

The Kronos Effect

By Charles Savoie (copyright June 2002)

One of the great science fiction films of the black and white era, *Kronos* (1957), concerned a huge monolithic metallic robot which crashed into the Pacific off the west coast of Mexico then moved inland. Seeming to be 1,000 feet tall or more, it was composed of a large cube under a smaller cube, connected by a massive cylindrical column. Under the large cube were 4 square shaped legs, two of which remained on the ground while the other two retracted upwards, like pistons. Anything underneath was crushed flat as it marched. Atop the entire structure was a half dome shape flanked by diagonally projecting antennae. Lightening like bolts of crackling energy frequently danced about the ominous half dome. The purpose of *Kronos* was to absorb all forms of energy on earth, especially electrical energy, and to transmit it back to the superintelligent alien civilization, which sent it on its mission of doom for the earth. It marched relentlessly inland, moving deep into Mexico where it destroyed a power plant and absorbed its energy. The Mexican air force requested emergency assistance from the United States. Two fighter pilots dropped an H-bomb on *Kronos*. As the clouds of debris cleared it was obvious *Kronos* was unstoppable. It had absorbed the entire ferocious blast of atomic energy! There is no need to complete the summary of this 45-year-old film. Having described the fictional *Kronos*, we may now apply a similar background to the emerging picture in precious metals---gold, silver (our favorite), and the platinum group. We should know, that this word comes from a Latin root word (spread by Roman armies) meaning crown; that a *Krone* was formerly a German gold coin and an Austrian silver coin, with Norway and Denmark having had silver coins of the same name; that the *Krona* is the monetary unit of Sweden and was used as a circulating silver coin. Plainly stated, there is so much money in the world today which is on the lookout for a place to land, that when precious metals prices break all restraints of derivatives which have hidden their true value---the world will behold in awe the *Kronos* effect in noble metals. M-2, the bloated money measurement will gravitate towards real value, bidding up precious metals and equities based on them! Gold, silver and platinum will take on so much value as to be a giant sponge of wealth, a *Kronos*, if you will, absorbing the wealth of the world to a surprising degree. (Image link to *Kronos* movie poster—atomicdiary.com/dvd/Kronos-1957.html) And, so to speak, those of us who are invested on the long side of these metals constitute the superintelligent civilization to which the *Kronos* effect in precious metals will transmit the wealth of everyone who gets in after these metals go berserk with value; and those who pay for these metals as consumers! As billionaire oilman J. Paul Getty (1892-1976) said, the meek will inherit the earth, but not the mineral rights!

WHY THE KRONOS EFFECT MATERIALIZES

Supply and demand is a great deal of the reason, especially concerning silver. Another major reason is that investors are looking for a sector, which is rising, and where they perceive their money will appreciate. The precious metals sector of unhedged, derivative free mining companies will have share values based on actual earnings---massive earnings! People around the world, especially in Japan and Mexico, and to some extent, Canada and America, are rightly returning to a sane view of gold and silver. That view is that these metals are, in and of themselves, actual money and true medium of exchange---not just jewelry metals, and have innate substance not attained by paper currencies! In the case of silver, the situation is most extreme of all. For just at the very time in history when so many of the great silver deposits have long since played out and above ground stockpiles are a small fraction of their former size, we also have the twin situations of demand at its greatest and set to surge upwards, especially because of Chinese consumption, and the fact of people returning to use of silver as true money. 61 Neutron Corporation, of which I spoke in an earlier essay, along with its counterpart, which I

will nickname Hercules Silver Holdings (which just acquired a top rated Mexican ore body), have given subtle hints of a possible merger at some point, becoming the biggest silver mining company in world history. If that happens, you could call the resulting company, Combined Colossus Corporation, the Kronos of silver! (Some of these hints are---the president of one of them was a director of the other firm in 1992; both companies are headquartered in the same city; their shareholder base overlaps to a meaningful extent; they stand shoulder to shoulder in a major South American project; and this alliance, after 61 Neutron declined an offer to swap properties with the other huge silver company, Bolivian Giant Silver Mines.) Imagine having large reserves of an indispensable industrial commodity in a desperate supply squeeze, which is also increasingly being used as circulating money! And this in an environment in which many millions of investors have suffered terribly in many corporations whose securities (trumpeted loudly by know nothing, do nothing, be nothing analysts who puked out a toxic, pus-filled blather of quicksand type buy recommendations), turned into withering disease like an H.P. Lovecraft horror story and cost the life savings and living standards of so many. Reflecting on the fact that over 90% of the recommendations of these analysts have been buy recommendations at inflated levels, it makes you wonder if someone turned them loose to make it easier for those in the know to unload shares poised for a crash. As one of the sayings of Lord Byron (1788-1824) has it---he was the mildest mannered man, who ever scuttled ship or cut a throat!

People are desperate to buy securities of companies perceived to be winners. Therefore, when silver supernovas---when you witness its mushroom cloud, literally millions of investors will dump whatever they have left elsewhere and fall all over each other to bid up shares of 61 Neutron Corporation and Hercules Silver Holdings. Thank you, dim-witted central bankers, for dumping your once immense silver holdings at fire sale rates, so that you have eliminated any chance for holding silver low after leasing! Similarly situated gold companies will also perform amazingly well, and a handful of platinum plays. But the greatest pressure in upward prices will take place in silver. Consider that an orthodox source (who many of you will recognize) just recently admitted in one of its charts that there is roughly five times (5X) as much gold as silver above ground. (Featured in this recent report is their description of a 22 cent increase in the price of silver---under 5%---as dramatic! Who is that speaking, industrial users? With what superlatives will they describe a 3,500% increase in silver prices?) Consider also that the below ground silver to gold ratio has narrowed to about 5.5 to one (U.S. Geological Survey preliminary figures); and that the sum total of coming industrial and monetary demand for silver will so far exceed supply that the current price ratio of 66 to one in favor of gold will undergo a readjustment very lopsided in favor of silver. Note that as of 1981, silver in the ground was about 40 times as abundant as gold (National Geographic, September 1981, page 286); consider how dramatically the ratio has narrowed in only one generation, because of the above and below ground draw down of silver attributable to burgeoning industrial and technological uses! Gold may move up five fold or more from current levels, but silver will run circles around that. Entire chains of check cashing outlets around the United States will become silver buying offices as well, begging the public to bring in their silver items!

PRECIOUS METALS---VALUE MAGNETS!

Presently we see a silver price so small it almost necessitates a microscope to behold. Unless an industrial user or derivative trickster is appraising it, in which case it looks like a whale and its size needs to be reduced to even lower levels so it can disappear under an electron microscope. And all this intrigue made possible by progressively dumping central bank silver and calling it leasing. Why the Kronos effect is impending in silver, gold and platinum is because people will jump on board winners. Rising prices attract the herd. Suppressed prices at the bottom are no indicator of opportunity in their view. Low silver prices prove there is oversupply of silver and decreasing demand---just like

pestering noises we continue to hear from someone in Palm Beach Gardens, Florida, who appears to not differentiate paper silver from actual metal. This could account for a claim they made, that there is no shortage of silver. He needs to explain to us simpletons what a deficit is, so we can say like Paul Newman the chain gang convict in Cool Hand Luke (1967), I got my head right, boss! He and his associate (practitioners of neglected aspect fallacies) seem to not figure into their analysis the facts of the silver deficit, how leasing of silver is unsustainable, and the absolute fact that industry must have actual physical silver---not paper instruments! (When the twin towers of silver price suppression, leasing and naked shorting, collapse, and silver prices fly, what explanation will they offer for the drastic leap in prices? That Spanish conquistadors came out of a time warp, stole 100,000 tons of silver, and it sank their galleons at sea due to the weight?) On other matters, their advice appears to be as accurate as a shot from Paladins six-gun (Have Gun Will Travel, 1962) so why the blind-side to silver? What kind of pied piper routine is that, leading people the wrong way as to silver? Looks like every time he predicted a fall, the price has risen! I have reports that those who make inquiry to their organization as to their bearish view on silver receive no reply. There is an exception to the herd rule that low prices never attract buyers. If you see a company with a widely known name, which has crashed in share price, these often attract buyers who theorize a rebound, but in the present environment, will still yield negative returns. I know a young man who I tried to interest in 61 Neutron Corporation when he could have bought shares for \$1.50. He later told me he bought Lucent Technologies at \$6. Why? Because it was a widely known name and the share price was \$84.19 on December 9, 1999. Since he bought it his investment declined by up to 34.6% whereas the same money in the silver stock would have returned over 250% as of early May 2002. He had no wish to buy the silver stock because it is not a widely known name. I asked him if he was aware of the billions of debt in Lucent. No rebound to \$84 will occur. Apparently debt is not a criteria to everyone. It sure as hell should be! As for widely known names, the history lesson is the best time to buy is before they become widely known! A poem concerning these self-tortured unfortunates---

*Limited minds have narrowness for their preamble,
They balk at good advice, and incoherently ramble,
Their minds are like an earthquake zone, a big shamble,
They think a proctologist works for Procter & Gamble!*

Then there is the fellow I know whose wife works for an airline. Naturally their entire life savings has to be in that airline stock. Why? Well, because she works for the airline and they are married. Another case of circular reasoning. When the oil war arrives that stock will be less appealing. Another fellow I urged to buy 61 Neutron at \$1.25 told me his broker never recommended it, and he would continue to put money into a mutual fund (which even then was sagging.) The advice dispensed by his broker should have been printed, then used to line the bottom of a bird cage. Showing him the 85.5% gain he could have realized in 61 Neutron by May 2001, he expressed anger at me, saying he had a family to support. Evidently he also was beguiled into supporting someone interested in looting his net worth. Simple minds cannot understand a situation before the fact; therefore, they have to take losses. Continuing with silver stocks, Mr. Lead-Us-On says we should avoid these, which after mid-May are very sharply higher! Come on, there are other silver shares besides Sunshine! He sounds like what they call in Mexico, an aguafiestas---someone who throws water on the party. Is he a smarter fellow than Soros (the man who moves the markets), Gates (the worlds richest man), Buffett (kingpin of value investors) and Tisch (the king of cash)---all invested in silver! Who does he think we are, drunken derelicts from Outhouse, U.S.A.? Who can explain to me in view of my abject stupidity (mongoloid in delirium tremens mentality) in choosing silver, how I took a five-figure profit in one month last year in a silver stock? Getting back in, I find the shares up over six figures; and this without silver prices moving

yet! This stock can move more than that in a day or less. I even did this without paying some \$5,000 advisory fee they once promoted to me (I had no wish to start \$5,000 in a hole). If the analyst tells you to avoid profitable stocks, what the hell is his motive? Especially when, a couple of years ago, he suggested buying shares of a leading silver company! With less silver around now than a few years back, these shares look far more attractive now than they did then! Toronto bullion manager Nick Barisheff was quoted in the Financial Post, April 25, 2002, as saying above ground silver stocks will be rapidly depleted in 2002; this person is in a vantage point to know of what he speaks! Mr. Barisheff very prudently has no options, futures or derivatives activity! Silver supplies are tightening, delivery is taking longer, and the short corner has perhaps only weeks left before a runaway breakout is forced! I advise you---cancel your vacations and luxury purchase intentions, place those funds into silver and key equities immediately! My friends, I have a feeling there is a 50/50 chance this will be my FINAL editorial before silver becomes the brightest star in the entire investment constellation! Kronos is about to unleash his fury! In an e-mail from the president of 61 Neutron Corporation received in September 2000, he concurred with our conclusion as to a sudden upward jolt in silver prices---not slow and gradual ---and said (verbatim)---it may be an aggressive up-tick! Right up until the absolute end, the alleged regulators at the CFTC will ignore the naked short manipulation, which has smothered the silver price for years, like a nest of webworms eating away at the life sustaining leaves of a big tree. As the silver crisis starts, the right shares will absorb tremendous wealth, sustained, for many trading sessions, and downward corrections will be minor! History lessons are lost on some people. The Florida duo should know as well as anyone else, when gold breaks out big time it will move silver with it, or vice versa. These metals move in tandem. He made some crowing sounds lately about the move in gold while running down silver. Well, silver has also seen over 20% moves since the 2001 low of \$4.01. When the panic in silver that Butler has been warning about for long months arrives, the fellow in Florida has my OK to use my sarcastic phrase that silver is in danger of falling below the price of manure! He can say that while the silver, gold and platinum Kronos is on the march, absorbing what promises to be trillions of investment capital!

FROM THE ASHES OF THE PHOENIX, KRONOS RISES!

You recall the mythological story of the phoenix; the bird, which crashed and burned to ashes, then rose up and flew away. We have such a crashed and burned situation in NASDAQ stocks, and soon DOW stocks will mirror much of that miserable performance. With the DJIA still hovering near 10,000, to the optimists in these issues we recite the French proverb---wait until night comes before saying it has been a fine day! What will rise out of the ashes, fueled by money supply increases, will be gold, silver, platinum, and well positioned mining companies. Did you see the article in Money, May 2002 issue, about Jack Grubman, who was paid up to \$20 million per year as a securities analyst for Salomon Smith Barney? His stock suggestions were relayed to millions of investors by a regiment of almost 13,000 brokers. Five of his telecom recommendations lost 98.88% value of market cap in the meltdown inferno, including Global Crossing, which filed for bankruptcy in January. The best of the losers he steered people into lost 56.6%---that is to say, so far. Of the many NASDAQ vampires, which sucked blood from investors, JDS Uniphase rates as a standout. I heard a distraught woman call in to Power Lunch on CNBC a couple of months ago lamenting how she bought JDS at \$118 but it had shriveled to \$8.42. Since then the stock has tumbled more than 50%. So buying a loser after the price has come down may not necessarily be a good move; witness the young man in Lucent. It comes as no surprise that many firms whose share price took a wild ride upwards on Wall Street hype, had founders and insiders who sold near the top of the bubble. Forbes, April 29, 2002, noted of six stocks, which crashed in value by over 90%, had insiders locking in over \$1.4 billion in profits on shares held. Who but the gullible little people to unload the disease on, while walking away from the wreckage with big gains! Hit them in the head

with a wrecking ball, then recite a line from the Mexican bandit Calvera in *The Magnificent Seven* (1960)---if God did not want them sheared he would not have made them sheep! Go on, take the money and run, as a hit song said! If *Mad* magazine missed doing a satire on the analysts, they missed something overripe! JDS Uniphase was on that insider bailout list! As if to minimize his failure, Mr. Grubworm the analyst said that Cisco alone had a \$450 billion loss of market cap, which was nearly twice that of his telecom sector. What can you say to that? Like, one person who got killed in a hail of bullets caught 45 slugs, while another victim only caught 23? This makes the con artist in the *Flim-Flam Man* (1967, George C. Scott) look like a failure at cheating. If this self-constituted expert would have recommended something like Barrel & Suspenders Corporation (call it BS Corporation) I guess the trusting would have bought that one too, just as insiders were unloading! Slippery Slope Corporation (not a ski resort operator) would have been another choice bubble stock! Other bubble stocks could have included Bottomless Pit Corporation, Easy Come, Easy Go Corporation and Long Walk On Short Plank Corporation! The *Boston Globe*, May 22, 2002, in an article about Merrill Lynch settling with New York and other states for \$100 million, a suit concerning analyst advice and conflict of interest issues, noted that sum is only three weeks income to the giant firm. Merrill had around 800 analysts dispensing advice on dot-com and other bubble issues in which investors lost 90% or more while the broker made millions in fees and commissions. Merrill and others including Salomon Smith Barney (unit of Citigroup), Morgan Stanley Dean Witter, Credit Suisse First Boston and Goldman Sachs Group are named as defendants in a class action lawsuit by angry investors who lost more than their shirts. If you let 800 ticks suck blood from a dog, he would probably die! Salomon alone reaped nearly \$1 billion from this losing sector. Just thinking about the booby-trapped advice that was dispensed by rabid, ravenous, appalling, seething entities called analysts, like a holy sacrament to millions, is like having malaria!

Dear readers, we have seen the tech wreck, the telecom bust, and the NASDAQ slide from 5,047 to less than 1600. The DOW contains much rotteness and will reveal itself. Long time blue chip stock Ford lost \$5.07 billion recently. The dollar will skid. AOLTimeWarner recently declared a \$54.2 billion loss. This is a stock owned by a so-called investment club where I work. They bought only widely known issues---a dangerous methodology if used on a stand-alone basis. They also bought Oracle, another profound loser. They even held onto these smelly, trashed out carcasses after I showed them proof of large management insider sales! Failure to anticipate changes in the currents and tides of the financial ocean leaves many investors shipwrecked. Earlier I leaked details to one of them about my silver stock, 61 Neutron Corporation. They actually did buy some---less than 30 shares apiece. Any serious money was put into the big name stocks just because they are big names. Recently I was told the silver stock was the ONLY stock they had which was performing well. (As one of the film sayings of John Wayne has it---strength you cannot defeat, ever!) So, were they going to unload the losers and get into better companies in the (Kronos sector---precious metals)? No, they would hold the Oracles and AOLs for a recovery. Delusions end with a vengeance! Then there was the lady who strenuously urged me to buy Krispy-Kreme---really; what smart investor has any use for a bloated, overhyped security! I remember a prospectus I saw in 1999 at a dentist office concerning one of the now extinct dot-coms. It was a brusque medley of jive, jargon, slang, claptrap, dialect, and pseudo-technical obscenities intended to sway the impressionable to toss their money into the wind! Another fellow I know who bought Cisco on margin at \$60 per share then got eaten alive by margin calls all the way to the bottom of \$11.04 on September 27, 2001, told me he never sells a security when in a loss. So, he will likely retain his Cisco until the presidential figures on Mount Rushmore start giving state of the union speeches, cause Cisco cannot come back. He too had a chance at my urging to get out and place proceeds into 61 Neutron Corporation, where by now he would have tripled what would have been salvaged; even before silver goes wild! What this picture tells us is, as soon as silver and gold prices enter crisis phase, many of those who lost money on straw dog stocks will be looking to place what they have left into winners. There are

few really good gold and silver stocks and even fewer in platinum. (Of high significance is the fact that 61 Neutron has interlocking management with possibly the best platinum play, which I will call Futuristic Metal Corporation!) To repeat a phrase from my essay, Silvers Mushroom Cloud---the investing public, which was burned badly by Nasdaq and Dow Jones declines, begins a pay any price stampede into physical silver and silver equities, like trying to get all the water in Lake Superior through the nozzle of a squirt gun! What will Japanese investors do when the flow of physical gold fails to meet their demand? Gold equities are next! Then as they and the whole world become aware of how much greater is the supply-demand gap in silver, companies like Hercules Silver Holdings and 61 Neutron Corporation are likely to reward early investors and optionees with even greater returns than early investors in the Nasdaq bubble companies! Why? Because the precious metals sector is set to be easily the hottest sector, and those markets---above all, silver---are so TINY compared to what has been crashing! As silver takes off, it will draw the notice of millions of investors. THIS MONEY TORRENTIALLY FLOODING INTO SILVER WILL SEND IT SKY HIGH! For a picture as to how volatile silver is, consider that the frenzied uproar when it explodes will be as if the entire Pacific ocean was a hot skillet full of superheated cooking oil over a raging fire, then all the icebergs that ever came from both poles were suddenly dropped in! Gold and silver and platinum companies who avoid hedging will have stock prices truly driven by earnings. Speaking for myself, I am content to hold shares in the silver company (in addition to physical), because it figures strongly in the makeup of the precious metals Kronos---soon to start its unstoppable money absorbing rampage across the whole world of investments, and to transmit capital gains and dividends of astronomical scale to shareholders, who its president has assured will be the beneficiaries of rising silver prices, having a silver focus with no hedging or derivatives instruments! To conclude--

*The Wall Street analyst, as a wicked troll,
Said, buy hyped stocks to rock and roll!
What did little people lose? Their heart and soul!*

*The Wall Street elite, famed for deceit,
Said buy these shares to not be offbeat!
Now they look like a dirty toilet seat!*

*Their bubble stocks went to eternal rest,
Leaving millions stressed and dispossessed!
Invest! They said (then have cardiac arrest!)*

*The analyst said, buy these shares for good vibrations!
Wake up call! They were based on hallucinations!
Resulting in catastrophic investor dislocations!*

*Their brains aint sane, they wholesaled misery and pain,
Looks like with them, the mean old devil has free rein!
Flushing investor funds down the drain, bearing the mark of Cain!*

*Cut, slash and burn!
Will little people ever learn?
Listen to analyst, lose all you earn!*

*A fool buys a stock just cause its a big name,
Then sees his investment set aflame,*

Playing the Wall Street crap game!

*Broadcast commentators, as ridiculous fools,
Tell the hopeful investor, they know what rules,
Ignoring silver, gold and platinum, precious jewels!*

*Mr. Lead-Us-On & Mr. Party Ice,
Have a \$5,000 asking price,
For us to take a roll of the dice!*

*Running down silver, something has a smell,
Long years of deficits, they know full well,
Are they under the spell of the shortside cartel?*

*Someone says, he knows which way the wind is blowing,
Down, down, down, he sees silver prices going!
So how come a rise is what the chart is now showing?*

*The silver investor is someone he cannot psych,
Knowing silver will see a giant price spike!
So he and his shorting can take a hike!*

*He assured us silver was a dog,
Believe that, get slaughtered like a hog!
Want a wreck? Drive in a fog!*

*Thinking about misdirection gives you the dry heaves,
That silver will go below manure price is what moron believes,
Watch what a devious web the poison spider weaves!*

*Global capital flooding in like a giant tidal wave,
Those of us in precious metals will be free to rave,
Pity the dot-com shareholder, poor like a galley slave!*

*The silver & gold Kronos absorbs money from all over the map,
As for those who missed the ride, their minds are ready to snap!
The Judas goat analyst, wearing a dunce cap, goes for a spinal tap!*

*Soaring now are silver, platinum and gold,
Bubble stocks continue decaying like slime mold!
The precious metals Kronos, a titan to behold!*