

# Quarter 1: Act 2

## AND SILVER'S LINING



**March 2, 2008**

### **GOLD**

**From the November 4, 2007 report:**

**"At the beginning of the year, I forecast that gold would cross and sail past \$700, perhaps this year, en route to \$1000 with speed. The upside risk is too much to exit without a re-entry plan, and no quality re-entry plan can possibly exist this time.**

**"We have benefited from another \$150 move up, and the daily chart (immediately below), like the weekly, shows an overbought stochastic (joining other momentum indicators). Note how this thing can take off to \$1000 now, with so much selling pressure gone (institutions needed money). Does the crowd expect it? Are the longs fully long?"**

**“Forecasting that silver could make a low at \$11.00 (since most investors would wait for \$10.00 after a break of \$12.00), I wrote that the last decline should be used to go 200% long. My reasoning was that silver has and had no reasonable physical chance of dropping to \$5.50-\$6.00.**

**“I further reasoned that one’s investment year is largely made by such a trade that includes a subsequent move to \$20.00, which is where we will be much faster that thought. Indeed, however, that a mere move back to \$15.00 would go a long way toward providing a banner year, too. If 200% long since \$11.50, what are returns even today at \$14.00?”**

**“...this move up in the metals may simply have been an initial move that merely requires a short term correction, before a yearend eruption to \$1000.”**

**Okay, we didn’t get \$1,000 by yearend; call me *pisher*. The mantra in these pages has been: Just stay invested. Period. I could write long analyses like I used to, but there is an instructive discipline to expressed laziness here.**

**China, India, American monopoly money - yada, yada, yada. At the beginning of 2002 (gold’s higher low at \$280), I forecast a secular bull market that will last years and take the precious metals to dramatically higher new all-time highs.**

**Gold was tradable until \$500, I argued, but that it should not be touched thereafter. This is what we did. [http://www.sidklein.com/docs/gold\\_summary.pdf](http://www.sidklein.com/docs/gold_summary.pdf). (The latter can be linked on any gold or precious metals link on the homepage.)**

**The adjoining forecast was that bulls would not leave well enough alone on the way up, despite the preceding recommendation. The latter included that gold should represent 50% of one’s liquid holdings, upon its crossing \$500 an ounce.**



The following longer-term view of this decade shows what a simple investment gold has been, to stay ahead of capital or true wealth erosion. The same has been true of silver.

The timing summarized in the link in this page's second paragraph merely accentuated these facts, and provided what I suspect to be the best performance in the world, precious metals equities excluded.

## **SILVER**

As you can see from this section's quoted excerpt above (in blue), we went 200% long between \$11.00 - \$11.50, before scaling back to 100% long at \$15.29 on January 6.

As forecast in the excerpt above, this trade would in itself be more than enough to make one's investment year. Why fight the simple???

It was repeatedly explained in these pages that there are 3 types of leverage that I am aware of:

Options are fully paid-for instruments that are intrinsically leveraged. Futures are leveraged with implicit borrowing against the notional

value of the underlying contract. The 3<sup>rd</sup> is borrowing in the form of margin.

The latter, I argued, was appropriate for silver, since the possibility of it falling to \$5.00 - \$5.50 was next to zero, given the markets' and earth's fundamentals.

So, 200% long at, say, \$11.25, reduced to 100% long at \$15.29. Today, we're at \$19.82. The return thus far equals:  $\{(19.82 - 11.25) + (15.29 - 11.25) \text{ divided by } 11.25\}$

**RETURN: 112.09%**

SKC covers Japan, New York, gold, silver, select and strategic major currencies, as well as timely special situations. Of course, this includes timing and specialized use of derivatives knowledge.

Realized rather quickly, the return demonstrated above illustrates why SKC might be the most valuable market letter in the world, for global investors.

The 1-year daily and 8-year weekly silver charts that follow on the next page, make clear why executing a single strategy well can provide the returns cited here.

Please scroll down.



Sid Klein

