



IS THIS THE SILVER LINING? PART III

Members should note from my comments made in Part II of the Silver report that more than 225 million ounces of Silver demand was not included in the figures produced by GFMS Ltd, the Silver institute for the decade that ended in December 2009. This has a negative effect on the true supply demand ratios produced for Silver which can be seen from the following distribution:

ZurcherKantonal bank	59,370,000
Central funds of Canada	67,322,479
Sprott Asset Management	41,838,539
ETFS Silver UK	23,370,555
Golden Money	20,000,000
Claymore Silver Bullion Trust	2,476,400
Total	519,583,924 ounces

Add to that the aggregated implied demand from 2000 to 2009 and that is a further 293,800,000 ounces.

The figures produced above also do not include the demand from 2010. This is a significant amount due to the substantial increase in trading Silver through ETFs and other investment vehicles which would equate to a further 800 million ounces a day! So as I mentioned above these numbers have a very strong bearing on the supply demand ratios and, as I say, they have not been factored in by GFMS Ltd.

My point is clear; due to the current assessment system used by GFMS Ltd there has been a vast understating of true demand, this is another factor which has also helped keep the price of Silver artificially low. There are analysts and traders who have recently suggested this is collusion. Members perhaps can draw their own conclusions.

Members reading the facts which I have made so far I am sure will agree that the research that has uncovered the true demand for Silver would also imply that this metal should see a strong rally soon (from such historical data alone without the manipulation previously mentioned). But the case for Silver and my predicted rally for this metal doesn't stop there. I would also highlight that Silver's use in industrial applications has increased by 20.7% last year to 487 million ounces. This now statistically means that as much as 50% of Silver's total annual production is required for industrial use today. RIO's research indicates that this number is very likely to rise further by over 30% during the next three years.

As can be seen, many compelling facts highlight why Silver is indeed a 'hot ticket', this metal still remains well below the all-time high of \$50.35 which was seen during 1980 - over 30 years ago! Members in doubt that a rally is overdue might take note that since my recommendation to buy in December 2011 Silver gained 20%. That's a decent gain for any of those who took my advice and bought at \$29 an ounce!!

As I have already said I am actively trading Silver for the RIO Professional Investors Fund and will continue to regularly buy and sell this commodity throughout the predicted bull market.

More on Silvers supply and demand

The supply of Silver is on a downtrend of historic proportions. I am sure that most members are unaware that unlike Gold, Silver is 98% consumable. Of all the Silver ever extracted from the earth, around 46 billion ounces, mining experts estimate that only about 1 billion ounces are left above ground in bullion form. Using my favorite metal (Gold) by comparison 5 billion ounces have been mined, with approximately 2 billion, or 40%, remaining available above ground in bullion form.

The reason for the vast difference in the Silver numbers is because this metal has been put to industrial use. Vast quantities of Silver unlike Gold are used in electronics and hence not recoverable, since there is no feasible way to salvage it once application is discontinued.

During 1970 experts voiced the fact that there were 140 months of above-ground Silver available. By 1990 that had diminished to 50 months, but quantities have indeed decreased further as the 2010 numbers indicate this figure to be less than 11 months. Furthermore, RIO's research has shown that the amount of Silver coming out of the ground is going down every year and other data and statistics show that there have been almost no new Silver discoveries announced in the past 10 years. It should also be noted that the quality of mined Silver is of a far lower grade, because, like most metals, Silver is then no longer mined in veins and it takes tons of earth and rock removed to process even an ounce.

What's the bottom line? Silver is in demand but it is becoming far harder to recover, resulting in the obvious fact that manufacturers and investors will have to pay more for it. The price will inevitably rise which is the prime reason to invest in the metal.

How about Market Manipulation?

RIO naturally cannot guarantee that the market will not be manipulated again by the main large institutions. If money can be made by bending the rules, it will be done. Perhaps the next scheme is already being thought of now! But the facts uncovered have shown that there is no doubt that there's been big changes in the Silver market recently; as such certain manipulators have significantly reduced their short positions, which simply magnifies the upside opportunity in Silver for those who understand how these factors will benefit Silver's price.

Talking of changes and their strong bearing on my predictions for Silver, another vast change is already under way. There's the fact that there has only been one trading market, this has meant that anyone who wanted to buy or sell Silver contracts had to trade through the Chicago Mercantile Exchange (CME). For members not familiar with the CME, they also run the NYMEX (the world's largest physical commodity futures exchange), the COMEX (the global exchange for Gold, Silver, Copper and Aluminum) and the CBOT (for trading options and futures contracts on a wide range of products including Gold, Silver, U.S. Treasury Bonds and energy). They even control the Dow Jones Industrial Average.

This needs to change and indeed I have often spoken out on this topic, having written several pieces over the years predicting the replacement of the USD standard trading system since many outside of the US see this system as a monopoly in which investors must trade in dollars and abide by their rules. However, I am not going to dwell here on this 'game', which has meant that China has been basically shut out from taking delivery on Silver – unless they purchased contracts through the CME.

Members probably are unaware that the Hong Kong Mercantile Exchange has recently opened. I believe that this will have an enormous effect on the Silver market and Silver buyers around the globe. Perhaps the most positive effect of this opening is that it makes it very difficult for manipulators to use current scams, which underpins my recommendation to buy Silver now! The opening of the new exchange is a colossal change which should be all over the news soon since it is the first time in history that the Chinese and Silver investors all across Asia can invest in Silver futures contracts and actually take delivery of the metal in Hong Kong.

This Hong Kong exchange, I forecast will become a major gateway to Silver for the whole of Asia, this means that the enormous Asian market will not have to answer to Wall Street anymore when it comes to buying Silver.

The Chinese are the biggest consumers of Silver on earth. Their demand accounted for an astounding 23% of global Silver consumption during 2011! RIO's data shows that during 2010 China's demand for Silver increased by 67% and this number is expected to increase dramatically in the next few years. Can members imagine how much of an impact this can be expected to have on the Silver market?

Further, another reason for the Hong Kong market to see very considerable trading is that this new market offers significant discount. Those who want to trade Silver futures contracts on the new Hong Kong exchange benefit from that fact that it requires investors to buy a minimum of a 1,000 troy ounces, which is dramatically less than the volume required in the US, where the minimum contract allowed by the CME is 5,000 troy ounces.

The Hong Kong Mercantile Exchange has also signed 22 of the biggest brokerage trading firms in Asia; ready to start. This market has the potential to become one of the biggest Silver markets in recent times.

In addition, the Asia Gold Exchange is about to open its doors. Current estimates are for this event to take place in June 2012, and this could be one of the most significant moments in financial history because it will open the gateway to 320 million retail customers and 2.7 million corporate customers to use their Renminbi, the Chinese currency, from their bank accounts to trade Gold and Silver. That is without taking into consideration any impact from the giant Agricultural Bank of China.

That's right; hence yet another in the multitude of reasons and statistics which has lead to my recommendation and lengthy reports on the fact that Silver is very likely to see a strong rally, which has all the ingredients of being of historic proportion.

Members please also note that as always I under report my predictions when recommending a target price, be aware that my \$50 an ounce target is just another underestimated target.

The reason why? I wouldn't have the arrogance to believe that I can accurately predict the exact ceiling for this commodity, but I can say that \$50 an ounce could very easily be seen.

Should Silver become mainstream media news cover the facts that I have brought to members attention this could drive a rally that would push this metals price to record highs perhaps \$75 or even \$100 an ounce.

My prediction is that this will become a truly historic event.

William Gray
The RIO Club