

INDEPENDENT TRADER NEWSLETTER



Independent Financial Portal

**INDEPENDENT
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China attacks the dollar, again

Last year Chinese Yuan (currency of 2nd biggest economy in the world) was formally added to the SDR basket – an international currency issued by the IMF. The set time of 12 months was agreed upon and time flies quickly, and on 30th September Yuan will be officially part of SDR.

Chinese are not sitting on their hands. They do whatever they can to make their own currency and the SDR popular in international trade simultaneously diminishing the role of USD. Recently the World Bank announced for the first time in history they are going to issue SDR-denominated bonds. The buyer – Chinese, no surprise here, and to be precise the Asian Infrastructure Investment Bank, the Asian Development Bank and few commercial banks.

This is important because the World Bank does not need money as it is one of the most capitalised institutions in the world. China asked for those bonds to increase international exposure of the SDR. This is a precedent and a very clear message to the biggest players out there: “from now on, put your capital surplus into SDRs to limit your exchange-rate risk.” Additionally, thanks to this agreement with the World Bank, Beijing will be able to diversify their dollar reserves and popularise the use of a common currency they are a part of. The sum we are talking here is only 2 bn SDR (~2.8 bn USD) but in practice, it is a big step forward enabling further SDR-denominated sales.

Another move came from the International Monetary Fund after they published their report giving guidelines on how to issue a corporate debt denominated in SDR. In the beginning, public investment funds from Singapore, Norway or Denmark will acquire debt in this international currency. Later smaller investors will be allowed to participate.

The scale of the latest changes is significant. Today, 23 countries prepared USD-SDR swap lines. Countries like China, Russia and France officially pointed towards replacing the dollar system with international currency.

During the G20 summit on 4th September details of the process of smooth conversion of USD debt into SDR debt should be clarified. Hosting it in the Chinese city of Hangzhou was not a coincidence as Asian culture pays attention to details and symbols.

To kill speculations we have to point out that any form of transition from the system based on USD to SDR one is not going to happen overnight. In order for the currency, administered by the IMF or the World Bank, to be used widely by central banks it needs a certain level of liquidity in the first place.

The dollar is a reserve currency due to vast liquidity and its popularity. Without any problem you can purchase bonds with terms from 30 days to 30 years. This is far from being the SDR case but this is only a question of time.

Why SDR?

To answer this question, let us move back in time. In 1969 when elites were afraid of the fall of USD they created the SDR. The Vietnam War and the Great Society were funded through a drastic increase in dollar supply. The whole world understood the gravity of this action and many countries started to exchange their dollars for gold and this led the US gold reserves to drop from 20 000 to 10 000 tonne. This metal drain was stopped by Nixon in 1971 but problems of the USD had just begun.

A few years later dollar experienced a crash, a jump in commodity prices (oil crisis) and the beginning of hyperinflation in the US. The trust given to dollar fell so hard that in 1977 Washington had to borrow money in CHF. There was no demand for US bonds sold in dollars. To save the day and finish the crisis of trust and lack of liquidity, SDRs were issued in dozen rounds by the IMF and this brought back stability.

Between 1980 and 2008 we can see a period of relative peace and USD domination. After Lehman fell the situation slowly started to change when central banks all over the world began to buy junk debts to save the system. It was 2008 when for the first time in 30 years the IMF sold 100 bn USD worth of assets in SDR. Reason? Officially, central banks were not able to secure enough liquidity for the financial market.

We can perceive it as a test which checked whether we were able to advance the control over the monetary system to another level. Today, central banks' balance sheets are full of toxic assets, liquidity is very low. Everything caused by the very banks themselves. One has to be naïve to believe that the same people who created the problem can solve it.

If central banks did the only thing they were created for in 2008 rather than intervene, we could be already after a massive wave of bankruptcies of badly governed institutions. Investors making bad decisions and taking too much risk would have paid for that in debt write offs. In just few months the situation would be cleansed and economies could finally base their growth on a solid foundation. Instead, we experienced central banks kicking the can down the road and only increasing the scale of potential consequences. The result? A salvation is said to come through the SDR, but what is it?

The SDR is nothing more than an artificial currency and a mix of the exchange rate of:

- USD – the reserve currency the whole world starts to leave behind, issued by a country with 1 trillion USD deficit.
- EUR – the currency of artificial creation, the EU, with life support of 80 billion EUR printed each month.

- GBP – former reserve currency falling in the ranking each year. The UK's lack of decent gold reserves that could restore faith in the currency is definitely an issue.

- JPY – the obvious winner of currency wars. The leader of purchasing power destruction of Japanese people. In only few months the currency itself is said to be given out 'for free' only to stimulate spending and the economy. A thing that has not worked for 30 years, is not going to work this time. No matter what sort of acronym (TINA, TTID) we will come up to call the excuse. Albert Einstein had a really nice quote about insanity and it fits perfectly for central bankers.

- RMB – officially being destroyed just like the others. We do not know yet whether Beijing after period of using SDR wouldn't want to base their currency on vast reserves of gold.

Circumstances around the SDR renaissance we see today show that it is rather a tool and not the solution. Those governing the global financial market can potentially buy some time and enable a smooth transition from petrodollar system to multipolar one.

Summary

Yuan joining the SDR basket is another nail in the coffin of the dollar. This change will not happen overnight and although, debt issued in SDR is of very small volume it can start a bigger process.

I believe that on 4th September, during the G20 summit, internationalisation of both yuan and SDR is going to pick up speed. Nonetheless, 60% of global currency reserves stored by central banks are in dollars. In case of a deep crisis of trust in the dollar, a share of debt can be converted into SDR but for now, no one seems to be ready for any instability. With current levels of debt, it is very hard to control the situation.

A few years ago the debt reset and transition towards a new system was planned. The bail-in, enabling a takeover of deposits was one of the main components. It appears that this plan is abandoned and a 'good old' IMF bail-out is the plan A now. When banks seize money from depositors, people turn to cash. This doesn't help the war on cash waged by the financial elite. It is better to wait 5-10 years, remove cash and enable another level of control.

No matter which way global planners would choose, the biggest loser of the systemic changes towards the SDR is going to be American dollar. The defeat will be two-fold – in international trade (transactional currency) and the lost role of reserve currency (in central banks' vaults).

Should we see any movements in USD charts after 4th or 30th September? I do not think so. If USD is about to have a bad time it is due during 'after-election pre-nomination' period. I believe this is when the FED lowers interest rates and officially

returns to QE. The USD is going to lose few percent vis-à-vis other currencies. This in turn should increase prices of precious metals and commodities.

Finally, I wanted to highlight one thing. If the world accepts the SDR as new supranational currency, 189 countries (members of the IMF) are going to fall into the trap of the international finance cartel. The same way as Greeks fell into the trap of the ECB. Were it for the central bank controlled by Greeks or for the government to be responsible for issuing currency, the creditors would have already be paid back with the economy growing without undue burden of crushing debt. Now, the country is in economic and societal decay. What is worse? There seem to be no end to it.

Trader21

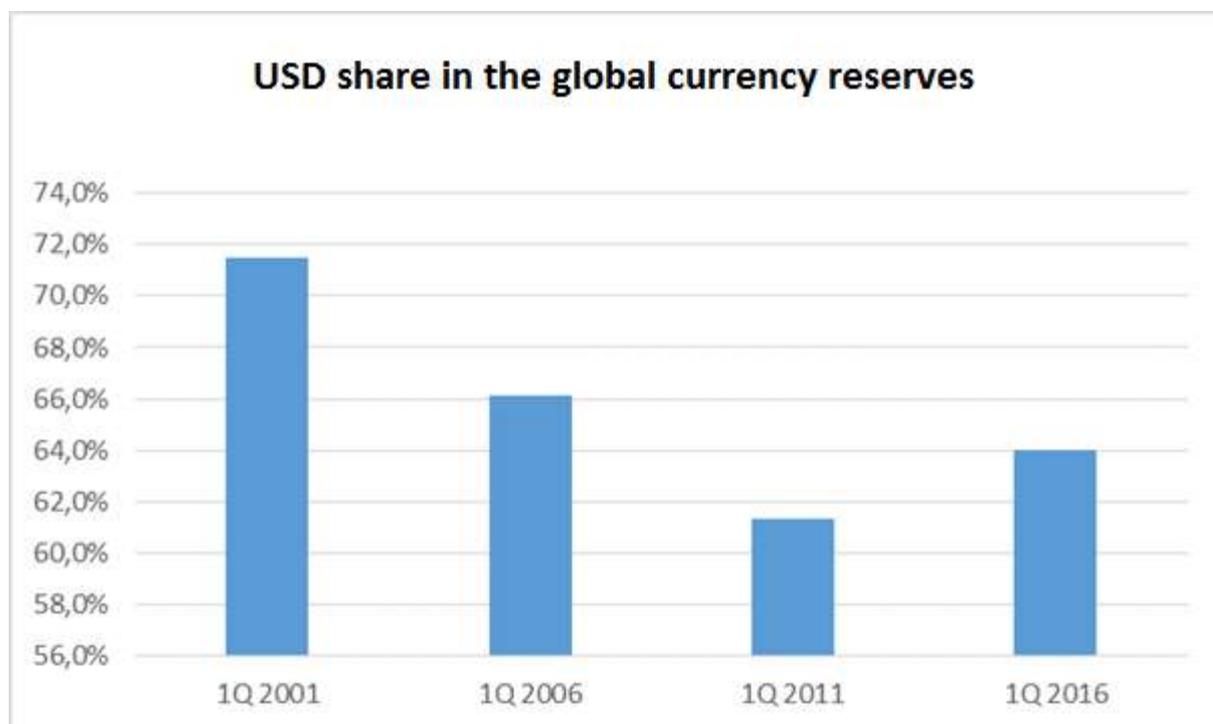
Clinton or Trump? Elections with global impact

Barack Obama is leaving office after 8 years of his presidency. We can say openly now that this period is far from being the best in the American history. In just a few years US public debt doubled and the economy is beaten to a pulp. After adding trillions in debt we see the situation in Ukraine and the Middle East destabilised. What future policy of the superpower will be in the future? We may know more in November when Americans will vote. Most definitely the White House will be presided by either Democrat candidate Hillary Clinton or Republican nominee Donald Trump.

Background

The US is in a very particular point in history. For the first time, the middle class in this country is a minority. American's society stratification is stretched every single year and growing inequalities are visible. Nearly 70% of citizens using some form of government assistance (welfare, subsidies etc.). This, in turn, creates a huge deficit in government's budget and we are past the point it could be balanced. The result is a huge public debt.

Using real inflation rate we see that the US economy is shrinking. Countries trying to catch up with Washington (China, Turkey, India and others) aim to limit using of USD in their international trade. Same applies to Russia and the dollar's international role diminishes.



Source: Self-made

As you can see from the chart above in the long-term trend for USD share in the global currency reserves is falling. Recently we saw dollar strengthening but with a bigger picture in mind (since the introduction of EUR) it dropped from 71.5% to 64%.

Economically, the US does not impress anyone anymore but militarily it is unparalleled. A wide stream of funds ends up in the purse of the military-industrial complex (MIC). This is why we see American troops simultaneously all over the world in multiple operations with the MIC's aim to perpetuate existing crises and create new ones.

Russia is presented to be the biggest enemy of the US. Washington successfully destabilised Ukraine leading up to Russian annexation of Crimea. Consequently, Moscow and Washington (with the EU) introduced sanctions against each other. When we mention demonising Russia it is worth noting a peculiar contrast. Important officials like John Kerry, Victoria Nuland visit Moscow on a regular basis and no one insinuates any special connection but Donald Trump is called "friend of Putin" thanks to his business links to Russia.

Coming back to both presidential candidates – both of them are pushing record numbers in terms of dislike and distrust among voters. Clinton has a lot of scandals under her belt while Trump is bashed for his anti-immigrant rhetoric.

Clinton, the candidate of the establishment

Hillary Rodham Clinton has been present in American politics for decades. Supported by establishment she enjoys immense media approbation. However, the email scandal and other during the period when Clinton was the Secretary of State, is very hard to be swept under the rug.

According to a State Department Inspector General report, between 2009 and 2013, Clinton used a private server in her home for work-related issues. Over 30 000 emails processed by this server were published by WikiLeaks. Among others, we read about the plans to remove the regime in Syria.

"The best way to help Israel deal with Iran's growing nuclear capability is to help the people of Syria overthrow the regime of Bashar Assad," Clinton wrote in one of her emails. From another one, we learn that she supported an idea of attacking Assad's family.

Based on leaked material we know that Clinton actively opposed Muammar Ghaddafi in Libya by selling weapons to terrorists there. Some of those weapons were used against US soldiers and one of the victims is Chris Stevens – the US ambassador. Revealing former Secretary of State correspondence resulted in American agents working in the Middle East region losing their cover (some died because of this). Therefore, it is hard for Clinton to count on warm words from the intelligence community. James Comey, the FBI director cannot officially accuse Clinton of anything because it would lead to a constitutional crisis. During her FBI interrogation there was no recording device. There is no record nor transcript of this

event - far from ordinary procedure. Judge Andrew Napolitano called that situation "unheard of". This makes verification of Hillary's public statements virtually impossible.

To finish this topic I will add one more thing. Julian Assange suggested recently (in his interview with Dutch television) that one of the WikiLeaks sources was Seth Rich. Rich, 27-year-old Democratic party member, was murdered in Washington in July. The official cause of death: robbery. The problem is that Rich was found dead with his wallet, watch and credit card untouched.

Another issue that seems to follow Hillary is the Clinton Foundation. Under a cover of helping those in need, Clintons made deals with governments and secured contracts for companies donating to the foundation. A lot of money was given to Bill as a fee for his speeches. One example is a 700 000 USD fee for his speech in Nigeria.

From Charles Ortel who analysed foundation's books, we know that it has not been audited for years while billions of dollars flowed through this organisation. Official data tells us that Clinton's foundation received 2 billion USD in total but this number pales in comparison with contributions declared by donors. The spokesperson admitted that some payments were not recorded. The Clinton Foundation received money from Lafarge, French company cooperating with ISIS to maintain their position in the region.

You can see that there is a number of questions left unanswered by Clinton. This, paradoxically, increases her chances of getting elected. A candidate with more 'dirt' is easier to control. Not to mention the fact that Clinton has very good relation with military industry and financial sector. The latter helped her campaign with 123 million USD. Trump received 19 000 USD from the same source. This answer why there is always enough money to buy positive media attention.

Democratic Party nominee can unapologetically prolong the period without press conference (over 270 days) during which she could be asked very hard questions. Ultimately, she will have to face Trump during debates. What will be her reaction when he points out some inconvenient truths in front of 70-100 million people? This is not going to be a hearing behind closed doors and every word will be analysed. This time, no network will stop transmission – unlike CNN that has done that few times.

"We couldn't help her any more than we have. She's got just a free ride so far from the media... we are the biggest ones promoting her campaign, so it better happen." Words of Chris Cuomo from CNN make it pretty clear.

Trump – the hammer for political correctness

When a standard of living in a country does not advance while the only news media are serving is about record low unemployment rate and booming stock market, the anger is slowly building in the society. Circumstances like this emulate emergence of someone who 'tells it like it is'. The Republican Party nomination given to Trump

shows that he used this moment. The real estate mogul is far from being anonymous to the public. How exactly did he win the nomination? He used American pride. His slogan about restoring the former greatness of the US perfectly corresponds with how many people feel. It was aimed to those who do not participate in today's system and are not going to profit off another military conflict the US might entangle itself.

Trump does not have the history in politics like Clinton and this is also why he will be harder to control. The establishment would rather put a Democrat in the presidential seat. To damage the challenger media choose to demonise him. Sometimes his business ties with Russia is enough or his stance about deporting illegal immigrants. The Republican candidate has a tendency to communicate in a way which is very easy for media to present in a negative light. We could say that Trump is one of his own biggest threats in this campaign. You can be sure that if Trump says something controversial, his words will be repeated hundred times by mainstream media.

On the other hand, you have to give it to Trump, many of his remarks hit the nail on the head. During his Detroit rally, Trump presented real data about the state of the American economy (some of you already knew them if you are our reader). He mentioned about 95 million people outside of labour force. Number which goes against the official story of 5% unemployment. Later, mentioned data about homeownership in the US – at a historical low. The Wall Street Journal confirmed his words. The mainstream admitted that official numbers have little to do with the reality around us. Therefore, Trump having media against him still can count on at least 40%. Additionally, Mike Pence the VP on Trump's ticket is an asset to his campaign. In 2008 Pence was against bailing out banks and right now he is the Governor of Indiana where taxes are regularly cut.

Clinton vs Trump, a head to head comparison

Trade: both Trump and Clinton are critical about today's trade deals. The Republican candidate wants to renegotiate them and is vociferous about American jobs being exported to other countries.

Taxes: Trump wants to cut taxes. The top bracket of income tax should be lowered to 25% from 39.6%, no real estate tax and cutting corporate tax from 35% to 15%. These changes definitely could help the US be more competitive as taxes today are paid mostly by the SME sector and the average rate paid by the biggest corporations equals 2.6%. Clinton wants to add another 4% tax for everyone earning over 5 million USD. The effective tax base for households with income above 2 million USD should be at 30%. If rich are not paying their tax share today, Clinton's plan is not going to improve that. Former Secretary of State suggests also another capital gains tax against those who hold their assets for less than 6 years. She claims this encourages long-term investing.

Social security and healthcare: neither candidate wants any revolution here. Clinton desires to strengthen social spending but she does not address potential

effects for the budget. We should mention here Obamacare which decimates wallets of households. Government intervention in another sector led the society into the area of very expensive healthcare. This crucial part of American family's spending is going to get even more expensive in the future if nothing changes.

Debt: Clinton and Trump want to balance the budget but that seems impossible. Today, spending is over 30% higher than what government squeezes out in taxes. A scale of the cuts would amount to closing at least 90 (out of 180) military bases around the world. On the table, we see two different ideas on how to find money. Trump seems to value unlocking economic potential and I believe this is a way better solution than one offered by Clinton. High taxes never work.

FED and monetary policy: Until inflation shows up, rates should stay at their levels. That is Trump's stance. He probably understands the cataclysmic effect of raising them and chooses to solve debt problem through inflation. Hillary Clinton wants to remove "bankers" from the decision circles in regional FEDs. Knowing her connections with banks it does not sound convincing.

Minimum wage: Trump - \$10/hr but preferably States should be given autonomy here. Clinton offered \$12/hr and allowing states only to raise this minimum. Worth noting is a fact that costs of living differ immensely across the states. Entertaining their plans about minimum wage we can also think about a \$100/hr rate to make everyone a millionaire. Unfortunately, 90% of people would be unemployed then.

Summary

If Hillary Clinton wins:

- a) the USA is going to continue pressure aimed at military conflict (military-industrial complex plays a huge role here),
- b) the most important officials in the financial sector will enjoy continuous support,
- c) American debt is going to grow,
- d) government intervention will advance into other sectors (the USA, for decades land of the free market economics, under Obama, turned to Socialism. Hillary Clinton will continue this trend),
- e) the USA itself is going to lose (people who identify with principles on which this country was built will either not vote at all or vote Trump as someone new. Clinton serves a very small group of people trying to hold onto power).

If Donald Trump wins:

- a)** relations between Washington and Moscow will normalise,
- b)** there will be a slight chance to slow down creeping socialism visible in the US,
- c)** American debt is going to grow,
- d)** the FBI will not be afraid of launching a full investigation of Hillary Clinton and her email scandal (this has a big chance in putting former Secretary of State in jail).

What we can see in the US now resembles the atmosphere felt during the Brexit referendum. An overwhelming narrative of continuing the old paradigm (in the US it seems even more biased) with vilification of Brexit even by celebrities, forecasting the end of the world. At the end, the UK decided to leave the EU and the world still exists. Why a potential victory of Trump should bring the Armageddon?

On the other hand, if Trump is a real threat to the system, as he claims to be, he would already be ignored with no chances to win the nomination in the first place. This is treatment Dr. Ron Paul was given. We cannot rule out the possibility of Trump buying himself media time to fight with establishment's methods. There is also a possibility that beneficiaries of today's system are starting to be afraid of him.

What we know for sure is that two strong groups of interest, the MIC and the financial sector, would do everything to ensure Clinton's win. This way they can buy another 5 years of the reign of a very small circle. For average Joe, this time is going to be lost.

Independent Trader Team

DIY: How to destabilise a continent?

The immigration crisis hit Europe dozen months ago was dominated by a strong unanimous voice of European officials and institutions. The debate was driven by sympathy and need to accommodate fleeing asylum seekers. This narrative was not broken by any threats posed by so massive crowd. Crimes and even terrorist attacks were not enough to change the policy of the Western Europe.

The new angle was discovered with leaked documents of Open Society Foundation - a charity of George Soros. From them, we can learn how one man's vision can lead media efforts and align hundreds of politicians according to one's will.

Organic work

Every society can boast up to dozen percent of people having enough common sense and free time to be able to base their beliefs on multiple sources. Unfortunately, a case for the majority is quite the opposite – one tearful evening news report can shape views of millions.

Open Society Foundation used populist propaganda before elections to the European Parliament in 2014. Many projects with budgets from several to 340 thousand USD were founded right before the elections.

Crucial goal for this campaign was to achieve or strengthen: fight with hate speech, increase the women's share in politics and add significance to powers far from the circles of authority. Every single point sounds benevolent and you have to be thoroughly prepared to debate that blind realisation of all those goals can backfire. Example: fight with hate speech easily evolves into censorship of free speech.

This does not change the fact that mentioned goals of Soros' project were widely accepted especially by unaware, young people. Simultaneously, while being a candidate for the European Parliament it was a cheap way to score easy votes by promoting buzzwords about tolerance and equality.

Let us take one of Open Society Foundation's projects and analyse it for better reference.

Name: Our Elections – Our Europe!

Project conducted throughout Hungary, France, Italy and Greece. A three-month media campaign aimed at younger people promoted sharing positive stories about immigrants and scoffing any xenophobic reactions. Budget: 50 000 USD.

The campaign realised in such manner reached all EU member states (especially France, Italy, Hungary and the UK) and continued until the EU elections.

1/3 of the EU parliament controlled by one man

You can find a report circulating the web, made for Open Society Foundation by Kumquat Consult "Reliable allies in the European Parliament (2014-2019)". Understanding how big of a role lobby groups play in Brussels it would be naïve to believe they act accordingly only because they identify with particular goals.

Why do we even bother mentioning it? Because this report talks about 226 MEPs (Members of the European Parliament). This is nearly 1/3 of the institution. The count of "allies of Soros" is higher than mandates given to any single country in the EU. This begs a question over the division of mandates as the true distribution of power is clearly different. A bigger role is played by low-profile charities owned by influential figures.

The European Parliament contains now 8 different political fractions. Today only politicians from the Europe of Nations and Freedom (ENF) parliamentary group are not on the Kumquat Consult list. The ENF, the Eurosceptic group is chaired by Marine Le Pen.

Further analysis of Open Society leaked documents give us the answer why so many politicians supported (in the past and continue doing it now) the vision of "open society". Those who promote this goal are aware of the risk that may threaten security and wellbeing of millions of Europeans but they do it for their own gain. The result is visible in hundreds of thousands of immigrants flooding Europe without being properly checked nor registered. Additionally, German intelligence agencies admitted that fighters of ISIS used the cover of mass immigration to get to Europe. The admission came only after the biggest wave was already on the Continent. Previously they stubbornly hold their story of "there is nothing to worry about" while letting in an unaccounted mass of people in without any control. This situation could not have taken place unless the political influence of a very small group of people had laid the groundwork (propaganda).

Centralisation of power in hands of politicians easily manipulated from the back seat is the priority of George Soros and others with similar ambitions. You already heard different media attempting to erase any national identity. Europeans were asked countless times to believe in their new - European - identity while national distinctiveness is shamed as backward thinking. A recent example was very 'innocent' – MEP Roza Thun tweeted medal table of the Rio Olympics where the EU (as one team) topped others. Question: Have you heard about any athlete fighting for the EU? Maybe, you heard about one who cannot wait for the anthem of the EU to be played when the medals are given? You can point out that it is a direction pushed from top-down rather than the will of Europeans.

Summary

Terrorist attacks throwing Europe off balance incited aversion or even hatred towards immigrants. This was according to the plan.

Let us assume that Europe is ruled by leaders who want to refrain from building huge walls alongside borders but also prevent destabilisation on the continent. Scenario when a big number of immigrants suddenly pour inside the Union can be solved by one decree. No social welfare payments for immigrants. The best example of how to handle this situation can also be found in Europe. Look at Poland and the result of the Ukrainian crisis at its borders. Millions of Ukrainians escaped the war-torn country in pursuit of a better life and (what is crucial) a job. Their attitude is appreciative for the warm welcome given by Warsaw.

Immigrants in Western Europe feel different about their new home. Regrettably, the majority of under one million people who reached Europe from the Middle East and Africa, are the worst element to handle. Some of them have a terrorist affiliation, others are lured to the West by the vision of a huge welfare state they can abuse. The real number of those running from war is similar to the share of (the mainstream media mantra) 'women and children' in this group. Merely few percent.

This was the plan all along. Thanks to this 'selection' calm and peaceful Europeans can resort to violence - even to a civil war. This escalation can change their opinion about any potential intervention in the Middle East. Next thing we know NATO with high approval ratings could occupy (or bring democracy) in another Muslim country.

We also cannot forget about politicians enacting tougher laws limiting everyone's freedom after every single terrorist attack under the pretence of increasing our security. It takes multiple incidents for an average person to read between the lines and realise that authorities claiming to safeguard citizens are most often the source of very serious problems. In fact, the pervasive impression is that they are mere errand boys used by groups of interest to achieve their goals, increase their reach. The average Joe's standard of living ranks very low on their agenda.

The example I presented above is just one instance of George Soros intervention in Europe but in the light of this year's US elections worth mentioning is the fact that he is very much rooting for Hillary Clinton. His support for the Democratic Party candidate reached 30 million USD. Strengthening the grip of special interest groups in the US (like George Soros and his helpers) means the willingness to further destabilise different regions of the World, just like it has happened in the Middle East recently.

Independent Trader Team

Silver – my favourite asset

Many of you already know that silver has the biggest share of my portfolio. The amount of written material about gold is immense and this is why investors have decent knowledge about it. When we talk about silver, though, there are some myths giving people wrong assumptions. It is time to recap and refresh what we know about silver.

Industrial or monetary metal?

Silver is often identified as money. At the end of the day when we buy silver coins, we have a nominal value on them. In practice, silver balances between a precious metal and industrial resource. What we know for sure - it is not money. Yes, in the past we saw silver in a role of the monetary tool but it was during the '60s when we saw an explosion of an industrial demand. This dwarfed stocks of silver and right now all available metal is worth 40 bn USD which is the amount the ECB is printing in a fortnight.

From a manufacturing point of view, silver has approximately 10 thousand uses. It ranks only behind crude oil, primarily utilised in medicine and electronics. The industry is responsible for 54% of demand and it is systematically growing – especially due to increasingly popular solar panels. Investment side (coins, bars) equals only 25% of the demand.

Depth of the market

Silver is often compared to gold. Prices of both indeed move in the same direction but the difference is that investment gold is abundant while investors struggle to find enough silver to put their money in.

We have 175 thousand tons of gold. Half of this is investment material owned by central banks, investment funds and private investors. This is to say that there are around 90 thousand tons which can change hands depending on the mood of the market. All worth 3.9 trillion USD today.

On the other hand, we see the market for silver. According to silverinstitute.org, there are 2.3 bn ounces of silver worth 40 bn USD. Other institutions have different approximations but 40 bn makes sense, especially that in private talks with Loomis, I heard multiple times that in their office in Klotten (near Zurich) they store 4 bn USD worth of metal deposited by their clients – 10% of the world reserve.

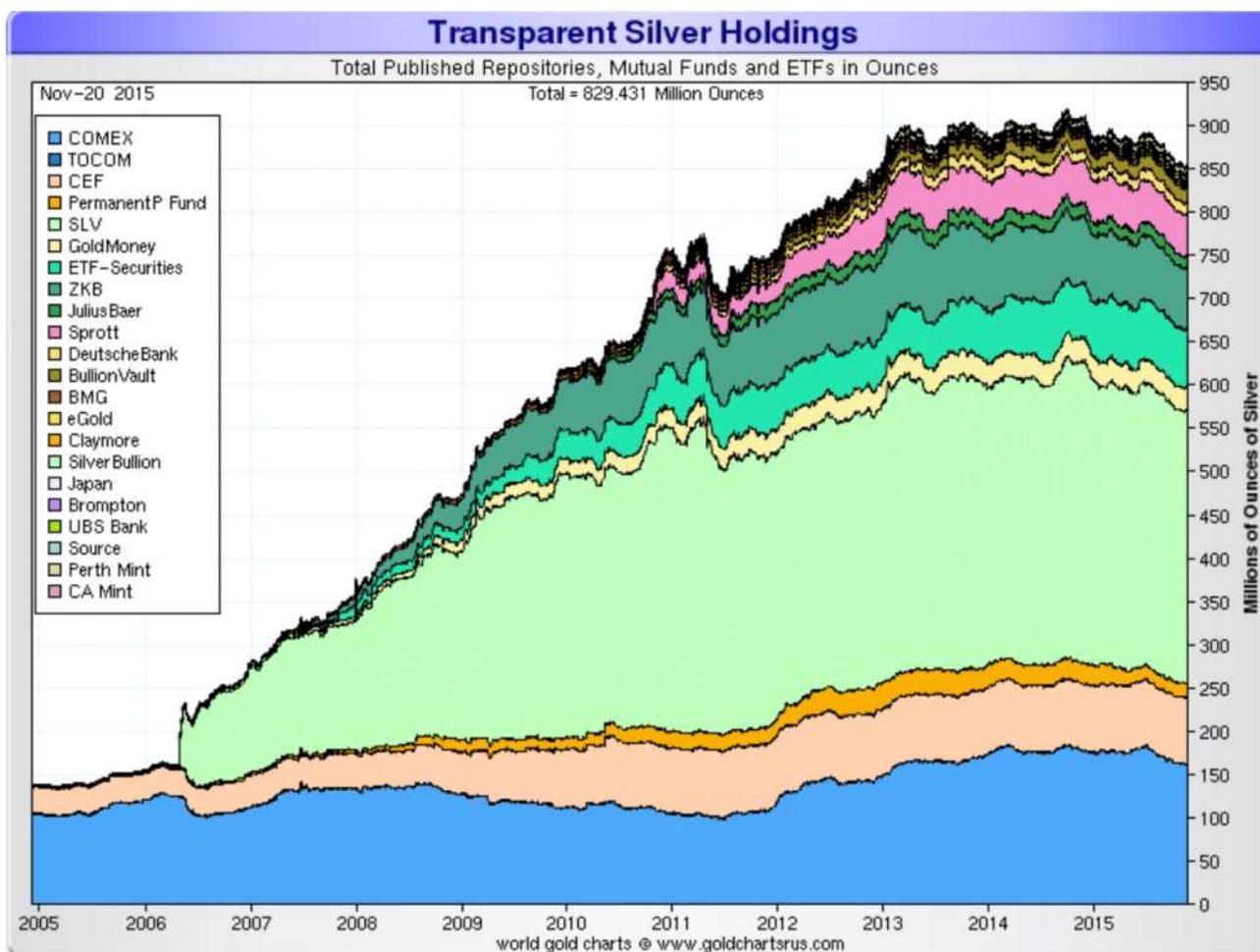
IDENTIFIABLE ABOVE-GROUND SILVER BULLION STOCKS

(Moz)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Custodian Vaults*	729.0	726.8	605.5	839.3	826.5	933.9	806.7	1,008.4	1,207.4	1,422.4
ETPs	158.3	213.1	314.7	472.0	601.6	577.5	632.8	635.3	635.5	617.8
Exchange*	106.4	125.9	114.7	93.6	83.4	98.0	159.3	168.1	158.1	154.4
Government	249.2	206.7	176.2	160.5	116.4	104.3	97.0	89.1	89.1	89.1
Industry	25.8	16.6	19.5	16.6	21.6	20.0	21.8	19.1	17.0	17.6
Total	1,268.6	1,289.2	1,230.6	1,582.1	1,649.5	1,733.7	1,717.7	1,919.9	2,107.1	2,301.3
Months of Demand	16	14	17	18	18	21	18	20	22	25

Source: GFMS, Thomson Reuters; Respective ETP issuers, exchange websites, Japan Ministry of Economy, Trade and Industry, USGS

*Custodian vault and exchange warehouse stocks exclude stocks allocated to ETPs.

The main problem with rough calculation of the amount of silver is that there are only a few institutions publishing verifiable data. Below you can find a list of entities allegedly owning significant silver reserves. Two positions at the top: COMEX (blue) and ETF SLV (light green). For me, they both lack any credibility.



You can expect that there is less available metal than what the official data shows. When Eric Sprott started his ETF backed 100% with physical metal in 2010 he needed 9 months (!) only to buy silver worth 1 bn USD. Nine months!!!

Another advantage of silver is indeed its thin market. This makes it prone to sudden price changes due to relatively small capital injection. If it seems puzzling, recall

what happened to the price of bitcoin. During the first stage, the price got to 30 USD from only 1 USD. But when bitcoin became a buzzword, in a very short time it jumped from 30 to 1100 USD. Such a change was possible only because bitcoin currency capitalisation was around couple billion dollars. It is smaller than the rounding error when compared to global transfers happening every day.

If you still ask yourself whether the silver market is worth 20 or 40 bn USD let me give you a bigger picture: Apple stores in cash 200 bn USD and the bond market is valued at 200 trillion USD.

Gold/Silver ratio

Silver fans really like using a historical ratio of metals – 1:16 – and silver returning to those levels. I believe Argentum has a better perspective than gold but this is too optimistic.



After analysing last 50 years, we see the ratio varying from 16 up to a 100. Most time we can see it above 40 and below 80.

When we talk about gold/silver ratio there are thresholds I take into consideration when thinking about investing:

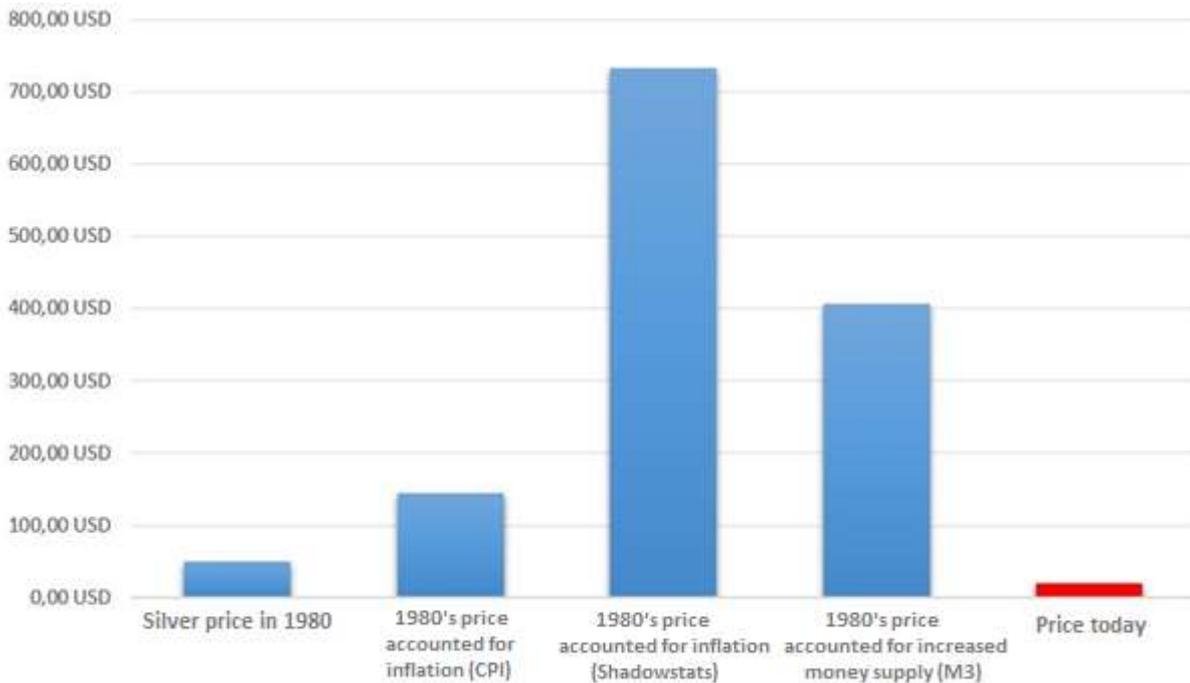
- above 70 – buy only silver;
- between 45 and 70 – buy both gold and silver;
- between 30 and 45 – buy only gold;

d) below 30 – start thinking about selling your silver.

Historical prices vs prices today

Patterns from the past help us predict what might happen in the future. Silver has a problem – the last boom in the market for precious metals ended in 1980. Four decades ago. This is when we saw 50 USD/oz handle.

Today we see it below 20 USD/oz (and recently even below 18 USD/oz) which is a 60% discount. Always when you talk about long time frames take inflation into account because a dollar today is worth much less than one 36 years ago.



As you can see, to find silver at similar levels like in the '80s it would have to increase 7-fold (CPI inflation).

Also, it is worth comparing silver with Dow Jones.



Silver has not been that cheap vis-à-vis equities since 2001 and its price is still very attractive. To catch up to 1980's price it would have to aim at 800 USD/oz mark. Is that possible? I do not believe so.

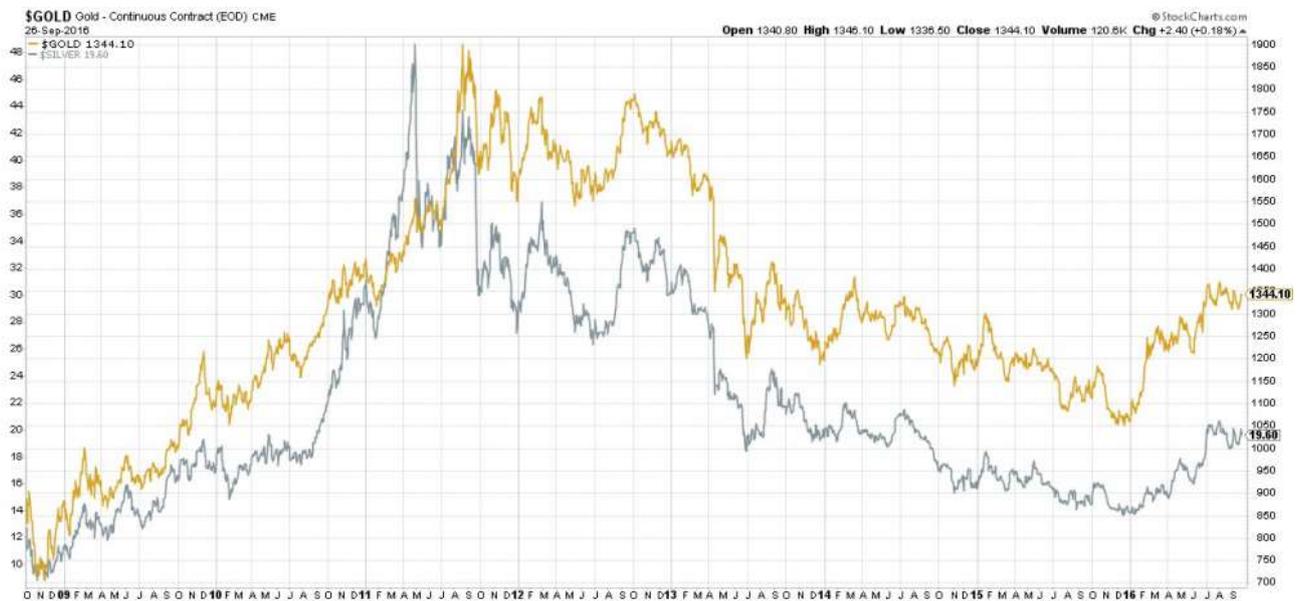
In the case of US equity market losing 75% and simultaneous bubble in the market for precious metals pushing silver to 240 USD/oz, would return the ratio to its level from 1980. This is possible.

To cool down every eager investor fantasizing about the price of silver reaching for the sky, I want to remind you that the record of 1980 was due to Hunt brothers dominating the market.

What is more, in 1980 silver was not used so often in the industry, contrary to the situation today. Industrial lobbies are very strong and we can rest assured that they will do everything to stop prices from getting too high. Cheap silver and gold are very good for central banks. Keeping them low conceals the machinations destroying fiat currencies. All in all, today there is much more moving parts in the system, and a more complicated world overall, compared to 1980.

Volatility in the silver market

Unlike gold, silver is very volatile. You can see both metals moving in the same direction but when gold moves 10%, silver price doubles that.



Between October 2008 and April 2011, gold climbed by 150%. During the same period, silver grew by 420%. This is only 18 months we are talking about. But then the story of 2011 - 2015 makes you sober again. Gold lost 45% while silver dropped by 72%(!).

This is the volatility I mentioned before and unless someone is able to mentally handle it, one should not try this kind of investment. The Golden alternative would be better.

Coins or bars?

When we talk about gold I consider popular bullion coins, but for silver, I make an exception. Small, standard sums should be invested in tubes (20-25, 1 oz coins) or master boxes (500, 1 oz coins). This way makes it easier to sell them in the future. In countries with VAT, coins are cheaper than bars (the only exception is buying bars with no VAT stored in warehouse – before duty tax – but this operation requires over 70 000 USD).

Summary

I am sure that now you know why silver ranks so high in my portfolio. Although, playing against central banks I believe that this metal in just a few years is going to give a decent profit. Max Keiser is a bit dreamy when he announces 500 USD/oz, at least without hyperinflation, but 100 USD/oz is a definitely viable target.

There is also one last advantage of silver. You can keep it outside the system giving you the opportunity to prevent a lot of problems during potential debt reset, banking crisis and consequences surely to follow.

Trader21

Readers' corner.

Here you can find comments from the blog that I believe deserve recognition and be shared with our subscribers. From critical analysis to constructive comment - sometimes I may not agree with those insights, nevertheless, they are full of useful information.

DIY: How to destabilise a continent?

Author: Arminius

@Saymyname & all

https://youtu.be/X3-_KZExlJ0

I first thought of satire. But they really mean it.

@Independent Trader

I think the migrants pouring into Europe are anything but accidental. I agree to you seeing a changing zeitgeist towards migrants; a massive potential threat regarding social unity; but quite small probabilities for civil wars.

If you want more influence, is a migration wave really the art of war? Of course Europe is going to join the US history after 9/11 regarding security laws (incl. surveillance) and they'll probably ban cash money. Nonetheless the peoples in Europe are changing. Finland, Netherlands, Austria, France, Italy, Visegrad. There is a significant shift to the right (I don't mean nationalism). They've in common to look at the EU as a union of peoples, not a European nation. Given Soros influence in Brussels, isn't he going to destroy his base of influence?

I've seen Soros a couple of days ago announcing he is going to invest in startups which are tackling 'new migrants issues'. Honestly I don't see that fat margins to make for him in contrast to the chaos he's promoting and due which he suffers himself.

And I don't think either that inner European problems with Muslims will encourage European nations to accept the US passing the torch to the Europeans in terms of Middle East intervention, so that the US can focus on Asia. I mean this idea is interesting and might be reasonable, but at least Germany and imho Italy wouldn't follow. I guess you'll now show me the socialist(!) French president after Paris attacks in order to give me a lecture. But do you really believe in a coalition of France/Germany/Italy/Spain whose playing police down there?

The only idea that is left to me is Romans "Divide and conquer". Create chaos and maneuver advantageously within, while the populace is too busy to question what's really going on.

Despite these 'ideas' I'm rather tending to see all the mess as what it is: An arrogant humanitarian imperative of the (left) establishment coupled with professional midos, which will be replaced in the medium-run by a new establishment less selling the wealth of their people.

China attacks the dollar, again

Author: waronbankers

@admin

Thanks so much for your reply. Your conclusion is what I have long hoped is the actual scenario we are seeing unfolding before our eyes. The Chinese government clearly has read and taken to heart the lessons in The Art of War, most importantly appear weak when you are strong and only attack if success is guaranteed. I think your point that time is on Beijing's side is extremely poignant. If the BRICS--especially RIC--can manage to avoid direct conflict with the US while simultaneously building up alternative systems to western institutions necessary for global trade--IMF, SWIFT, World Bank, bond issuance, petrodollar replacement etc--the US will eventually crumble under the weight of its massive debt. The US must lash out and create conflict because it is the only way to erase the debt.

Your idea that Beijing is infiltrating those institutions and that later may use them against the West is not something I had considered, but I think is probably very close to the truth. As you say, there are so many moving parts it's impossible to know for sure what the outcome will be. All we can hope for is that the transition to whatever the next system may be doesn't involve war.

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