the eResearch Clarion

April 30, 2013

A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.

for your Information

New Format

Henceforth, the Clarion will feature only an editorial.

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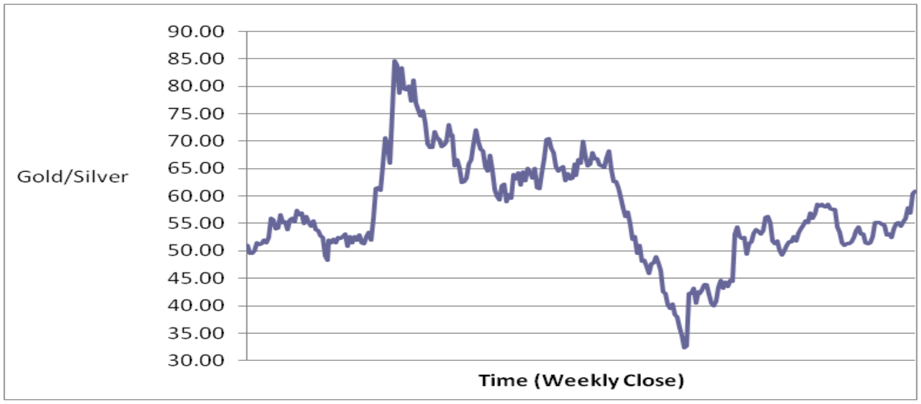
Topic: Gold and Silver

This week, we are providing charts that compare the price performance of gold versus silver.

As the charts will show, silver is far more volatile.

The first chart shows the gold/silver ratio, by dividing the price of gold by the price of silver. These are weekly computations, and track the six years from May 2007 until April 2013.

Gold/Silver Ratio: May 2007 – April 2013



The chart shows the ratio rising from 52.04x in August 2008 to as high as 84.63x exactly two months later (October 2008). One would surmise that, since the ratio was rising, that the price of gold was rising faster than the price of silver. In fact, the opposite was true: both were declining, and the price of silver was falling faster than the price of gold.

The ratio then declines and settles into a long (21 months: February 2009 until October 2010) band between approximately 60.00x and 70.00x. The ratio then steadily declines to reach a bottom in April 2011 at 32.31x. During this six-months time, the price of gold rose 18.5%, from $1,318/oz. to $1,564, while silver rose 118% from $22.09/oz. to $47.91. Such is the capability of silver for volatility.

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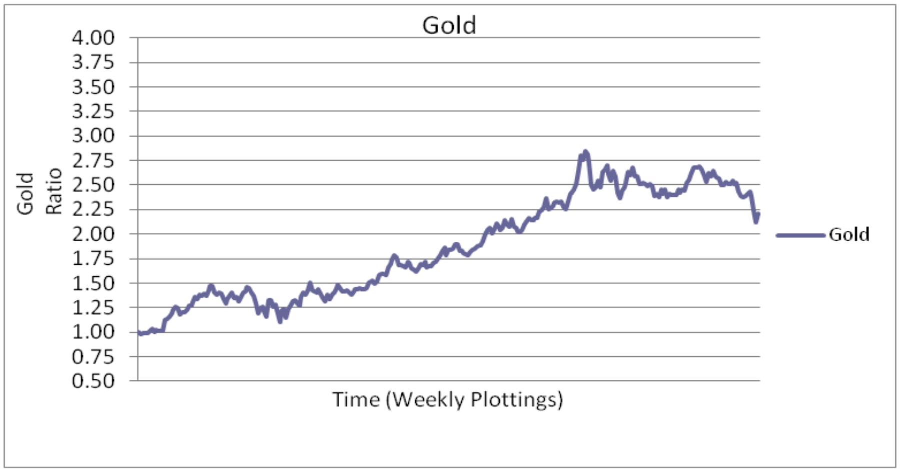
The following table shows the average price of gold and silver over various periods as well as the average ratio of gold to silver. These averages are shown along with the current statistics.

	Average Price of Gold	Average Price of Silver	Gold/Silver Ratio
May 2007 - April 2013	$1,237.21	$22.79	57.20
March 2009 - April 2013	$1,394.75	$26.09	56.22
January 2011 - April 2013	$1,616.83	$32.70	50.20
Current (April 26, 2013)	$1,460.75	$23.98	60.92

Over the past six years, the gold/silver ratio has see-sawed considerably, from a high of 84.63x (October 2008) to a low of 32.31x (April 2011). The averages have trended more closely, in the 56x – 57x range long term. Since the beginning of 2011, the average ratio has been a little lower, near 50x. This likely means that the current ratio, near 61x is too high and there will probably be a correction, either by the price of gold declining or the price of silver rising, or a combination. Looking at the average prices for the two precious metals, if they were to revert to their long-term indicators, then it is more likely that the price of gold has to decline from current levels to bring the ratio back into the 50s.

Let's have a look at the charts for the two metals. The first is gold and the second is silver. The chart period is from May 2007.

Change in Gold Price Relative to May 2007



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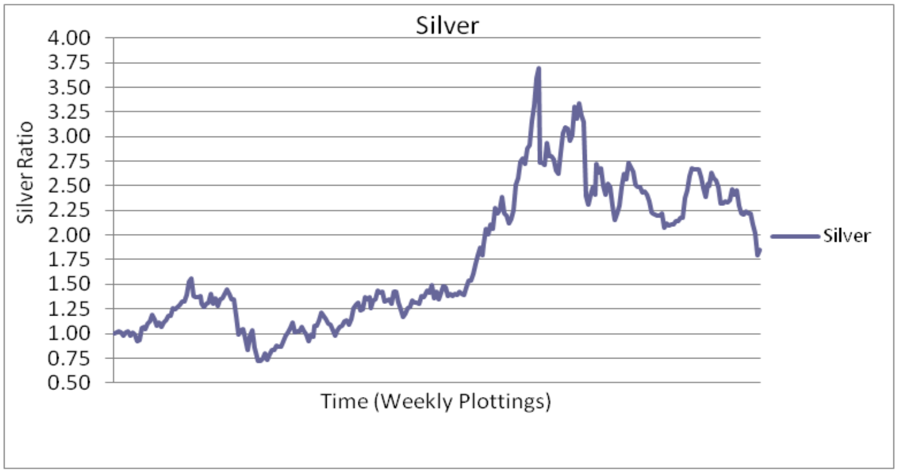
Change in Silver Price Relative to May 2007



In a future issue, we will compare the price performance of the leading gold companies.

Bob Weir, **CFA, and Director of Research**