Outrageous Silver Speculation

Posted on September 17, 2015

The silver prices shown at the end of this article are outrageous and unlikely … as unlikely as the following seemed before they happened:

- Two jets taking down 3 buildings on 9-11.
- Assassination of a sitting president (JFK) by an organized conspiracy.
- Gold rallying from $42 to $850 in a little over 8 years.
- The hyperinflation in Weimar Germany in the early 1920s.
- Central banks printing Trillions of dollars in "funny money" since 2008 while maintaining near zero interest rates – for which they are applauded.

Given the above unlikely events, consider extreme silver possibilities!

Definitions:

Pareto Principal: The 80/20 "rule" states, for example, that 20% of the workers do 80% of the work, 80% of the price move in a market bubble occurs in 20% of the time, and so on. It is a rough guideline.

Phase 1 of a big market move: The time from the beginning of the rally to a substantial new high, the inevitable correction, and the rally back to that new high.

Phase 2 of a big market move: The time from when the market exceeds the substantial new high *(end of phase 1)* to the ultimate bubble high.

Example: Silver rallied from *(approximate prices and dates)* \$1.50 in August 1971 to \$6.24 in May 1974, corrected, and rallied again to \$6.24 in October 1978. *(Phase 1)*

Silver rallied from \$6.24 in October 1978 to about \$50 in January 1980. *(Phase 2)*

In that silver bubble, phase 1 took 86% of the time and represented 10% of the price change. Phase 2 took 14% of the time and represented 90% of the price change. This was an extreme bubble. Others were: South Sea Bubble, NASDAQ, Japanese Real Estate, and Gold.

Our most recent silver example is the move from November 2001 at \$4.01 to April 2011 at about \$48.50. Phase 1 took 93% of the time from November 2001 to Sept. 2010 when silver again reached the March 2008 high near \$21. Phase 2 took 7% of the time but covered only 62% of the price move up from \$4.01 to about \$48.50. Silver was overextended but not in a bubble, in my opinion, based on the above percentages.

SUPPOSE:

Silver rallies from the July 2015 low of about \$14.30 back to its August 2011 high of \$48.50 in late 2016 – 2017 to complete phase 1. Suppose the ratios from November 2001 are similar to the bubble move in the late 1970s. Then:

Possibility # 1:

Phase 1: Nov. 2001 at \$4.01 to \$48.50 in January 2017.

Phase 2: Jan. 2017 at \$48.50 to about \$225 in Nov. 2020.

Phase 1: 80% time and 20% price.

Phase 2: 20% time and 80% price. *(The 80/20 principal)*

Possibility # 2:

Phase 1: Nov. 2001 at $4.01 to $48.50 in Jan. 2017

Phase 2: Jan. 2017 at $48.50 to about $450 in Nov. 2020.

Phase 1: 80% time and 10% price.

Phase 2: 20% time and 90% price. *(The 80/20 principal in extreme)*

Two hundred or four hundred dollar silver! Outrageous! Yes, of course, when we think in terms of today's dollars, euros, and yen. But what if current deflationary forces overwhelm markets and currencies, debts are defaulted, and central banks panic. Rather than accept crushing deflation, they massively "print" to boost asset prices and thereby create a huge inflation. Instead of dollars and euros, we soon have mini-dollars and mini-euros. Commodity and consumer prices are considerably higher and people and funds are **DESPERATE** to own something that will retain purchasing power. **Gold and silver come to mind!**

Sane, intelligent, and connected individuals have suggested similar scenarios. Jim Rickards has often mentioned gold at $7,000 to $10,000. Jim Sinclair and Bill Holter have discussed $10,000 *(and higher)* gold and possibly $50,000 *(who knows)* in a massively inflationary world. Silver at $200 to $500 makes little sense in 2015 but it is far more plausible if global central banks paper over multiple trillions in defaults and derivative implosions.

A world where silver costs $200 or $400 per ounce will not be pleasant in terms of food and gasoline prices, but it is certainly possible depending on the “printing” decisions made by central banks and governments.

Don’t believe such prices are impossible unless you also think that presidents can’t be killed, hyperinflation can’t happen here, and other such unlikely events will never occur …