

Hi-Ho, Silver!

By [The Mogambo Guru](#)

10/03/05 Silver is at historic lows when compared to everything else – and when something is at historical lows, then there is only one way for the price to move: Up. The Mogambo explores...

The economy is not growing, and is instead showing definite signs of severe debt-related stress. Consumer spending is down, even as health care, housing and taxes go up.

From a business investment standpoint, it is really ugly out there, which means risky, which means you will probably stand a better chance of making money by sending the cash to me, in a plain envelope, addressed to "Resident," and then waiting by the phone for me to call and tell you how much money you made.

Now, I hang my head in shame and admit I have no idea what to do about all of this. Fortunately, Dr. Richebächer does. He says, "We expect shocking economic weakness. All asset prices, depending on carry trade, are in danger, including bonds." So sell 'em all, unless you want to be sitting on something dangerous.

So, what do you buy instead? Marc Faber, who writes the famous Gloom, Doom and Boom Report, says that commodities of all kinds have surged here in the last couple of years, except, notably, grains. "In fact," he says, "grains are at a 200-year low vis-à-vis oil." At this, your Super Sensitive Mogambo Investing Senses (SSMIS) should have sprung to full alert, ("Beep! Beep! Beep!") when you heard that something that everyone needs is at a 20-year low against something else that everyone needs, too.

Apparently, Dr. Faber has a well-developed SSMIS himself, and will not benefit from the Mogambo Super Sensitive Investing Sense Home-Training Kit as he instantly intuits, "As a long-term investor I would also consider buying some agricultural commodities."

The Upside of Silver: Nothing Like Precious Metals

Well, if you have ever tried to trade commodities or store soybeans in your garage, you know what a hassle it is. And you already know what a lazy little creep I am, so doing that much work is really, really, really out of character for me. No, what I want to do is buy something now, when prices are low, store it away somewhere that has no commissions to be paid, no account maintenance fees, no inactivity fees, and in short, there is nothing for me to do and nobody is taking so much as a damned dime from me for any reason, less they get a dose of old Doctor Twelve-Gauge for their trouble.

And nothing fits the bill like precious metals...I suppose any metals: Copper, Molybdenum, Uranium. You name it, especially gold and silver (doubly especially silver). I bring this up especially because I was just at the Silver Summit in Wallace, Idaho, at the kind invitation of David Bond, who will probably lose his job because of it. I spent a delightful time ranting and

raving, and meeting a lot of really nice people, and trying in vain to play boogie-woogie music on the fiddle behind the talented Steve Dore on piano and embarrassing myself in more ways than one. As a result of this sudden explosion of sensory overload, I am now even more convinced that the upside potential of silver, as a percentage, is staggering, and almost guaranteed to happen.

Secondly, I am convinced that I like being around people who understand the importance of owning precious metals, since they do not introduce me as, "Uncle Mogambo, who is a gold bug and a real first-class lunatic, so don't stand so close to him or you might catch his cooties or get his drool all over your nice shirt."

But this is not about my cooties, dammit! It's about silver! I mean, the stuff is selling at just over seven lousy dollars per freaking ounce! When gold is selling at over \$460! Most of the gold ever mined is still around. Most of the silver ever mined is all gone, and demand is higher than supply for the zillionth month in a row. And while gold has few uses beyond wealth preservation and jewelry, silver has myriad industrial applications.

The Upside of Silver: Historical Ratios

Well, just between you and me, and don't let this get around, but to be entirely truthful, all of that is so much blah blah blah to me. What impresses me most of all is the historical ratios of silver to other things, like gold, oil, food, or anything else you can get data on. In every case, and I am talking Every Freaking Case As Far As I Can Tell (EFCFAFICT), in all of history, silver is at historic lows when compared to everything else. And when something is at historical lows, then there is only one way for the price to move: Up.

OK, but it is knowing the historical ranges of these ratios that tells you how high silver might go, right? Right! So, because you are so smart and thus you are my little teacher's pet, you immediately raise your hand with a question. With a beneficent smile of loving indulgence beaming in my Mogambo face, I point to you, and you say, in that delightful way that you have, "How high has silver gotten, your worshipful Mogambo-ness?"

Well, my little grasshopper, you will be surprised to know that there have been times when silver traded at a premium to gold. So, if this were one of those times, silver would be at over \$470 per ounce. It is selling for about \$7 right now. So dividing 7 into 470, which is probably easy for you, but difficult for me because I am so stupid (audience shouts "How stupid, Mogambo?") that I have to get out the instructions to turn the damned calculator on. I figure that the answer is, I hope, around 67. Your investment, if you bought silver now and the price rose to more than gold right now, would have a return of 6,700%! I have heard of lots often-bagger investment, but a potential 67-bagger? Wow! Truly rare!

So, the upside of silver is so high that it boggles the mind that you can, right now, today, this very minute, get up off of your fat backside, grunting and complaining about your aching back, and simply walk over to a phone or a computer and buy all the silver you want at a lousy seven bucks and change per ounce! As Mike Maloney of Gold & Silver, Inc. put it, silver is "stupid cheap!" I immediately translated that as an insult to The Mogambo, who is both stupid and

cheap, but when he calmed me down and soothingly explained it a dozen times or so, I finally understood it to mean that if you are not buying silver on the cheap, then you are stupid. Being stupid, of course, I was not buying silver. But after learning that I could appear to be smart by buying silver, I got a little.

Well, unfortunately, nobody was fooled for a minute. But a few people did agree that because I was buying silver, I appeared to be slightly less stupid than I really am, but still, unfortunately, stupid, which, being stupid, I did not understand. I still have the silver, and so should you, whether or not you are stupid. And if you think that you are not stupid, then I will rudely point out that you are obviously reading the stupid Mogambo Guru, and that doesn't say very much for you or your stupid choice of reading material.

Regards,

The Mogambo Guru
for The Daily Reckoning

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The Mogambo Sez: Things are worse than you think. Much worse. They are so bad that Alan Greenspan went on TV to say that because of Shumpeter's notion of "creative destruction," wildcat finance masquerading as "creative financing" and the Fed's constant monetary stimulus, that nothing bad will ever happen to the economy again, ever, since these are signs of "resiliency" and "flexibility." Hahahaha!

Lesson? Buy gold and silver every time the price goes down by a little bit, because this ridiculous Greenspan thing is one of the Seven Signs of the Apocalypse. Trust me on this one.