



## Is Silver About to Hit \$50 Per Ounce?

### Description

One of the last bargain bin sectors is finally moving higher... and triple-digit returns could be on the way. As I'll show you today, one time-tested indicator is flashing a massive buy signal for silver. It won't happen overnight. But before the run is over, we could see prices double... or more.

Let me explain...

The past few years have been hard for precious metal investors. Since the summer of 2011, gold is off more than 30% from its peak. And as we have covered extensively here at Motley Fool Canada, the gold mining industry has been clobbered.

Things are even worse in the silver space. The spot rate is off 45% for its peak in 2011 and many miners are struggling just to keep the lights on.

However, on a relative basis, this situation has left silver exceptionally cheap compared to gold. In April 2011, one ounce of gold could buy you 32 ounces of silver. Today, that same ounce of gold will buy you 62 ounces of silver.

That's completely out of whack with the long-term averages. Historically, the price of gold is around 20 to 25 times higher than the price of silver.

Based on the long-term historical average and with the price of gold around US\$1,300 per ounce today, the price of silver should be around US\$52-65 per ounce. But on Thursday, silver closed the trading session at just US\$21.13 per ounce.

This all means that silver is incredibly cheap right now in relation to gold. Eventually, either gold prices will have to fall or silver prices will have to rise to return the ratio back to normal. And with demand for the grey metal rising, it's likely the price of silver and related investment products like the **Sprott Physical Silver Trust** (TSX: PHS.U)([NYSEMKT: PSLV](#)) will increase.

You see, silver is useful. The metal has more than 10,000 commercial uses. And once silver is consumed, it's often gone forever. It's just too expensive to recycle the tiny bit of metal in each

computer chip or cell phone.

Some of the world's smartest money managers are also making big bets on silver. [As I wrote about earlier this week](#), SEC filings have revealed that billionaire investor George Soros has purchased a \$9.1 million stake in **Silver Wheaton** (TSX: SLW)(NYSE: SLW). This isn't surprising given that the company has over 800 million ounces of silver reserves, more than any other silver company on Earth.

SEC filings have also revealed noticeable buying activity in a number of silver miners last quarter, namely **Endeavour Silver** ([TSX: EDR](#))([NYSE: EXK](#)), **First Majestic Silver** ([TSX: FR](#))([NYSE: AG](#)), and **Pan American Silver** (TSX: PAA)([NYSE: PAAS](#)). Because the costs of running a mine are mostly fixed, these companies serve as a leveraged bet on metal prices.

What could have all of these Wall Street titans so excited? I'd say it could only mean one thing: they see a giant rally ahead.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:EDR (Endeavour Silver Corp.)
2. TSX:FR (First Majestic Silver)
3. TSX:WPM (Wheaton Precious Metals Corp.)

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