's 8% of global production. Compare that to 10% of global nickel production. Because both metals have heavy industrial purposes, it is easy to see how a disruption in the already fragile supply of silver may, at some point, have a similar effect on the silver price as it did on nickel. Considering that the value of silver, palladium and nickel is largely derived from industrial demand, it is easy to see how a disruption in the supply of these metals would have a greater effect on their prices vs. a supply disruption in gold.

The silver price did rise as the war progressed, then it stabilized. But something is going on with supply and price that we are not really seeing in the Comex Futures Market or in the mainstream media. It came as a surprise to me but, Walmart and Amazon are now selling gold and silver coins. I looked at some of the coin offers and was shocked. One ounce silver coins and bars were being offered for $40 to $70 an ounce. That's a long way from the current paper price of silver at $25-$26 an ounce.

The gap between the paper price of silver and the actual physical price is growing. You can't build solar panels, electric cars or batteries with a paper ounce of silver.

The Gold and Silver Double Play

Ultimately, the affect the Russia/Ukraine war has on the availability of any product is unpredictable. Russia is not going to stop producing anything. If, for example, Russia, India, China, Iran and perhaps others align against the West, those countries alone account for approximately 40% of the world's population. There will always be demand from them for whatever Russia produces. So for purposes of this discussion, let's call the Russia/Ukraine effect on the supply chain, "transitory," just to be safe.

That said, there are two huge reasons to consider investing in the gold and silver market right now, making precious metals the double play.

The Real Cost of Inflation

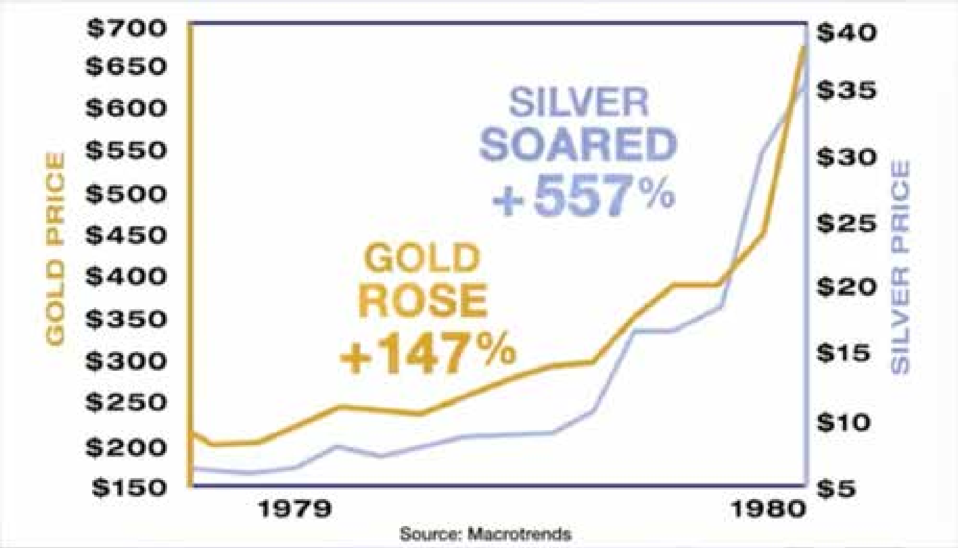
If the Bureau of Labor Statistics changes the metric in measuring inflation every decade or so, the inflation rate could actually be as high as 10%, according to www.shadowstats.com.

How much is $100,000 worth after 10 years of inflation assuming various rates?

Inflation Rate	Value
0%	$100,000
1%	$90,529
2%	$82,035
3%	$74,409
4%	$67,556
5%	$61,391
6%	$55,839
7%	$50,835
8%	$46,319
9%	$42,241
10%	$38,554

INFLATION

In case you have not noticed, inflation is raging. Official data tells us inflation is running at about an 8% pace. John Williams of Shadowstats.com, tells us the real rate of inflation is closer to 15%. Many in business and finance have noticed that "official" reports often tell a story of lower inflation than actual. A lower reported number limits increases to social security payments, veteran benefits and federal retirement payments. But anyone who buys groceries, pays for energy or fills up their car with gas has probably experienced inflation running at a higher rate than reported. For example, since the pandemic, gas is up 49%, eggs up 11%, energy is up 29% and at the moment, used cars are up 37%.



Today, inflation is running as hot as we have seen in 40 years. The last time inflation hit these levels, the gold price rose 147% and the silver price rose a whopping 557%.

Note: Inflation is not just the rise in price of goods and services. Inflation represents the rate at which your dollars lose purchasing power.

This is crucial to understand. It not only means the purchasing power of your current income is dropping but the purchasing power of the dollars you are saving for retirement are dropping just as fast. If you did retirement planning 10 years ago, you did this in an environment of 2% inflation. Based on that low rate, you then arrived at a target number you needed to save to maintain your lifestyle in retirement. That target level of savings must now rise in consideration of much higher inflation than we have had over the last decade.

The rate at which your income and your savings lose purchasing power is easily calculated. You start with the inflation rate, which in this case is 8%, then subtract what you can earn on your saved dollars. If your saved dollars can earn you 2%, then the value of your earnings and savings is shrinking by 6%. If you are planning to retire in 10 years, with the current rate of inflation the purchasing power of your savings and retirement then will have shrunk by 60% — unless you can find better returns than the 2% we are referring to here.

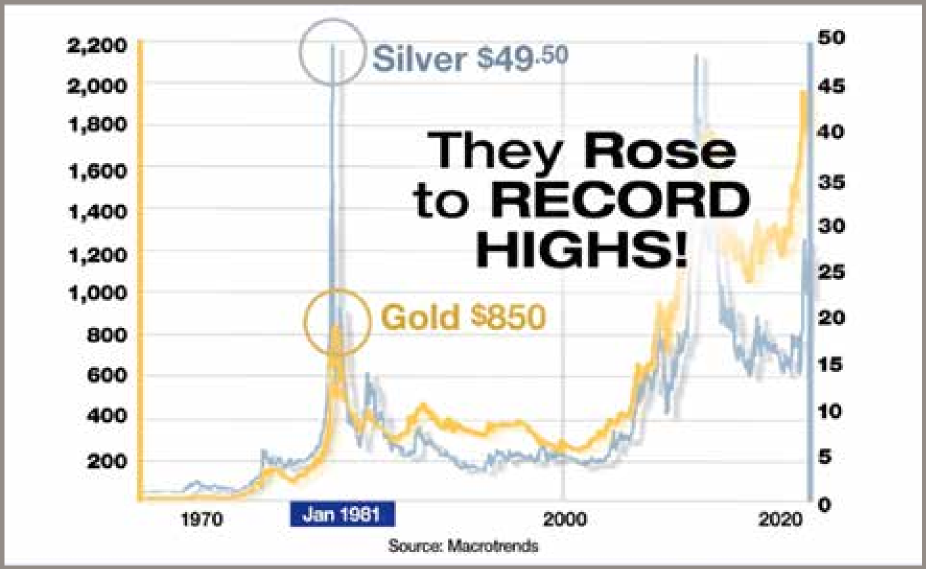
This is precisely why you need assets in your portfolio that could hedge against the destruction of your future purchasing power. Historically, gold and silver have performed remarkably well during economic inflation. Today, inflation is running as hot as we have seen in 40 years. The last time inflation hit these levels, the gold price rose 147% and the silver price rose a whopping 557%.

That's a lot of PPP (Purchasing Power Protection). Catching another run like that could go a long way toward restoring your future purchasing power. In fact, you may even increase purchasing power. On its own, rising inflation is a viable indicator that gold and silver could be a good play right now. But there is more.

RISING INTEREST RATES

A common myth is that rising interest rates negatively affect the price of gold and silver. It has always been one of the knocks against precious metals. They do not generate cash flow, true. When interest rates rise, other investments become more attractive. Hence the belief that gold and silver prices fall in a rising rate environment. History, however, tells another story.

Remember 1980, when interest rates were rising to historical highs above 15%? Gold and silver prices rose right along with rates to historical highs of their own. In fact, when you adjust for inflation, those record highs of 1980 for both gold and silver still stand as the all-time highs in both metals.



Remember 1980, when interest rates were rising to historical highs above 15%? I remember mortgages at 17% or higher. I remember CDs that yielded more than 18%.

"The highest CD rates in modern history are decades behind us — around the start of the 1980s. A three-month CD in December 1980 earned 18.65%, according to data from the Federal Reserve Bank of St. Louis."

– NerdWallet.com

And, what did gold and silver prices do in response? They rose right along with rates to historical highs of their own. In fact, when you adjust for inflation, those record highs of 1980 for both gold and silver still stand as the all-time highs in both metals.

Gone are those days when a million dollars in a retirement account could earn you $100,000 or more in annual income in retirement. That once represented two or three times the average income needed for a comfortable retirement lifestyle. Given today's yields on savings, you would have to have in excess of $10 million in your retirement account to earn the same $100,000 in annual income in retirement. This is why many investors are turning to higher risk assets in search of higher returns.

Note: Many of these more risky assets have the potential to go to zero value. Gold and silver have never been worth zero and never will be.

In my opinion, both rising inflation and rising interest rates destroy the purchasing power of dollars you earn today as well as dollars you have saved for the future. There may be no better time to turn to gold and silver to protect your future purchasing power.

MARKET VOLATILITY

Market volatility is the wild card in all this and the potential TRIPLE play opportunity. Stocks, of late, have become much more volatile. I believe it is because investors are weighing the effect of inflation and rising rates on the markets themselves. Do you know how many record highs the markets hit last year? Between the Dow, S&P and Nasdaq, these indices hit over 100 record highs. And this was during a time when the economy was reeling from shutdowns and business closures. Sounds unrealistic, but maybe that's just me. According to data derived from Yelp surveys of small businesses, by late 2021, a total of 97,966 small businesses said they were closed permanently. Yet stocks reached over 100 record highs? Maybe we should close the rest of them and see if stocks go even higher!

Of course I am being silly. My point is, it is difficult to comprehend how stocks keep rising while businesses keep closing and workers quit working. Sure, stimulus may have played a role, but honestly, I suspect most people used stimulus to pay bills and perhaps buy another TV. I don't think very many took their $1000 stimulus check and said, "now I can buy stocks." (Well, aside from a few folks from Wall Street Bets, but that effect was very targeted to particular "stonks" like GameStop or AMC, not the entire market.)

Ray Dalio, who has served as co-chief investment officer of Bridgewater Associates since 1975, says less than 3% of investors will survive a stock market crash that he says is coming this year. Personally, I don't think you have to be a billionaire hedge fund manager to see that markets are way overbought given the current economic climate. I, too, think the markets are on an unsustainable trajectory. Add to this our enormous debt and something has to crack.

During the "2008" crisis — also triggered by too much debt — stocks lost over 50% of their value. By 2011 both gold and silver rose to record highs. From their lows during the crisis to their highs, gold rose 157% and silver rose an impressive 364%.

So now we've taken a look at inflation, rising rates and over-inflated stocks. It seems signs are pointing to higher metals prices ahead. Already the physical metals market is breaking away from Comex Pricing (the paper markets) and doing a little price discovery of their own.

Keep your eyes peeled and your ears tuned into the mainstream media. When gold and silver enter the daily conversation, that's when we may start to see major moves higher.

We See They Can, But When?

Now the 6-million-dollar question. Actually, considering inflation, we should probably call it the 60-million-dollar question. When could we see prices head skyward? It's curious that you rarely hear about gold and silver in the mainstream media. This, despite their stellar performance over the last 20 years. One could argue the move has already begun. Recently, the gold price did move to within pennies of its nominal record high near $2100 an ounce. But, you barely hear about the performance of either metal.

We are starting to hear a little about gold. It appears Russia is moving toward some kind of gold standard. Silver? Not so much. So keep your eyes peeled and your ears tuned into the mainstream media. When gold and silver enter the daily conversation, that's when we may start to see major moves higher as demand becomes more widespread. Your buying opportunities are likely to be much better BEFORE that happens.

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