

# The Atlantic GOLD & SILVER CENTRE

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## Waiting for the Canadian Dollar ?

Written by David Ford

Since the drop in the Canadian Dollar this year, we have noticed a reticence amongst precious metals buyers. The current (and perfectly natural) way of thinking could be summed up as "When the Canadian Dollar rises again, we will be able to buy cheaper silver !"

There is no doubt an inherent logic in this argument, and if this were the **only** contributing factor to metals prices in Canada, it would indeed be worth hanging on to cash until the Canadian Dollar strengthened again.

However, there are several other factors which may make waiting for the currency to rise a fools errand !

### First, lets look at historical prices in Canadian Dollars to get the overall perspective...

Spot Silver (CAD)



As you can see, Silver in Canadian Dollars is close to its cheapest in over 5 years ! The reasons for this are that Silver, Gold & other commodities drop in price (in USD) when the USD is strengthening. Therefore we often see the price of Silver, and the value of Canadian Dollar move together ! Both get weaker against USD together, meaning the price of silver stays roughly the same for us north of the border. Even with our dollar now down 25% we are still seeing the retail price of Silver Maples under CAD\$25 – roughly where it has been for the last

18 months ! If you bought at anytime in the last 5 years, but are now holding off because you think it's expensive, then you need to look objectively at the figures.

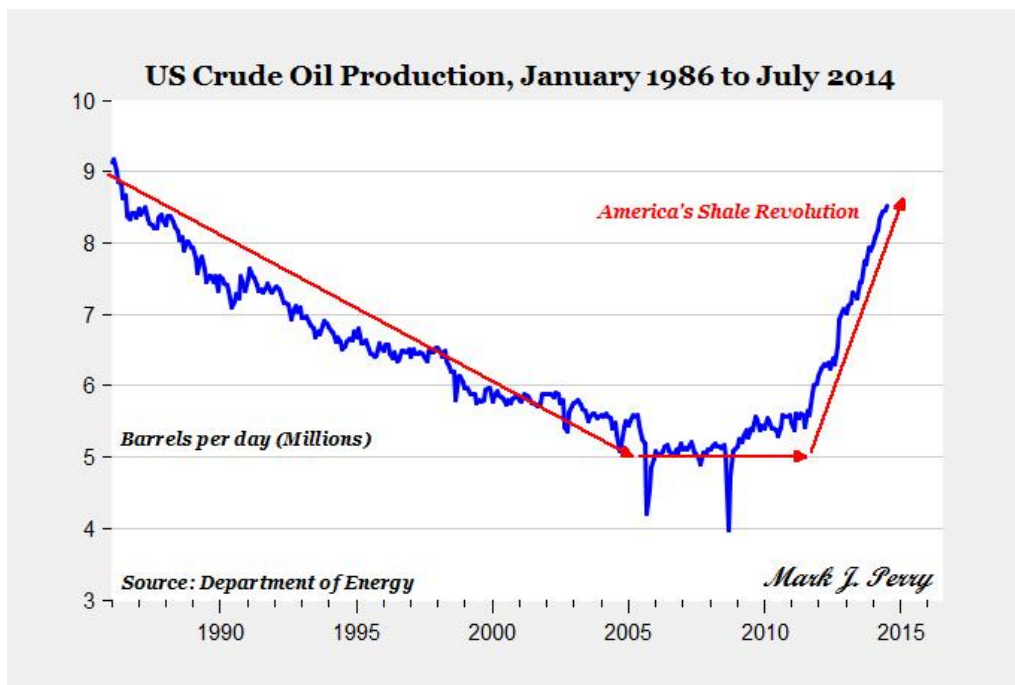
**Second, what about Oil, and the Petro-Status of the Canadian Dollar ?**

"Historically speaking, crude oil and the Canadian dollar have had a very strong relationship, most of the time, the two assets having a high degree of correlation.

This can be explained by the fact that Canada holds the second biggest oil reserves in the world after Saudi Arabia. Moreover, a large amount of these oil reserves are pumped into the United States, making Canada the biggest energy source for the U.S. economy. Thus, investors focus on crude oil prices to gauge the CAD's direction of trading.

The correlation between crude oil and CAD was pretty easy to exploit in time, but all this came to an end over the last few weeks as crude oil began to quickly drop while the Canadian dollar declined only a few basis points throughout the same period." (ActionForex.com)

There has been a fundamental drop in demand for oil as the global economy contracts, and US production continues to increase to its highest level in 20 years !



If you believe that the global economy is likely to suddenly reverse its decline, and begin consuming oil at a much higher pace, then we will see oil prices rise, and the Canadian Dollar strengthen. Futures prices for Crude in 2016 and 2017 however do not reflect this. Long dated futures are trading down, meaning oil producers are desperate to sell future production now, for fear of lower prices, and oil consumers are reluctant to buy future production now, as they anticipate lower prices !

The reality is, that these trends take years to develop, and once they have changed direction, will take years to reverse. You may wait several years for oil prices to recover to \$100/barrel – which will definitely strengthen our dollar, but who knows how high gold and silver will be by then ?

### **Conclusion**

As a dealer, many would say I am biased to try and sell as much metal as possible – however the facts speak for themselves. Precious metals are close to their five year lows in our currency, and the long term change in outlook for oil prices means the Canadian Dollar is unlikely to strengthen any time soon.

All this is against the backdrop of huge international demand for Gold & Silver (both from individual investors, and now Central Banks), the evidence of price manipulation exposed by GATA, and the expansionary monetary policies being followed almost universally by indebted nations.

In a few years time, it will not be important how much you paid for Gold & Silver, it will be whether you have got any at all !

*Author David Ford is the founder, owner and President of The Atlantic Gold & Silver Centre. He is experienced in commodities & future trading, banking and insurance. He has been actively investing in gold and silver bullion since 2000.*