The Bull & Bear
FINANCIAL REPORT

September 2003

Silver Bulls

Forecast A Stronger Rally

The Silver Bulls are ecstatic. Crossing solidly through $5/ounce in July, and overcoming a mid-August consolidation, silver raced higher into September. Expectations from some point to an even stronger silver performance heading into the autumn and well into 2004. Will silver again disappoint? Gold bugs rejoiced with a nearly 15% jump last year, with a 25% spurt intra-year, as silver lagged behind, creeping five percent higher. *The Bull and Bear Financial Report* solicited opinions of experts in the precious metals markets to gauge whether silver's summer rally might offer follow-through.

According to the *2003 World Silver Survey*, produced by Gold Fields Mineral Services for The Silver Institute, last year's lethargy in the silver price was caused by a sizeable drop in demand from weather-battered India and the 2002 global economic slowdown. Chinese silver disposals limited price momentum throughout the current year and some feel the flow has reversed. Some believe there is a silver shortage because of lower silver mining production and increased industrial consumption. A rare few eclectics suggest leasable silver is expiring and a price explosion is imminent. With silver stocks frothing higher, have we seen the top of the market or is this the beginning of a new Silver Bull Market?

According to the CPM Group, publishers of the *Precious Metals Advisory* newsletter, Investors have been growing increasingly interested in silver. Along the groups of investors that are focusing on silver are many institutional investors and large fund management companies. These companies often avoid investing directly in commodities, and instead will invest in mining company stocks as a proxy for the underlying metal. Given this, silver mining stocks are attracting a lot of attention at present, the CPM Group concluded.

The Bull & Bear Financial Report assembled a panel of nine precious metals experts and questioned them about the recent developments in silver and asked for their analysis and forecasts. Most were bullish and provided near- and mid-term forecasts on how silver might perform over the coming months and beyond, presenting their explanations:

Q. Over the near- and mid-term, how do you expect silver to perform?

James Turk: I'm very bullish, on the near-term as well as from a long-term point of view. In gold, I'm looking for something over $400 in September or October, probably $435. For silver in the same kind of time frame, I'm looking for about $6.00 to $6.50.

Jeff Christian: We think the price is going to rise over the next year or so. Around $5.25 by the end of the year and maybe on the order of $5.50 by the end of next year. Maybe even much higher.

Ian McAvity: I do expect to see that level – $5.15 to $5.25 – penetrated in the months ahead.

Jim Rogers: I do not really know. Both (gold and silver) have large negatives. I am very bullish on raw materials and own some of both gold and silver. Other raw materials will continue to outperform both as they have for several years

Jim Dines: I'm looking for a tremendous bull market in silver. I expect the old high of $50 to be penetrated and well exceeded. There's just not a lot of silver around. You're getting some very big money coming into it, and you're already seeing some spectacular percentage moves in stocks like CDE and Hecla. The silvers are in a raging bull market and it's ahead of the bullion.

Frank Holmes: We feel silver can probably trade $8 to $9 an ounce.

Bill Murphy: Pretty soon, we're going to get a spike. We might see it move $1 in a day. I could see a quick spike up to $7.50 in the months to come. I would see silver at least $20/oz over the next couple of years.

Q. Is there any logical reason why silver should make such a big jump?

David Morgan: Silver is a smaller tighter market. It's not followed. All you need to move the silver market to about $8 in three days is for Barton

Biggs to say that silver is the most undervalued commodity on the planet.

Frank Holmes: The most significant factor is China, based on the fact that China recently turned positive on zinc. They've been net sellers of zinc. Silver and zinc are quite often combined metals, along with gold and silver. There's a shortage of inventory, basically.

Jeff Christian: The market is less liquid. There are fewer bullion dealers and banks in the market. There seems to be less physical metal around so that the same kind of event (terrorism) today should be expected to have a more powerful, upward impact on the price.

Jim Dines: Silver has been in a major bear market for 2 decades. Adjusted for inflation, at these prices, it's probably free. Silver will follow gold into whatever heights it goes to

Louis Paquette: The long term charts have begun to turn positive: big long saucer bottom that is now starting to break out and follow gold. The chart of silver looks like gold did in 2000-2001. Very same kind of pattern, making ascending triangles, breaking out to new levels, making higher lows after making highs.

James Turk: The gold-to-silver ratio normally falls in precious metals bull markets. Silver tends to outperform gold.

Ian McAvity: There's a great deal of speculation that, within the not too distant future, the Chinese currency may be revalued against the dollar. The net result being a lot of Chinese people that are looking for all sorts of alternative ways to get rid of their dollars before that revaluation takes place.

Q. The Gold to Silver Price Ratio has been up and down the charts, over the past twenty years. The ratio is calculated by dividing the price of gold by the price of silver. As we went to press, that ratio stood around 73. What should we expect in the near future?

James Turk: You have a strong reaction down from that peak at 80 to the present level, which suggests that it's a top. My guess is that as we go forward from here, you're going to see the ratio move back towards 60.

Jeff Christian: The ratio is probably too high. We think that silver is a better investment, or has a better chance of price appreciation, over the next 3-12 months than gold does.

Ian McAvity: Over time, it should reach 40. The actual average since 1900 is 39.1. In Bunker Hunt's time, it got as low as 15 to 1.

Jim Rogers: Yes, but there have been long periods in history when it was 16 to one. I do not put much stock in the ratio since the world has and is changing enormously. I know the mystics find the ratio important, but I ignore it here in the 21st Century.

Q. Will there be any sort of correction, or dip, into which investors can capitalize on a downturn from the recent frenzy in the precious metals rally?

David Morgan: The sentiment is pretty strong. There's a little bit of silver and gold fever in the air. The underlying equities in all the mining shares, both gold and silver, are overvalued relative to both metals. Although the metals are remaining in those tight consolidation areas, the underlying equities could correct. Silver might correct to a low of $4.65.

Ian McAvity: Gold mining shares have been on a tear as of late. Silver, in a sense, is a little bit behind. It's been tracing out a series of rising lows, but it hasn't really been able to go through the $5.15 level with much conviction.

Jim Rogers: There is still a lot of bullishness among gold bugs which has never fully dissipated. Silver has

the problem that it is being replaced in photography by digital technology plus there are still the huge inventories [especially in India, east Africa, etc].

Q. There has been a lot of talk about China and their impact on the price of silver. Why is that?

David Morgan: The Chinese stopped being a net buyer in 1997. After 1997, they became a net exporter. There's more interest in China and that will spill over to the Chinese. For the average Chinese, silver is still affordable, or at least, more affordable that gold would be. They've a long history of valuing silver as money.

Frank Holmes: China reminds me of Japan in the 1960s, when they started taking off, for all basic commodities. It will affect silver because they will start buying everything.

Ian McAvity: There's no question that China has a long history in relation to silver. If you go back to the 1880s, you'll find that almost all of Mexico's silver production was going to China for their coinage. In this day and age, China is the only place on the planet that is currently undergoing a complete industrial revolution within one generation.

Q. Is it too late to invest in silver stocks?

Louis Paquette: Gold stocks are up 200, 300 and 400%. Silver is just lagging, as far as I'm concerned. That's where it's a great opportunity. Where we have verification there's a bull market in gold, silver has lagged. It's as cheap as it's been, while it was creating this base over the last 5-7 years. It gives you an opportunity to jump on now for accelerated profits.

David Morgan: The next phase (of the bull market in precious metals), the smart money and the smart public money start coming into the market. That's the phase we're witnessing now. We could see the public coming onboard more and more into both mining equities and metals over the next three to four years.

Jim Dines: The fact that gold mining shares have been vastly out-performing their bullion suggests to me that we are going to see a big rise in the silver mining shares. I'm looking for a tremendous year, the remaining part of this year, and well into next.

Silver Roundtable

The following precious metals advisors participated in The Bull & Bear's Semi-Annual Silver Outlook:

Jeff Christian, Managing Director, CPM Group, 30 Broad St., New York, NY 10004, www.cpmgroup.com, is the world's premier precious metals and commodities research and consulting company. It is independent of all mining companies, fabricators, bullion banks, and other companies that have commercial positions in the commodities markets, which allows CPM Group to have a completely unbiased view of these markets. Produces the monthly *Precious Metals Advisory* newsletter, 1 year, $2,400, quarterly and annual reports on Silver, Gold, and Platinum Group Metals.

James Dines is Editor of *The Dines Letter*, P.O. Box 22, Belvedere, CA 94920, 1 year, 17 Issues $195, www.DinesLetter.com, one of the oldest stock-market newsletters of its type in the world, which offers advice on stocks, commodities, put and call options, predictions on the economy and the overall international outlook. Mr. Dines has been rated one of the Top Ten Stock Market Timers in the U.S.

Frank Holmes, Chairman, CEO and CIO of U.S. Global Investors, Inc., 7900 Callaghan Road, San Antonio, TX 78229, www.usfunds.com. U.S. Global Investors, Inc., is a registered investment adviser with approximately $1.1 billion in assets under management that focuses on profitable niche markets around the world. The group consists of 12 no-load mutual funds that invest in a variety of investment options, from emerging markets to money markets.

Ian McAvity, editor of *Deliberation On World Markets*, P.O. Box 40097, Tucson, AZ 85717, 1 year, 18 issues, $225. A technical newsletter, published for over 30 years, covering precious metals, currencies and global equity markets. He is an advisory, and Director of Central Fund of Canada, the Amex-listed bullion fund, which holds more than 9.5 tonnes of gold and 477 tonnes of silver held in Canadian bank vaults.

David Morgan, publisher of *The Silver-Investor.com* newsletter, 21307 Buckeye Lake Ln., Colbert, WA 99005, 1 year, 12 issues, $99 (E-mail) or $112, print version. Mr. Morgan provides financial commentary focusing on the precious metals, with an emphasis on silver. He has a BS in Engineering and a Masters in Business (finance and international business). Mr. Morgan has been a private economist and precious metals analyst for over twenty years.

Bill Murphy spent many years on Wall Street as a commodities broker before forming his own Introducing Broker firm in the mid 1980's. In 1998 he opened up LeMetropoleCafe.com, a financial market oriented web site specializing in the gold market. In January 1999 he co-founded the Gold Anti-Trust Action Committee (GATA) to combat the manipulation of the gold price.

Louis Paquette, publisher of *Emerging Growth Stocks*, 102 – 2020 Comox St., Vancouver, B.C. V6G 1R9 Canada, 1 year, 8 issues, US$99. He provides investors and speculators with a unique alternative to what he saw was a growing problem with corporate governance and conflict of interest on Wall Street. He offers a Market/Management Psychology Investment newsletter that doesn't marry one sector but rotates with the tide of the market.

Jim Rogers, perhaps the world's most famous global investor, and one of today's most popular and controversial market commentators. He can be reached at www.jimrogers.com.Mr. Rogers ranks as one of the most accurate and successful analysts in history. A co-founder of the famed Quantum Fund with George Soros. Mr. Rogers helped develop a private commodities index fund, The Rogers International Raw Materials Fund, L.P. For more information on the fund call 1-866-304-0450.

James Turk, publisher, since 1987, of the *Freemarket Gold & Money Report*, P.O. Box 5002, North Conway, NH 03860, 1 year, 20 Issues, $260, www.fgmr.com. Mr. Turk provides a commentary on precious metals and monetary matters. He has specialized in international banking, finance and investments since graduating in 1969 from George Washington University with a B.A. degree in International Economics. Mr. Turk is the Founder of GoldMoney, a new electronic currency for use in ecommerce.