

# The Atlantic GOLD & SILVER CENTRE

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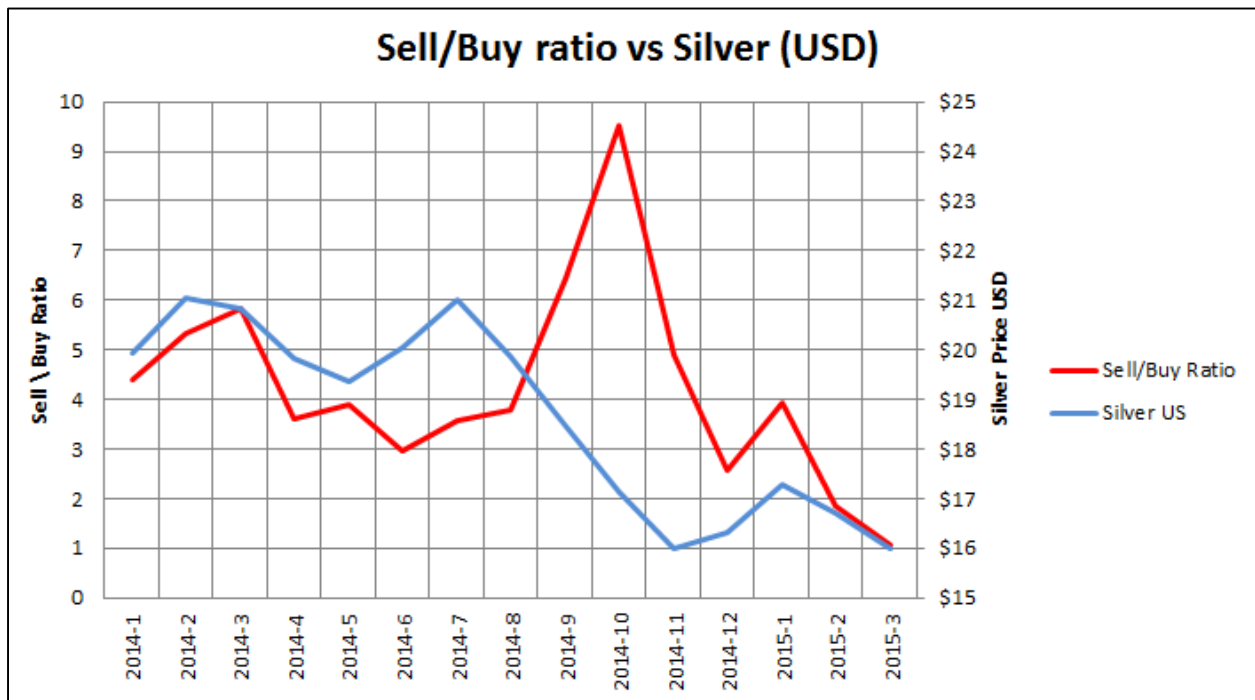
## Capitulation ?

Written by David Ford

### One word describes this market – Capitulation.

Not since opening in 2010 have we seen so many gold & silver investors selling their holdings. We have seen record amounts of gold maples and 100oz silver bars being returned to us as people give up on their holdings and/or liquidate investments to meet property tax bills or other tax bills.

The following chart shows information not readily available to non-insiders. It shows the relationship between buyers and sellers for physical products. The Sell/Buy ratio is approaching 1 for the first time in several years. This means we are buying back the same amount of metal as we are selling.



However this is not the time to panic. In the past, whenever we have seen physical holders cashing in their investments – it has always coincided with a major turning point in the market. For electronic traders, buying & selling is easy. Log on, click a mouse, and 'Poof – its gone!' When its easy to trade, you sell as soon as the panic kicks in. No waiting required !

Now to sell your physical holding, this means taking up some of your time to drive to the store and hand over the asset – which is both physically, and psychologically harder to do than for the electronic trader who just sees abstract numbers. Since the spreads on physical transactions are inevitably larger than for electronic trades (where no metal is actually moved) then this also creates a dis-incentive to sell the asset.

**What does this all mean ?**

What this means is that the physical holders of the metals are ALWAYS the last to sell. So when we see them arriving in our stores, we usually conclude that the market is about to turn. Sometimes there is one last drop to shake out the last of the sellers, but once everyone who is going to sell has sold – there are only buyers left !

**If there are only buyers left – which way will the market go ?**

It is psychologically hard to do – but to buy when everyone else has given up & sold is usually the time of most reward. Will gold stop falling here at \$1150. Will it make a last drop to \$1100, or possibly \$1000 ??

Silver is fast approaching \$15/oz – but the Canadian Dollar is falling too – meaning the drop is not so severe in Canadian terms. Good if you a holder – bad if you're a bargain hunter.

All scenarios are possible. But once you see a large intra-day reversal (i.e. a sharp drop, followed by a sharp climb the same day) you know it was the final shake out. Look for it in the coming days – as \$15 is a key resistance level for Silver.



**Conclusion**

Contrarian investors love scenarios like this. Many market participants have given up, and only see doom & gloom ahead. The smart investors walk in an accumulate at historically low prices. There is still huge physical

demand for precious metals around the globe, and the current prices are unsustainable compared to the cost of production. We may be in for a bout of deflation, as people prefer cash over assets – but if you can afford it, now is the time to strengthen your portfolio with precious metals. Once the inevitable inflation appears as a result of the money printing of the last 7 years – prices this low will be but a fond memory !

*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.*