

## **4 Reasons Why Silver is the Most Undervalued Commodity**

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Silver prices still have a long way to rise before reaching their top. From industrial applications to its relative value, it's easy to make the case that silver remains one of the most undervalued commodities.

### **Industrial Fundamentals**

Industrial uses for silver are abundant. Ranging from electrical uses to photographic development, silver may be one of the most useful metals known to man.

However, silver prices have yet to reflect the growing applications and uses for the precious metal, despite so many fundamentals suggesting silver prices should rise. Silver's low price is mostly due to a poor economy, which has seen consumer spending go into a drought. With consumers buying less big ticket items, such as washing machines, computers, and other consumer-grade electronics, which all contain silver, the amount demanded from the industrial sector is under its average.

Luckily, economies do not stay in recessions or depressions forever, and consumer spending, as well as industrial silver demand, should skyrocket with any rebound. Silver's price should follow closely behind.

### **Relative Cost**

2008 was a record year for virtually every commodity across the board. Oil soared as high as \$147, gold pushed towards \$850 per ounce, and agricultural commodities rode the rally as well.

However, silver remained behind the pack, moving only as high as \$15 per ounce, which is roughly one-third of its all time high set in the 1980s. In fact, silver was the only commodity that had not beaten its previous highs in the last three years.

When compared to energy commodities, gold and even stocks, silver remains heavily undervalued, despite a belief among economists and financial analysts that it represents one of the best investments in 2010 and beyond.

### **Silver and Gold Relationship**

Gold and silver typically trade within a range of 20-70 ounces of silver to the price of gold. Today, the ratio is roughly 62.2 ounces of silver to one ounce of gold, which is the highest it has been in years. This ratio is often used by traders as an oscillator to decide when it is best to move from gold to silver or from silver to gold. When the ratio nears 70, investors buy silver and sell gold. When it nears 20, investors are selling silver to buy gold. This ratio, which has long been important to commodity traders and long-term investors alike, suggests silver is ready for a rally.

### **Rounding it All Up**

Even after rising nearly 350% from its 2000's low, silver is still heavily undervalued when

compared to a slew of other commodities, setting the stage for a continued explosion in price regardless of the changes in other commodity prices. Moving forward, silver has not only the fundamentals driving growth in consumption, but also investment, as more and more investors realize the untapped potential that resides in a healthy stock of silver.

There is little time to wait, as silver's explosion could be just around the corner. Should silver prices make a modest move from 1/62 of the price of gold to 1/40, investors will be rewarded with a healthy 50% in returns. The time to invest is now, long before Wall Street realizes what a true bargain silver is.

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