

Silver is developing a base formation, which should eventually support a significant recovery.

The grey metal has had few fans in recent years. It has largely been demonetised, with the exception of an occasional commemorative coin. Previously strong demand from the photography industry is likely to decline, according to some mining analysts, due to the proliferation of digital cameras. Consequently, stockpiles of refined silver are substantial. Subscribers will know that news is usually worst near the bottom, which is how the market got to a low level. Silver is too important a metal, industrially, and too pretty, to stay at historically low levels indefinitely. Recent prices have curbed new production, resulting to a supply/demand deficit of 76 million ounces in 2001, and a projected deficit of 97 million ounces for 2002, according to the Silver Institute in Washington D.C. The chart shows base formation characteristics with two areas of resistance, which need to be overcome before a significant recovery can be sustained. The first is at \$4.80, beneath which all rallies have been reversed over the last 12 months. The second is at \$5.00, where some lateral trading is evident and it is also a psychological barrier. A close under \$4.50 is currently required to reaffirm resistance and consign silver to a more lengthy base extension phase. I first mentioned silver in FM166 (1/02/02), adding that I trade it as a high-beta play on gold. Tactically, I use my long only 'Baby Steps' buy-low-sell-high strategy, which works best in developing base formations. Once the base has been completed, I'll reduce the Baby Steps activity in favour of trend running.

Silver Standard Resources Inc is a speculative play on a recovery by the metal. SSRI describes itself as "a leveraged unexpiring call option on silver". Basically, this company holds and continues to acquire rights to silver ore in a number of countries. It doesn't produce at current prices, so SSRI loses money. However, it has no debt and continues to finance operations by private placements of shares and warrants. It has broken out of a huge base and as long as the lows are rising, I like the chart and view the company as a speculative play

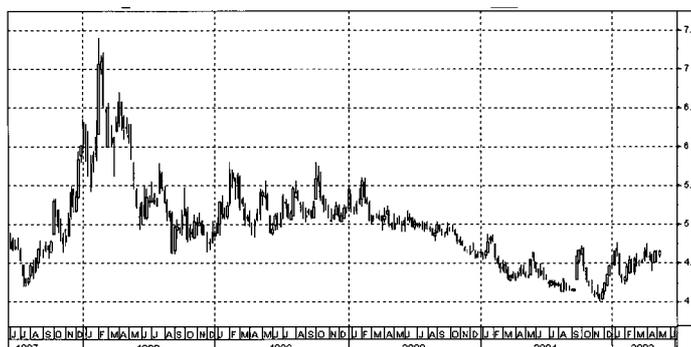
on silver. I may purchase SSRI.

My new website - Have you seen my new 'blog'? The www.fullermoney.com site has been relaunched with a running commentary for subscribers - current and prospective.

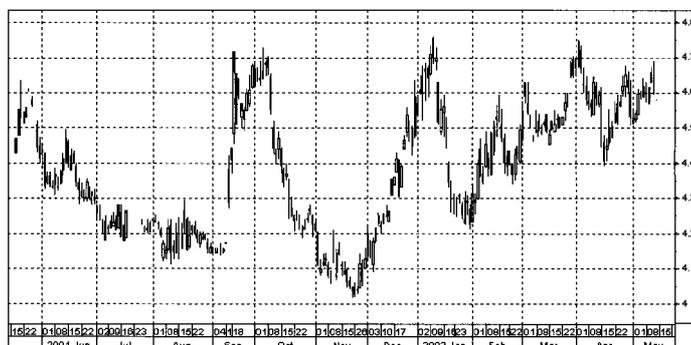
Best regards - David Fuller

Charts supplied by Bloomberg.

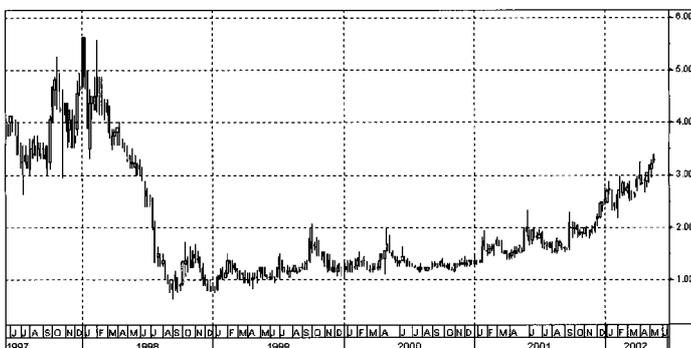
Silver 1st Month Continuation: \$4.58 (Weekly)



Silver 1st Month Continuation: \$4.58 (Daily)



Silver Standard Resources Inc: \$3.40 (Weekly)



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