

Silver may rise as hot commodity

Market price undervalued

By HEIDE B. MALHOTRA
Epoch Times Staff

The price of silver has risen 188.7 percent over the last 10 years. And over the last year, it has outperformed gold despite far less publicity.

The price of silver was \$6 per ounce in December 1999 and remained almost static until January 2004. Silver peaked in 2008 at \$21 per ounce and dropped to \$9 per ounce by the end of 2008. In 2009, silver price steadily rose and is now hovering between \$17 and \$18.

"Silver broke through the \$19/oz level on 2nd December, at which point it was a remarkable 102% higher year-on-year. This is far better than gold (55%) managed over the same 12 months, or even platinum (83%)," according to CommodityOnline India Limited, a research and consulting firm.

The Hennessee Group, an advisory firm to hedge fund investors, argues that silver's market price could be undervalued when compared to gold, and it predicts an upward trend in the value of silver.

"While we see both gold and silver as safe haven investments, particularly as a hedge against the longer term risk of hyperinflation, we believe gains in silver will outpace gold," advised Charles Gradante, co-founder of the Hennessee Group, in a statement.

Silver could reach new heights in early 2010, reaching around \$22 per ounce, predicted Roger

Wiegand, bullion trader and editor of the Trader Tracks Newsletter, in December.

CommodityOnline disagrees with the positive outlook held by a large number of trading and research firms. CommodityOnline suggests that the silver prices should be lowered despite strong investor interest, especially since industrial and traditional production is still not up to pre-crisis levels.

BNP Paribas Fortis metals monthly suggested in its December 2009 edition that silver would outperform gold price increases given silver's industrial and traditional demand potential. The short-term financial crisis is holding silver in a waiting mode, as people are more attuned to hoarding gold than silver.

"Silver's long-term future, we believe, rests on new industrial applications, and these are much more likely to happen in a recovering economy rather than a depressed one. In the meanwhile, the silver price will take its cues from gold as seen on 4th December, when it plunged along with the yellow metal back to \$18/oz," according to a BNP Paribas analysis.

SILVER ETFS
Most commodities investors don't own actual gold or silver bullions, as there are risks of security, storage, and liquidity. Many investors instead buy exchange-traded funds (ETFs), which seek to mimic the performance of the metals.

The "iShares Silver Trust, created in 2006, has grown in

popularity in recent years and has led to tremendous growth in the amount of silver backing the shares issued to investors. Growth in the silver ETF market is likely to continue going forward and will put additional strains on the supply/demand dynamics for silver," forecasts the Hennessee Group.

The iShare Silver Trust value on Dec. 17 was \$16.87, based on information from the New York Stock Exchange. The value fluctuated between \$16 and \$18 throughout 2009. The value of the trust reflects at all times the price of silver in possession by the trust, less the trust's expenses.

An ETF is similar to a mutual fund and allows investors to be part of the silver market through trading in the security market. ETF shares can be traded whenever stock exchanges are open. The stock will be traded at the net asset value of the underlying asset. An ETF may buy silver or any other type of commodity in the market and holds it in custody. The trust issues common shares at a given conversion rate, which are then sold to investors who hold a percentage of the commodity.

Barclays Global Investors International Inc. was the first to set up a silver iShares fund with 1.5 million ounces of silver in the trust. The Barclay iShares Silver Trust presently holds more than 140 million ounces in custody.

The JPMorgan Chase/Mellon iShares prospectus, published Dec. 1, is transparent to a fault, warning the prospective

shareholder of significant risks.

WORLD SILVER DEMAND AND SUPPLY

"The supply side of silver is unique as well in that only a small percentage of mines in the world are pure silver producers, rather silver is typically a by-product of mines mainly engaged in extracting lead, zinc and copper," according to the Hennessee Group.

According to the Silver Institute Web site, a total of 888.4 million ounces of silver was produced through mining, from old silver scrap, and through government sales in 2008. Silver mine production increased by 2.5 percent in 2008, with Peru (118.3 million ounces) being the biggest silver producing country. Mexico (104.2 million ounces), China (82.8 million ounces), Australia (61.9 million ounces), and Chile (44.9 million ounces) ranked behind Peru in silver production.

In 2008, industrial applications consumed 447.2 million ounces of silver, while traditional uses—such as in jewelry, coins, and silverware—consumed 385.3 million ounces.

"Diversity is silver's primary asset. Its unique properties include beauty, strength, sensitivity to light, malleability and ductility, electrical and thermal conductivity, reflectivity and the ability to endure extreme temperature changes. These properties allow groundbreaking research to be conducted by scientists and engineers that effect [sic] the way we live," according to the Northwest Territorial Mint Web site.



Silver bullion is offered for sale at the Chicago Coin Company in Chicago, Illinois. SCOTT OLSON/GETTY IMAGES

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Football, an advertiser's main event

By ADELE LASSERE

The holidays are upon us and as we have eaten our last bite of turkey and cranberries, we find ourselves nestled into the couch for our last months of football.

For some, there will be cheers that it will finally be over, but for others we begin that long seasonal stretch of life without football. But before we get there, there will be some pressing questions to be answered by agencies and advertisers alike: Are the college football Bowl Championship Series (BCS) and NFL Super Bowl ads worth the money?

Last year's BCS served up 26.5 million viewers. That's a 16 percent

increase over the 2008 series. The Super Bowl, on the other hand, saw a slight dip over 2008. However, viewer turnout was still 95.4 million. Advertisers continue to score big in spite of the skeptics that feel there is a glut of football on television.

Whether you are a fan or not, there will be millions of households tuned in to view not only the game but also the advertisers' creative messages.

In addition, there will be unofficial accolades or "chats" stemming from television news cast, on-air radio personalities, newspapers, talk show hosts, blogs, and just folks standing around the water cooler to discuss which commercial was the best. At the end of the day, with all of this talk taking place

after the game is over, you be the judge and decide if advertising in the bowl games are worth it. Even with the skyrocketing cost year over year, advertisers are still buying into the big games.

As for a local advertiser, the price per spot can be high depending on which market you are in. However, the benefits of being in the game can outweigh the cost with the large number of diverse viewers, the unquantifiable chat, and the opportunity to cash in on the excitement of the big game.

After all, the college football Bowls, NFL Playoffs and the Super Bowl are all appointment television at its best. Depending upon the product/service offering and how far your budget can stretch, football is a sure bet.

Analysis: Why we pay a fortune for airline tickets in Canada

(Troy Media)—With multiple flights cancelled in Europe recently due to a nasty cold spell, this may not be the ideal time to praise European airline travel. But momentary troubles aside, Europe not only has better architecture than much of North America, it also has cheaper plane fares to get you to Europe's sights.

Europe's cheap airfares are in distinct contrast to North America, where a competitive market in air travel has yet to take flight. North American governments, including our own, preach a good game on open skies; in reality, they prefer domestic duopolies.

It's why an "American" airline can't pick you up in Calgary and deposit you in Toronto. It's why a "Canadian" airline cannot shuttle U.S. passengers from Los Angeles to New York—this is as if there was any practical difference between airlines owned by shareholders from across the planet.

BETTER IN THE EU

Some history: Starting in 1987, the European Union began to liberalize airline competition, a move that fully blossomed in 1997 when any airline within a member EU state was given the right to full "cabotage"—the right to pick up and drop off passengers within another member country.

Between 1992 and 2003, the number of intra-Europe routes increased by more than 40 per cent and the number of airlines increased by 25 per cent. The European Union notes that productivity of the main carriers rose by 87 per cent between 1990 and 2002, and that low cost carriers went from almost nothing to more than 20 per cent of the market.

The winners have been consumers who now can access extremely

competitive and inexpensive airlines fares. Contrast that with North America and consider some examples, first from five North American routes between Canada and the U.S., and then five European routes that also cross national borders. For all of the following, I chose the first week of February, with departure on a Tuesday and returning on a Monday.

Here was the lowest-priced result for all return flights, estimated by Kayak.com and in Canadian dollars with all taxes and fees included: Toronto-New York: \$355; Vancouver-San Francisco: \$383; Calgary-Denver: \$432; Montreal-Miami: \$341; Halifax Boston: \$620. Pretend you wanted to take all of those five flights. Your total would be \$2,131.

Now consider Europe with the same all-in parameters. Dublin-Berlin return would cost \$276—the most expensive flight among the five surveyed. The others were Munich-Rome: \$148; Vienna-Athens: \$233; Prague-Barcelona: \$231. A London-Paris return flight would set you back just \$81. Total price for all five tickets was just \$969 to traipse all over Europe, or less than half of the cost of North America's five flights.

Try this experiment again using in-country routes only in Canada and then Europe. In Canada Calgary-Victoria would set you back \$303; Toronto-Vancouver: \$452; Halifax-Montreal: \$401; Vancouver-Montreal: \$470; Winnipeg-Regina: \$344. Total price for all five tickets: \$1,970.

Now sit down in your cramped airplane seat for this one. In-country return flights in Europe were as follows: London-Edinburgh: \$81; Paris-Nice: \$100; Milan-Rome: \$67; Dusseldorf-Berlin: \$127; and Barcelona-Madrid: \$92. Grand total? Just \$467, or less than one quarter what it would cost to

buy the five examples of airline tickets in Canada.

Some might argue Europe's great deals can't be replicated in Canada with a significantly smaller population. But that's rather the point. A combined Canadian-American open skies agreement with full cabotage would create a continental market of over 330 million people. At that level, efficiencies and fare cuts become routine.

As for North America, negotiations and signed agreements on European Union-type open skies agreements have been stymied. The U.S. and the European Union tentatively agreed in 2005 to a EU-style open skies agreement; it would have allowed American and European carriers to pick up passengers in each other's countries and fly them to third destination, i.e., to pick up passengers in New York and drop them off in Atlanta, or Paris and then in Nice.

PROTECTIONISM TO BLAME

But the potential deal was stymied by a protectionist U.S. Congress in 2006 and has gone nowhere since. In Canada, in 2006, the Conservatives announced a "Blue Sky" policy to liberalize air transport between Canada and other countries. But it was less than advertised (which begs the question of why governments can get away with less-than-truthful advertising).

Ottawa pointedly rejected EU-style open competition, stating that "Under no circumstances will the policy approach include cabotage rights—the right for a foreign airline to carry domestic traffic between points in Canada."

Such government-dictated "circumstances" are why we all pay a fortune to travel in and from Canada.

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