



Silver Users Association

Washington Report

Volume 3, Issue 3

March 2006

Market Watch: Silver Price

2006 Comex Spot Settlement

Month	High	Low	Avg.
January	9.85	8.82	9.18
February	9.84	9.10	9.52
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
2005	9.0	6.43	7.32

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Association News:

- **SUA Spring Meeting to be held May 23-24, 2006 in Washington, D.C. at the Army-Navy Club. Call now for information (703) 930-7790.**
- SUA has created a new industry event calendar. Please send us the dates of your meeting so we can include it on our website.
- Press Releases: Please send us your press releases and/or company announcements, so that we can include them in SUA's monthly newsletter.
- Web Site: Visit our web site at: <http://www.silverusersassociation.org>
- Join SUA today and save 50% for new members!

Note:

- Please send us any updates to your company profile so that we can update our records and web site.
- If you are interested in sponsoring the newsletter, please e-mail Paul Miller today at pmiller@mwcapitol.com

SEC Approves Silver ETF

Last Wednesday the Securities and Exchange Commission (SEC) in a 32-page ruling approved Barclay's request for issuing a silver ETF.

In the SEC's written statement, it said: "The Commission received a total of 255 comment letters on the Exchange's proposed rule change. Of these 255 comment letters, 248 comments supported the proposed rule change and 7 comments opposed the proposed rule change.

In general, those commenters opposed to the proposed rule change argued that approval of the Silver Shares would result in serious liquidity problems in the silver market. In particular, these commenters contended that the Silver Shares would negatively impact the silver market because their creation would require the holding of silver in allocated accounts, which would drain large amounts of silver from the open market and cause higher prices for silver products.

Furthermore, the commenters asserted that the higher silver prices caused by the creation of the Silver Shares would cause the loss of jobs specific to the silver industry.

The Exchange responded to these comments by stating that it believes that the listing and trading of Silver Shares will make the market for silver more efficient and transparent by providing investors with an easier and more cost-effective alternative for investing in silver. The Exchange asserts that a transparent marketplace for Silver Shares will allow for a more accurate representation of the supply and demand for silver, and therefore, a more accurate market price.

The Exchange also disagrees with some commenters' assertions that the Trust will reduce the amount of silver in the marketplace. In this regard, the Exchange notes that, at the commencement of trading, the Exchange will require 150,000 Silver Shares to be outstanding, which will require 1.5 million ounces of silver to be deposited with the custodian of the Trust. The Exchange states that Trust assets will grow only to the extent that demand for the Silver Shares grows and that a wide variety of factors are capable of influencing supply and demand for silver.

The Commission agrees with Amex that, like other derivative products, the Silver Shares will increase the efficiency and transparency of the market for the underlying instrument, i.e., silver. In this regard, the Commission finds that the proposed rule change is in the public interest. The Commission also does not believe that the Silver Shares are likely to cause serious liquidity problems in the silver market such that approval of the proposed rule change is not consistent with the Act."

The Silver Users Association, which is opposed to the silver ETF, has said that the ruling by the SEC is disappointing and one that it believes should not focus on transparency of the silver market, but more on the impacts this issue will have on jobs and the overall economy, " stated Paul Miller, executive director for the SUA.

The SUA still contends that the creation of a silver ETF will require the holding of physical silver in allocated accounts, thus removing large amounts of silver from the market. By doing so, the ETF most likely would cause a shortage of silver in the marketplace. This removal of large quantities of physical silver could have a negative impact on silver-industry specific employment as well as the overall economy, both through job losses and inflation.

The SUA has never opposed the buying and selling of silver as an investment. This is a scare tactic being used by those in the public who really don't understand who SUA members are. "We have received a lot of hate e-mails and phone calls from the general public venting at our ability to manipulate the market. This is misinformation that causes panic that is unfounded. We urge the SEC to focus on the illiquidity question and less on the unfounded manipulation accusation constantly being made," added Miller.

To view the SEC's ruling, log onto our website at www.silverusersassociation.org.

Gates Among Investors Benefiting From Rising Price, Demand For Silver

By Pham-Duy Nguyen

Bloomberg News

The biggest rally in silver since 1979 is benefiting the commodities market's largest investors, including Bill Gates, the world's richest man.

The Microsoft chairman's Cascade Investment is the second-largest shareholder in Vancouver, B.C.-based mining company Pan American Silver. His 3.32 million shares of Pan American are valued at about \$85.2 million and have tripled since 1999, when Gates made the investment.

A 55 percent jump in the past 12 months has put silver on track for its best year since the billionaire Hunt brothers caused prices to skyrocket in 1979 by hoarding the metal.

Silver, above \$10 an ounce for the first time in 22 years, may reach \$15 by year-end on rising demand from jewelry makers and commodity investors, said Philip Klapwijk, executive chairman of London-based metals researcher GFMS.

"Silver is a market that sort of acts like a freight train," said Frank McGhee, head metals trader at Integrated Brokerage Services in Chicago, who forecast a high of as much as \$13. "It's really slow-moving, and once it gets started in a direction, you cannot stand in front of it."

Silver for May delivery rose as much as 10.5 cents, or 1 percent, to \$10.89 an ounce on the Comex division of the New York Mercantile Exchange. It traded for \$10.84 in London. After a six-year rally, prices are up 22 percent since Dec. 31.

The metal also has attracted the billionaire Warren Buffett. His Berkshire Hathaway bought 129.7 million ounces of silver in 1997, most of it for less than \$6 an ounce. He won't say if he still owns it.

Leading Pacific Northwest silver-mining companies:

Hecla Mining,

Coeur d'Alene, Idaho

2005 financials: Net loss of \$25 million on sales of \$110 million

Silver production: 6 million ounces in 2005

Silver mines: Idaho, Alaska, Mexico

Gold production: 140,559 ounces in 2005

Stock (ticker HL): Up 19.9 percent over 12 months

Coeur d'Alene Mines,

Coeur d'Alene, Idaho

2005 financials: Net income of \$10.6 million on sales of \$172.3 million

Silver production: Almost 14 million ounces in 2005

Silver mines: Idaho, Nevada, Chile, Argentina, Australia

Gold production: More than 130,000 ounces in 2005

Stock (ticker CDE): Up 90.7 percent over 12 months

Pan American Silver,

Vancouver, B.C.

2005 financials: Net loss of \$28.6 million on sales of \$122.4 million

Silver production: 12.5 million ounces

Silver mines: Peru, Mexico

Stock (ticker PAAS): Up 74.4 percent over 12 months.

Source: Company reports, SEC filings

Silver "is a diversification tool," said Graham Birch, who helps manage \$8.5 billion in mining assets for London-based Merrill Lynch Investment Managers, the world's biggest investor in gold stocks. "Investors are putting more money in commodities and within that there are some hot spots like silver."

Buffett's stockpile of silver, if still held by Omaha, Neb.-based Berkshire, would be valued at \$1.39 billion, about \$700 million more than from June 1997 to January 1998, when the investment was made. Buffett declined to comment.

Spokespeople for Gates and Cascade Investment didn't return calls seeking comment.

Hunts bought in 1970s

The gains in silver are the biggest since Nelson and William Hunt of Dallas started buying the metal in the 1970s, sending prices to \$50 an ounce by early 1980 from \$6 at the start of 1979.

The Hunts, who, along with their brother, Lamar, once had a net worth estimated at \$6 billion, were convicted in 1988 of conspiracy for trying to manipulate prices. They lost \$1.5 billion and were forced to pay \$130 million in fines.

This year, rising demand may help silver outperform gold and copper, said Michael Kagan, who helps manage \$5.2 billion at Legg Mason's CAM North America in New York.

Copper rose 37 percent last year, touching a record this month, as demand from China depleted supply. Gold reached a 25-year high in February as investors bet against the dollar.

The 30 percent gain in silver last year exceeded the 3 percent rise in the Standard & Poor's 500 Index and the 2 percent return on the benchmark 10-year U.S. Treasury.

"Silver supply-demand fundamentals are tightening this year, while copper's may loosen in the second half," said Kagan, who owns silver and manages funds that hold shares of Apex Silver Mines in Denver and Toronto-based Barrick Gold. "Silver is going to outperform gold until we get some new mines, and that's not coming on for another few years."

Not even a drop in demand by filmmakers, the biggest users of silver, has hurt prices as investors seek a cheaper alternative than gold, McGhee said. Gold is up 32 percent in the past year to \$560.50 an ounce.

Supply may tighten should Barclays Global Investors get U.S. approval for an exchange-traded fund linked to the price of silver, creating new demand by making it easier for investors to own the metal.

The investment is modeled after the StreetTracks Gold fund that began trading in November 2004 and was the most successful new exchange-traded fund (ETF). The initial Barclays offer will be for 150,000 shares, each representing 10 ounces of silver, and the fund is seeking approval for as many as 13 million shares.

"Silver has been so powerful because there's a feeling that the ETF is going to pull more silver out of the market, and the market's already tight," CAM's Kagan said.

The metal's gains have helped mining companies.

Shares of Idaho-based Coeur d'Alene Mines, the biggest U.S. producer, are up 90.7 percent in the past year, and the company reported two straight quarters of profit for the first time since 1996.

Industrias Penoles of Mexico, the world's largest producer, rose 31 percent this year, the top performer on the Bolsa index after ranking fourth worst in 2005.

Not everyone is a buyer. Demand for silver from the ETF is overblown, and the switch to digital cameras may further slow silver demand, said Ellison Chu, precious-metals manager of Standard Bank Asia in Hong Kong.

"The total demand for silver is diminishing because the film industry no longer uses silver as much as before," Chu said.

"Silver is probably toppy around \$12," said Alastair McIntyre, head of marketing at ScotiaMocatta, the bullion unit of the Bank of Nova Scotia, one of five participants in the daily trading session in London that sets world gold prices.

Even Microsoft's Gates has trimmed his holdings. Cascade Investments sold 1.79 million shares of Pan American Silver from Dec. 12 to 20 "to cover its original investment and also take a bit off the table," Pan American spokeswoman Brenda Radies said on Dec. 22.

At the time, the stock was at a 20-month high. Since then, it has risen another 46 percent to a record.

Michael Larson, chief investment officer of Kirkland, Wash.-based Cascade, remains on Pan American's board, where he has been a director since 1999. He didn't return calls seeking comment.

Silver's rally is boosting costs for makers of photographic film, including Rochester, N.Y.-based Eastman Kodak, the largest photography company.

Kodak told analysts at a New York presentation Jan. 22, 2004, that silver at \$6.25 an ounce would erode earnings by \$30 million to \$50 million that year. The company declined last week to update the estimate. Kodak is raising prices for products such as medical imaging, spokesman David Lanzillo said.

The Silver Users Association, whose members include Kodak, jewelry-maker Tiffany and Dow Chemical, opposes creation of the Barclays fund because it may keep prices high.

"If the silver ETF is approved, it will mean higher product costs and lost jobs in our country," Paul Miller, executive director of the association, said in a Feb. 13 letter to regulators. The group's members employ more than 200,000 workers and process 80 percent of silver used in the U.S.

Haven from dollar

Silver's widening use in products from paints to batteries to medical devices has made it more appealing than gold for some investors seeking a haven from the dollar's decline. Demand for silver in industrial applications is estimated to rise 5 to 6 percent in 2005, researcher GFMS said.

"Silver prices are not driven by normal supply-and-demand fundamentals at the moment," Klapwijk said. "They're driven by investor demand. The funds have been buying silver in anticipation of the ETF, which will lead to a squeeze in the silver market and push prices even higher."

In the U.S., which accounts for about 20 percent of global silver use, demand exceeded supply by about 2,700 tons in 2004, prompting increases in output from China, Klapwijk said.

China, after almost tripling production in the past four years, increased its export quota to 4,000 tons in 2006 from 3,500 last year. The country raised output by 19 percent last year to 7,196 tons, and may have overtaken Thailand to become the biggest supplier of silver jewelry to the U.S.

China is the world's fourth-biggest silver producer, accounting for about 10 percent of the world's silver resources, according to the China Nonferrous Metals Industry Association.

Silver Review for March 28, 2006

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METALS: OVERNIGHT CHANGES THROUGH 4:00 AM: GOLD -3.70, SILVER -4.50

London Gold Fix \$563.75 -\$.25 LME COPPER STKS 120,925 ml tns -3,025 tns
COMEX GOLD stks 7.526 ml oz Unchanged COMEX SILVER stks 125.2 ml oz +276,197 oz

OVERNIGHT ACTION: Chinese spot prices overnight played catch up to Monday's gains.

SILVER: With a number of metals analysts suggesting that the silver market will be unable to absorb the influx of ETF shares there would seem to be some skepticism left in the market and that is a good sign for the bull camp. In other words, it would be even more concerning if the Press headlines were conclusively bullish. In our opinion, seeing some silver contracts touch the psychologically important \$11.00 level in relative proximity to the floating of the ETF's, serves to solidify long interest in the silver market. Yesterday the market saw news that Dubai would begin to trading silver today and while that might pull trade from existing silver markets and from the ETF sector, that move probably brings in fresh buying interest. With German Business confidence reaching a 15 year high overnight and the platinum and base metals prices this morning mostly positive, we suspect that will help silver avoid the type of profit taking seen in the gold market early today. Trend line support in May silver comes in at \$10.44, but some traders might suggest that the market has closer-in support at \$10.73.

METALS TECHNICAL OUTLOOK :COMEX SILVER (MAY) 03/28/2006: The rally brought the market to a new contract high. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 1103.4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1097.3 and 1103.4, while 1st support hits today at 1081.8 and below there at 1072.4.

I wish to begin reiterating our "trend" opinion, so that traders don't forget that the "Daily" comments are in fact just "daily comments". In other words, we take the stance that the daily comment is a venue to bring in the freshest overnight developments and to suggest what fundamental impact the new developments might have on prices for that day, even if the comments are bearish within the confines of an entrenched bull market pattern. We might also suggest that trader's who are unclear on our long term opinion, should always refer to the existing trade suggestions for clarification of where we think the market is headed to over the long term.

Manufacturers Are Less Optimistic Than Last Year

The 2006 National Manufacturing Week survey of manufacturers in the United States shows that 44 percent expect manufacturing to trail the overall economy in 2006, up from 34 percent in the previous year's survey, and that a substantial majority expect the economy to grow more slowly – less than 2.9 percent – in the year ahead than most economists predict.

“Most economists expect the overall economy to do better than that, including our own” said National Association of Manufacturers President John Engler. “It’s not that manufacturers are unduly pessimistic, but they are contending with unprecedented challenges that affect their outlook.”

On the brighter side, Engler said that more than half of the respondents expect to increase capital spending in 2006 and to increase employment, and that almost three-fourths of them now report they are exporting to other countries. “These are all positive signs,” he said.

Engler said the biggest challenge besetting U.S. manufacturing are rising external costs associated with health care, materials and energy, which manufacturers are unable to transfer to product pricing. “External costs burdens are having the biggest impact on manufacturers—lowering their profitability and tying up more funds that would otherwise be spent on investment, research and development, and new product lines. These costs are a significant and long-term problem for our nation’s manufacturers and our economy.”

Tony Raimondo, Chairman and CEO of Behlen Manufacturing Company in Columbus, Nebraska, and a member of the NAM Board of Directors, said that energy was looming ever larger as a serious cost factor in his industry. “The government encourages us to rely more and more on natural gas for energy, and then makes it virtually impossible to access more supplies of natural gas. The result is the highest natural gas prices in the world.

“We have also got to get a handle on health care costs,” Raimondo said. “We’re looking at double-digit cost increases every year on what is already a major cost item. This survey shows that the cost of ‘non-wage compensation’ is having the greatest negative impact on manufacturers today, and by far the biggest item in that category is health care.”

Engler noted that as the manufacturing sector continues to expand, manufacturers are more reliant on a high-performance workforce, and that qualified workers are getting harder to find. “We began seeing this issue a few years ago and it is becoming more pronounced in subsequent surveys,” Engler said. “Half of the respondents currently have unfilled positions because they can not find qualified workers, and 70 percent of the new jobs that survey respondents anticipate creating will be for either skilled production workers or highly educated professionals. The need for highly-educated professionals specifically has nearly doubled from 2005 and we anticipate it will continue to grow in the future.

“If the U.S. is to preserve its position as a major economic power in the 21st century it must stay out in front of the innovation curve, and it will need a much better-prepared workforce to do so,” Engler continued. “Like every modern nation, the United States is deeply involved in globalization. Technology and competition will only increase America’s need to have access to highly skilled professionals. But our schools and training programs just aren’t doing the job.”

Ronald D. Bullock, CEO of Bison Gear & Engineering Corporation in St. Charles, Ill., underscored Engler’s comments with a personal comment on his quest for qualified manufacturing employees. “I recently filled an engineer’s position that had been open for 18 months,” Bullock said. “Right now, I have at least five

empty slots, some of which have been empty for months. I need more people to keep up with demand, but I can't just hire anyone off the street. This is complicated work. We need people with strong backgrounds in math, science and computers.”

Bullock also echoed Raimondo's comment on the impact of rising health care costs. “In any discussion among manufacturers, health care is always a major topic of concern,” he said.

Engler noted that one way manufacturers are competing more effectively with the rest of the globe is by increasing their exports, with an “astounding 73 percent” selling abroad. “The NAM has been working with the Bush Administration and Congress to level the international playing field for U.S. exporters,” Engler said. “On a more personal level, we are working with the Commerce Department to help small and medium-sized manufacturers sell their products abroad. Manufacturers in America who don't sell outside the borders of the U.S. are shutting themselves out from more than two-thirds of the world market, and the rise in exporting is a win for manufacturers.”

The NAM survey showed that 54 percent of respondents expected their exports to stay the same in 2006 and 41 percent expected them to increase. “We are seeing a much stronger commitment toward exporting than in previous years,” Engler said. “This is a positive trend. Manufacturing accounts for most U.S. exports, and offers our best hope for chipping away at the trade deficit.”

The survey of 3,000 NAM members of all sizes in diverse industries and geographical areas generated a response of 349 responses or 12% percent. The survey results are available at www.nam.org/nmwsurvey.

SUA Praises President's Signing of Anti-Counterfeiting Bill

Mike Merolla, President of the SUA, today praised President Bush for promptly signing into law H.R. 32, the Stop Counterfeiting in Manufactured Goods Act.

This law is critical to ensuring that those counterfeiting products find it harder to do so. This legislation is an important step in closing loopholes and providing much-needed tools to enhance criminal enforcement efforts.

The SUA, along with the Coalition Against Counterfeiting and Piracy, made a major effort to win passage of this bill because it will help stem a growing tide of counterfeiting and piracy. The size and scope of this problem is enormous. It is damaging our economy, eliminating American jobs, and threatening our health and safety. Whether it is fake medicine, brake pads, or batteries, the theft of hardworking people's intellectual property has got to stop.

The President's signature on this bill is only the first step. If this bill is going to have meaning, we are going to need greater coordination among enforcement agencies to enforce the laws on the books and bring these criminals who engage in counterfeiting and piracy to justice. The United States also needs to acknowledge and include these new anti-counterfeiting and piracy protections in all future Free Trade Agreements.

House Workforce Committee Chair Encourages Continued Action on a Senate Health Care Access Bill: House Approved Measure to Establish Association Health Plans Last Year

House Education & the Workforce Committee Chairman Howard P. “Buck” McKeon (R-CA) today encouraged further Senate action on legislation to create health plans that would allow small businesses to band together and provide quality health care at a lower cost to their workers. The Senate Health, Education, Labor, and Pensions (HELP) Committee today advanced a measure aimed to improve access to health care.

In July 2005, the House overwhelmingly backed the *Small Business Health Fairness Act* (H.R. 525), legislation to expand access to quality health care for millions of working families by creating association health plans (AHPs). Three dozen House Democrats supported the legislation.

“Senate committee action is an important step forward for congressional efforts on behalf of uninsured working American families,” said McKeon. “With 45 million Americans living without health insurance, the time for action is long overdue. The House has consistently supported legislation to expand health care access for American families, and I’m hopeful the Senate will continue moving ahead as well.”

The U.S. Census Bureau announced last summer that 1.4 million more Americans were without health insurance compared to the previous year. More than 60 percent of these uninsured Americans either work for a small business or are dependent upon someone who does. The House-backed *Small Business Health Fairness Act* would create AHPs to increase small businesses’ bargaining power with health care providers, give them freedom from costly state-mandated benefit packages, and lower their overhead costs by as much as 30 percent – benefits that large corporations and unions already enjoy because of their larger economies of scale.

“I encourage the Senate to seize the momentum created by today’s committee vote and see a bill through to final passage,” concluded McKeon. “A bipartisan majority of the House and I stand ready to work with the Senate on a common sense measure to expand health care access for scores of American families.”

A broad and diverse coalition of more than 160 groups have endorsed association health plans, including the U.S. Chamber of Commerce, the National Federation of Independent Business, the American Farm Bureau Federation, the Associated Builders and Contractors, The Latino Coalition, National Black Chamber of Commerce, the National Association of Women Business Owners, National Restaurant Association, and the Silver Users Association. For more information about Association Health Plans and the broad coalition that supports AHPs, please visit the website <http://www.ahpsnow.com/>.

*** This legislation would allow the SUA to create a healthcare program for its members at an estimated 10-15% savings each year.**

2006 Industry Calendar of Events

February

February 1-6 AGTA Tucson GemFair
Tucson Convention Center
Tucson, Arizona

March

- March 5 CPM Group 2006 Silver Reception
The Royal York Hotel
Toronto, Canada
- March 12-14 MJSA Expo New York
Jacob Javits Convention Center
New York City
- March 22 IPMI New England Chapter Dinner Meeting
Squantum Club
E. Providence, Rhode Island
Speaker: Jeffrey Christian, CPM Group Topics: China & Market Commentary

April

- April 26 IPMI New England Chapter Board Meeting
Squantum Club
E. Providence, Rhode Island

May

- May 23-24 Silver Users Association
Army-Navy Club
Washington, DC
- May 24 IPMI New England Chapter Annual Meeting & 16th Jewelry Design Competition
Location TBA

June

- June 3-7 JCK Las Vegas
Sands Expo & Convention Center
Las Vegas, Nevada
- June 10-13 IPMI 30th Annual Conference
JW Marriott Resort
Las Vegas, Nevada
- June 7 IPMI New England Chapter Board Meeting
Election of Officers
Squantum Club
E. Providence, Rhode Island

October

October 24-25 Silver Users Association (Date Still Pending)
Army-Navy Club
Washington, DC

November

November 9 MJSA Annual Meeting
Kirkbrae Country Club
Lincoln, Rhode Island

- If you would like to have your industry event included on the SUA website calendar, please e-mail your information to pmiller@mwcapitol.com

