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Gold And Copper Trends Camouflage Silver's Explosive Position

March 14, 2014

Summary

- The Ukrainian crisis will sustain gold's unrelenting advance.
- China's financial crisis is pressuring copper, which has in turn suppressed silver, though silver's schizophrenia will soon resolve in favour of it being treated as a precious metal.
- Gold's advance has included up-trending corrections, camouflaging its true power. Therefore, longer term, silver's beta of 2 versus gold represents extreme potential due to the former's dramatic under-performance to-date this year.

Over time, silver tracks gold with a beta of 2 but, over a shorter period, it tracks copper even more closely than its big brother. And very closely, in fact. For now, therefore, silver's positive performance has been anything but twice that of gold.

However, first things first as we look at only two real-time drivers.

China's financial mess and its own version of Wall Street's chicanery of 2008 includes, among other things, the pledging of the same amount of copper against multiple loans.

As bonds default (as the government there has now promised it will allow), lenders may seek repayment without rollover, thereby pressuring the price of the pledged metal. This is what is today's migraine for copper investors who must also weigh the effects of a far worse than expected Chinese slowdown.

Given existent oversupply of copper there, such economic slowdown, not to mention any global *economic* slowdown that China's woes further exacerbate, can only compound the effects of the pressures stemming from the cancerous *financial* pressure. Simply, it is all interwoven, and negatively for "Dr. Copper."

Secondly, there is the Ukraine.

As he explained in a March 1, 2014 interview that he gave to King World News, economic advisor to Ronald Reagan Dr. Paul Craig Roberts, was instrumental in helping defeat the Soviet Union's economic capacity to advance its war machine, by using economic warfare, as opposed to simply expanding the US's own military capacity (as recommended by the CIA, to further the economic interests of the military complex, he added).

Specifically regarding the Ukraine, he explains that the Crimea was added to the Ukraine by Nikita Khrushchev who stemmed from that region. Dr. Roberts further adds that those who have assumed power there are swastika-brandishing Nazis who destroyed the monuments erected in honour of the generals who had repelled the Nazis and, before them, Napoleon.

Finally, this former Reagan adviser explains that the US interest in supporting madmen again is, in this case, the opportunity to have missiles aimed at Moscow from someplace nearer than Germany, which is what had led Khrushchev to aim his own from Cuba. All of this becomes possible once the Ukraine joins NATO, Roberts explains.

Another interview on KWN, this time on March 8, 2014 with Gerald Celente, explains that the ganging up to punish Russia is reminiscent of the Versailles Treaty which, as we know, had no happy ending; isolation of a would-be (Germany) or existent (Russia) military power is never a good idea.

Celente underscores the fact that "freedom" has nothing to do with anything but, rather, it is all about the natural resource interests represented by Chevron and others, which are represented by their political mouthpieces who, as nationalists, claim to represent the people.

Roberts and Celente are not nationalists who claim to be patriots; they are patriots. They are also investors, and investors know that correct information is vital. Being a nationalist (or homer, as New Yorkers may prefer to say) does not make money; having correct information does.

So, it is important to understand what others of differing views may be thinking and feeling, particularly if everyone is preparing to *smoke their mushrooms.*

The KWN interviews discussed the madness of US propaganda, as well as the fact that one cannot simply replace a government; there is supposed to be a democratic process.

Regarding the future of such process, and speaking here to the "relatively" sanguine attitude of the market as a whole, I refer here to a television news report which mentioned that the mostly Russian Crimea supported a pro-Russian party in the last election with only a very small vote.

This is ridiculous since the report did not mention what the issues of that election were.

Did it include whether or not to support a party leader that aims to strip Russians of the right to vote, while declaring that it would be a fun past-time to kill Jews and Russians, going forward?

The news report reflects an attitude that a military conflict would be the fault of the Russians.

Therefore, it seemed to be in line with Dr. Paul Craig Roberts and Gerald Celente's forecasts of unending US-led Western anti-Russia propaganda, which is inextricably linked to what Roberts called the incompetent stupidity of the nut jobs in Washington (his adjectives were plainly contained, however clear).

All of this fits with my oft and long since-held forecast and analysis that a market crash must be blamed on an external reason, most likely military-related. I never thought of the Crimea, but there is no limit to the imagination of those who must secretly love gold, though they may have first suppressed it.

The foregoing serves to explain why the Russians have threatened to dump the Dollar and renege on any of its debts to the US.

This is also consistent with my long-since held belief that the US will renege on its own debts, thereby bringing down China's hopes and aspirations of offering the world a new and gold-backed currency.

Simply, to thwart China rising up as a major financial power that can back its currency with gold, the US can blame its own eventual (and unavoidable) default on the domino effect resulting from others having defaulted on their debts to the US.

Beyond the two fundamental factors contemplated above exists the resumption of a technical trend that existed throughout the last decade.

The Elliott Wave patterns for silver were clear, while those for gold were not. How?

If I were to annotate a long term chart of silver to reflect its turning points (since 2001) using Elliott Wave labeling, and also illustrate gold's wave counts using the same annotations, one would see that the corrections in the latter were obscured by the fact that they were taking place though an uptrend. This is something which I repeatedly observed.

Be alert, for it is happening again!

A technical reason for traders to hold off of buying silver recently has been the lofty levels of gold's momentum indicators, causing such traders to be concerned with what would happen to silver if gold were to finally correct.

However, such reasoning may have placed the cart before the horse.

In other words, silver may have just completed a beautiful 50% correction of its rally, while testing its critical neckline support at $20, which would expose the fact that gold's own 5-wave advance has merely been a wave-1 within a larger advance that has been correcting within an uptrend (i.e. "a-b-c flat" corrections, or corrective phases wherein wave-b is actually higher than wave-a, as examples of up-trending corrections).

In today's example, silver would now embark upon a wave-3 of this new bull market's initial rally, en route to, say, $28.

Conclusion

The negatives for silver have included copper (fundamentally) and gold's overbought readings (technically).

I believe that the positives for silver will have resulted in silver's schizophrenia being resolved, as its true face as a precious metal is revealed, in the face of a world that stares financial destruction out of China and, worse, possible military calamity sourced in the Crimea.

As an industrial metal, the story is as bullish as ever, since there is a shortage brewing over the coming years, stemming from growing and critical uses for gold's cousin.

For now, though, the story is its reality as a precious metal. People need real money, and the latter is exactly what silver is called in multiple languages.

Strategy

The 6-month cycle bottomed on schedule at year-end; at the end of June my recommendations included a package of very long term versus long term call spreads. These have only opened up, obviously, and might represent windfall profits later on.

However, the present opportunity is even bigger than the ones that existed in 2007, or at the low in 2008 when a 200% long position was merited.

Keeping it simple, today, I recommend that an investor aggressively buy 2-year calls, accumulating on any dips that follow breakouts over strategically key levels. Strategic points at which to modify positions and actively manage profits present themselves at key VXSLV (SLV premium volatility) levels, by selling shorter term calls.

I see this as a chance to reasonably try to print money, and, why not? Governments are doing it in style, so why not you?

Sid Klein