The Atlantic GOLD & SILVER CENTRE

M A Y 2 0 1 6

Opportunity Knocks ?

Written by David Ford

A buying opportunity.

The dictionary defines the word 'opportunity' as follows…

op·por·tu·ni·ty

noun

noun: **opportunity**; plural noun: **opportunities**

1. a set of circumstances that makes it possible to do something.
"we may see increased **opportunities for** export"

synonyms: chance, lucky chance, favorable time/occasion/moment, time, right set of circumstances, occasion, moment, opening, option, window (of opportunity), turn, go, possibility;
Informal shot, break, new lease on life
"this is your opportunity to move on"

a chance for employment or promotion.
"career opportunities in our New York headquarters"

..and looking at the price action, and recently reported fundamentals for silver and gold, this certainly seems to be the right word. It does indeed seem to be a "Favorable time" and the "Right set of circumstances" for looking to invest in precious metals. Buy why ?

End of the bear market.

The 10 year period from 2001 – 2011 marked an incredibly strong bull market for precious metals. The figures below speak for themselves.

10 yr. Bull Market	Low (2001)	High (2011)	Gain
Silver	$4.10	$49.80	1114 %
Gold	$254	$1920	655 %

However, since mid 2011, we have technically been in a bear market. Following the highs earlier in 2011, there were some very steep declines which caused the price of both metals to drop below their 200 day Moving Average (the traditional delineator of market sentiment) We then saw prices continue to decline all through 2012, 2013, 2104 and 2015. Again, the figures speak for themselves.

4 yr. Bear Market	High (2011)	Low (2015)	Loss
Silver	$49.80	$13.64	72 %
Gold	$1920	$1046	45 %

However, since the end of 2015, prices have rallied incredibly strongly, with gold up 24%, and silver up 32%, and both metals significantly above their 200 day Moving Average. Looking at the charts, prices have also broken all downtrend lines, and each has experienced a 'Golden Cross' (where the 50 day MA rises above the 200 day MA). It is safe to say, therefore, that from a technical perspective the bear market is over.

What next ?

Many people assume that we must be in a bull market, or a bear market. However there is always a third option, a sideways market. Without clear direction, or conviction by market participants one way or the other, prices could remain range bound and travel sideways without making new highs or lows for many quarters in a row. In fact, for stocks, this is the usual state of affairs once a bear market finally breaks. Price can move sideways for some time, with value investors accumulating at the lows, preventing any falls, and losers from the prior bear market selling out at any highs, preventing any rises.

Will this be the case with precious metals ? Are we to expect several quarters of unexciting sideways prices, keeping off the lows, but not making new highs either ? I think not, for the following reason…

Even a cursory glance at the numbers comparing the advance & declines in the recent bull & bear markets reveals that the 2015 lows are still significantly higher than when the bull market started in 2001, in fact, gold is still up 311%, and silver up 232% - even discounting the recent sharp rises in 2016. ***So the question is, were we really in a bear market, or were the last few years just an extended correction of a much longer underlying bull market, destined to go on for decades ?***

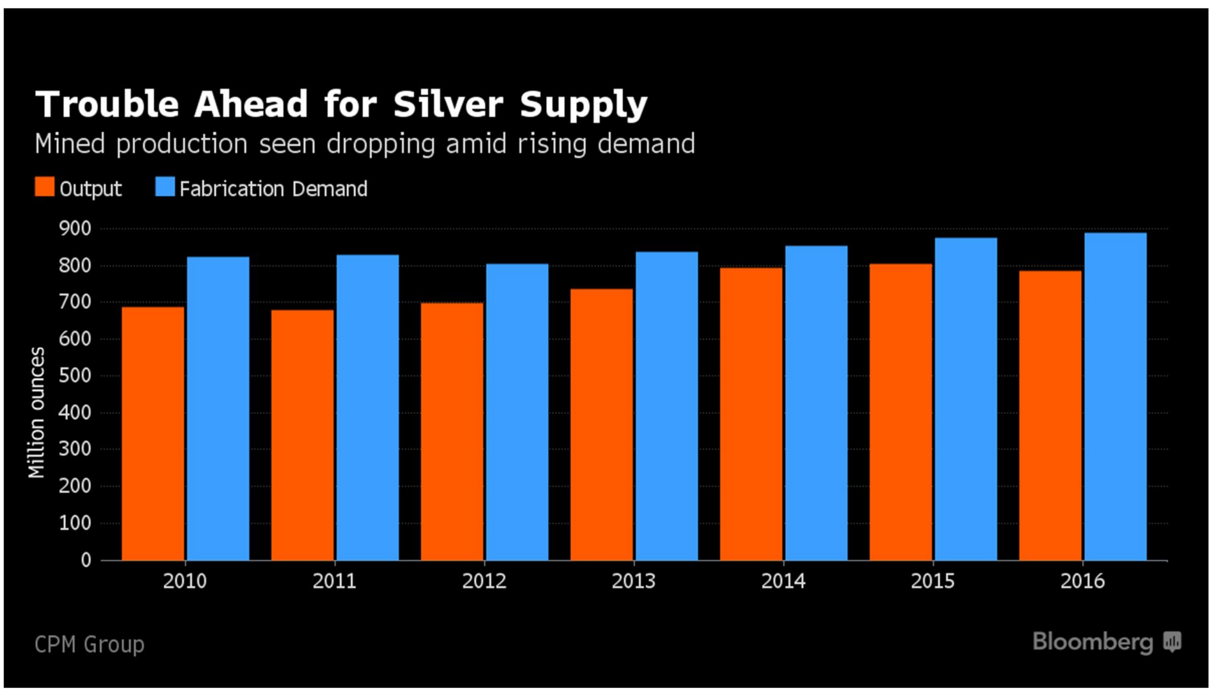
Fundamental analysis.

To corroborate what is being seen on the charts, we can look at other evidence for supply & demand in the precious metals markets.

1) Deutsche Bank recently admitted to having manipulated silver and gold prices for years, in collaboration with other large players. It has promised to cooperate fully with regulators, potentially incriminating the other entities involved. As a follow on from this, a Canadian law firm is looking to launch a $1Bln class action law suit against several banks (including Bank of Nova Scotia) alleging they have been involved in manipulating silver prices. There are also similar cases being filed in the US. ***Large scale manipulation of precious metals prices (usually downward) to support the US Dollar at critical points, is now effectively at an end.***

2) In April, the Shanghai Gold Exchange began trading gold in Yuan. This is a direct competitor to the LBMA Fix which occurs twice daily in London, UK. Chinese demand for gold means gold withdrawals from the SGE dwarf anything going on at the COMEX in New York. ***In fact, for 2015, average weekly withdrawals from the SGE were 49.09 tonnes, compared with the entire annual COMEX gold deliveries of just 35.6 tonnes !***

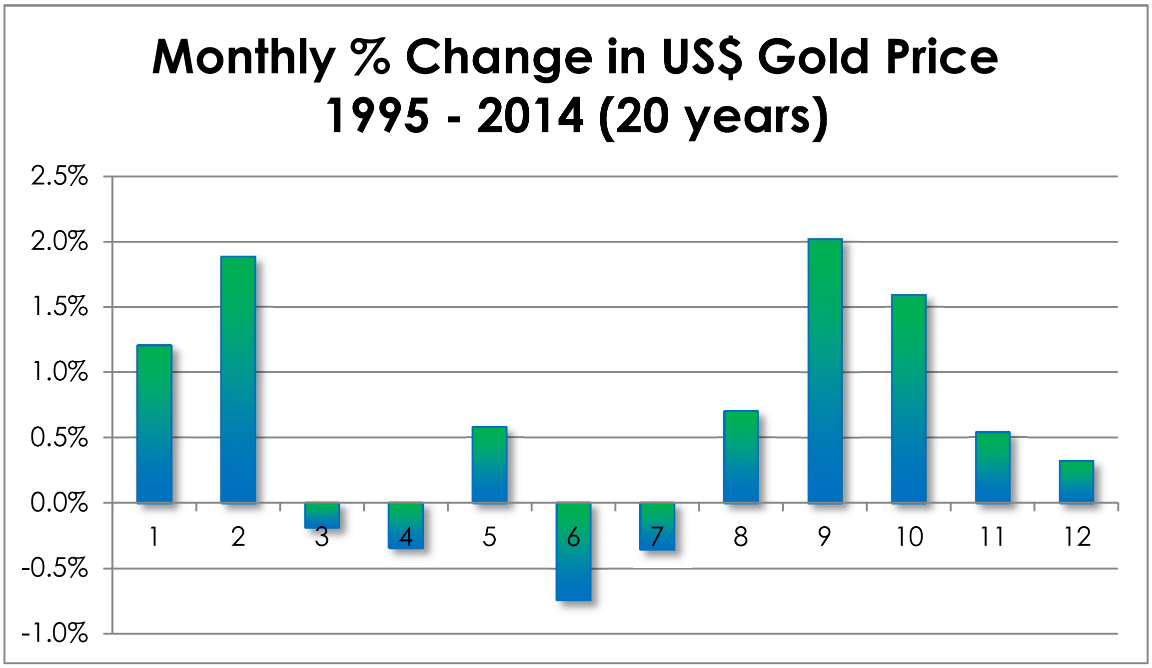
3) As silver prices fell over the last 4 years, some mines have closed, and the shortage is about to be felt. Mine output is forecast to fall in 2016, whilst fabrication demand continues to rise.



When supply shrinks, and demand rises, the resulting squeeze in a market which is thinly traded, such as silver, can me pronounced. ***This squeeze can propel prices very quickly in a very short space of time !***

Seasonality is on your side

As we have looked at in a prior newsletter, prices for metals tend to soften in the summer, probably due to the 'Sell in May & Go Away' mentality. Whether people really go away, or their minds just turn to other things in the summer, is immaterial. Here is a chart from the prior newsletter…



And while statistics don't guarantee that prices will follow the same pattern, the odds are on our side that the recent price rises may pull back over the coming months before the bull market really begins to take hold in the fall.

So what is this opportunity ?

Whilst we have restricted ourselves to just a brief look at prices and fundamentals, the economic backdrop of heavily indebted governments, record money printing, central bank interventions and currency wars provide the principal emphasis for owning precious metals as a safe store of wealth in an uncertain world. As we reach the end of the road for the current monetary system, it is essential to put your money somewhere safe – and that is why we now have such a great opportunity !

As we have shown, the 'bear' market of the last 4 years has just been a correction (albeit a significant one) in a multi-decade bull market which started in 2001. This means there will be very little 'sideways' movement to prices, and the strong price rises we saw back in 2010 could re-appear at any time.

Prices have moved up quickly in 2016 (to $18 for silver & $1300 for gold), and it always takes time for markets to adjust & digest new price ranges. We have seen prices cool over the last few days, which is a good and healthy sign, and statistically, we can expect prices to remain fairly quiet for the early summer.

However, once we approach the end of July, we expect to see a very exciting time in the metals markets. Events both economic and political, are unfolding at a rapid pace both across Europe, North & South

America and in the Middle East. The window of opportunity is now starting to open. My guess it will be open for 3 months at the most. In our stores we are currently seeing heavy buying by larger investors (both gold and silver), but less of the smaller investor. We hope this changes, and that people do not check-out their brains for the summer. Price rises in silver of $3-$5 per day sounded ridiculous a year back, but having seen the aggressive movements over the last month, it's entirely possible we will see large moves later this year.

What should you do ?

If you agree that …

1) The bull market for precious metals started in 2001, and is not over yet.
2) The 'bear' market of the last 4 years has in truth been simply a 'correction'
3) The correction in prices has ended, and prices have started heading higher
4) The fundamentals point to much higher prices for precious metals

..then there is only one sane choice to make.

Many people are happy to pay lip service to the above facts, without committing capital. These are the people who will be rushing in as the price rises sharply, desperately trying to catch the pullbacks. However, when the pullback comes, they panic, hesitate again and kick themselves when the price starts to take off anew !

Don't be like the herd, look at the facts, have the courage of your convictions, plan and act accordingly ! Opportunity knocks – will you answer ?

Author David Ford is the founder, owner and President of The Atlantic Gold & Silver Centre. He is experienced in commodities & future trading, banking and insurance. He has been actively investing in gold and silver bullion since 2000.