

## November 10, 2021 – Silver That Exists Versus Silver That is Available

Just because something exists does it mean that it is available for sale at then-current prices. The classic example of this is in housing, where in the US there are roughly 140 million residential units and the annual ownership turnover is around 7 million units or 5% of total units. Housing unit prices rise or fall based upon how aggressive are the buyers and sellers in completing a sale. The 5% that do get bought and sold largely determine the estimated value of the remaining 95% that don't get transacted. This 5% annual turnover rate is roughly uniform for other assets, like stocks and bonds.

Again, even though 140 million housing units exist does it mean all are available for sale. This principle exists for just about every asset – certainly including silver and gold. And when it comes to silver, there are some additional observations.

Just like in real estate, where there is vast difference between residential and commercial real estate, in silver there is a difference between silver in the industry-standard form of silver of 1000 oz bar form and all other smaller units of silver, which is metal in retail investment form. Certainly, an ounce of silver is silver in the sense of metallic and chemical properties and ownership of either form exposes an investor to gain or loss based upon the direction of silver prices and this article is not suggesting otherwise. After all, there is a lot to be said in favor of personal possession and the elimination of any counterparty risk. Plus, holding silver in one's own possession eliminates storage charges – although the cost of professional silver storage (generally 0.5% or less per annum) is certainly cheaper than holding real estate (property taxes, maintenance, etc.).

The biggest difference between silver in 1000 oz bar form and retail forms of silver (in coins or bars of one, ten or hundred ounces) is that the demand for 1000 oz bars is what sets the price. That's not to say that long term persistent demand for retail forms of silver won't affect wholesale silver prices eventually, but any short-term surge in the buying of retail forms of silver generally results in larger premiums of coins and smaller bars relative to 1000 oz bars. In fact, the concept of premiums (or discounts) in retail forms of silver is the measurement of those forms to 1000 oz bars.

A general rule of thumb is that persistent high premiums of retail forms of silver to 1000 oz bars, such as has existed for most of this year, means no retail forms of silver are being melted and converted into 1000 oz bar form for the obvious reason that it would make no sense to convert higher priced retail forms into lower priced 1000 oz bars. That would be like selling ten-dollar bills for \$5 each. It is only in times of persistent discounts of retail forms of silver to 1000 oz bars that any such melt is even possible. It has been quite some time, many years, since such widespread discounts existed and it remains to be seen if widespread discounts of retail forms of silver to 1000 oz bars ever comes to be again.

In fact, the persistently high premiums for retail forms of silver over 1000 oz bars of late means it makes sense to convert 1000 oz bars to the higher priced retail forms and this has undoubtedly been occurring. This is how the high premiums of retail forms of silver can impact the wholesale 1000 oz bar market, but less so than a big buyer(s) rushing to buy many 1000 oz bars.

Getting back to the 1000 oz bar wholesale silver market, it is believed that there are 2 billion oz in existence (with perhaps that amount or slightly more in retail form). In terms of 1000 oz bars, that

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means 2 million such bars exist throughout the world. In dollar terms, all the world's inventory of 1000 oz bars of silver are worth a bit less than \$50 billion.

Unless you have been tuned-out completely to what has been transpiring in the world of financial matters, \$50 billion has become an incredible tiny amount for any asset class to be worth, where the metric is now in the trillion-dollar class – with stocks and bonds valued in the hundreds of trillions of dollars and with cryptocurrencies pushing \$3 trillion and with silver's precious metals companion, gold, measured in the \$6 trillion category (bullion only, double if you include jewelry). If we were talking fishing, silver would be lucky to make it to the bait category.

In real estate or stocks or bonds or gold or crypto's, just because something exists does it mean it is available for sale, particularly where the annual ownership turnover approaches five percent. The same is true in silver, meaning that of the 2 billion oz of metal in 1000 oz bar form, currently valued at less than \$50 billion, only 5% or 100 million oz (worth \$2.5 billion) is likely to change ownership in a year. Therefore, the actual availability of silver in 1000 oz bar form is only 5% of what exists, same as in real estate, stocks or any asset class. So, if you thought \$50 billion was the equivalent of bait in a comparison of silver to other asset classes, cut that down by 95% if we are talking about what can really be bought in a year.

There are many thousands of financial institution and high net worth individuals capable of buying the 100 million oz or \$2.5 billion worth of silver bullion available for purchase in a year and there exists a wide variety of investment vehicles capable of being deployed in any such attempt, principally in the form of the world silver ETFs or even on the COMEX, via a purchase of futures contracts and subsequent delivery. This brings us to perhaps the most fascinating aspect of how little silver is available for purchase versus how much that exists.

Of the 2 billion oz of silver that exist in the world in the form of 1000 oz bars, roughly 80% are already owned by public investors of all stripes and sizes – 1.25 billion oz in the world silver ETFs and 350 million oz in the COMEX warehouses. In fact, there might be some duplicate overlap since of the near 550 million oz held in SLV, the largest silver ETF, some 100 million oz appear to be held in NY by JPMorgan, the trust's custodian and apparently in the bank's COMEX warehouse (I asked JPM and BlackRock, the trust's sponsor about this and received no answer).

In any event, 80%, 1.6 billion oz, of the 2 billion oz thought to exist are already publicly held and accounted for. And, as I have recently observed, these holders are the strongest of long-term holders, certainly compared to gold held in world's gold ETFs. Unless the public record has been massively misreported, there remains only 400 million silver oz, or 20%, of all the silver bullion in the world not already tied up in the publicly traded world silver ETFs or in the COMEX warehouses. Let me comment on the remaining 400 million oz not in the ETFs or the COMEX warehouses.

Around this time, someone should be challenging me by asking if there are only around 100 million oz available for purchase in any given year, according to the 5% true annual ownership turnover rate of all investment asset classes, then how the heck did some 500 million oz flow into the world's silver ETFs and the COMEX warehouses over the past year and half, since the spring of 2020? The answer is two-fold. First, silver prices experienced a short-term epic price drop to 10-year lows in March 2020 (below \$12), before recovering to near \$30 less than six months later. Second and more importantly, close to all of the 500 million oz purchased since March 2020 was made available to the market on a lease basis by JPMorgan.

The main borrower of the silver leased by JPMorgan appears to be Bank of America, as I've reported previously and is confirmed in the US Treasury Dept's OCC quarterly derivatives report. Not only did JPMorgan use the dramatic and engineered price smash of March 2020 to completely buy back and cover all of its silver and gold COMEX short positions, it further put BofA and other banks deeper onto the short side by leasing them 400 to 500 million oz of silver — undoubtedly bought by the friends and family of JPM.

So, the real bottom line is that not only is 80% of all the world's silver bullion owned and tied up in the silver ETFs and in the COMEX warehouses, the remaining 20% (400 million oz) not publicly accounted for is owned and tied up by those in JPMorgan's tight circle. This leaves virtually no sizable quantities of silver in 1000 oz bar form to be available for purchase at anywhere near current prices.

The next question I should be challenged on is if I am remotely close on my take on what amount of silver bullion exists and is available for sale (virtually none), then how the heck could the price not reflect these remarkable circumstances? The answer to that question should be abundantly clear to anyone paying the slightest attention, namely, the existence of a highly organized and effective COMEX short syndicate (also operating in gold).

The COMEX short syndicate, comprised of by the 4 and 8 largest commercial short sellers who only short on higher prices, never buying back except on lower prices, and joined by around 30 additional commercials in silver (I call them the raptors) which have only gone long on lower prices and selling out (at profits) on higher prices have provided, up until this point, an effective barrier to higher silver prices. The patsies to the COMEX short syndicate are primarily the hapless managed money technical fund traders which are slaves to moving average signals and easily maneuvered in and out of COMEX positions by the syndicate.

Of course, it's not just the managed money patsies that have fallen victim to the short syndicate, as every non-COMEX silver investor and all mining companies are the biggest victims of all and none are knowingly participating in the crooked COMEX arena. Most to blame of all are the regulators at the CFTC and the self-regulator, the CME Group.

As proof such a silver COMEX short syndicate exists, look no further than what has transpired in the rest of the financial world. There are no such short syndicates operating in any of the other publicly traded markets, such as stocks or crypto's. In fact, the opposite exists, namely, the shorts have been blown out of the water and as a result stock and crypto assets have screamed to new highs. Not so in silver, although that day is surely coming because the short syndicate has been so successful so as to have created the cheapest and best configured asset for superior future performance. Is this just

false bravado seeking to explain the many years of silver price underperformance?

Consider this â?? something accounts for silverâ??s long-term relative underperformance. If it is not the commercial short syndicate operating on the COMEX, then it should be easy and obvious to otherwise explain the underperformance. Yet to my knowledge, nothing comes close to explaining all the facts that are in full view than the short syndicate explanation. The facts include a public ownership that has not only not buckled in and sold in the face of years of price underperformance, but has expanded to include virtually all the silver in the world â?? an ownership further enhanced by the dominating ownership of the most powerful financial institution in the world, JPMorgan. Challenge me to the fullest extent possible, but try to explain why by an alternative set of facts. Failing that, just do whatâ??s logical and jump into silver with both feet.

Turning to other matters, last nightâ??s new short report on stocks indicated that as of Oct 29, the short position in SLV increased by 2.4 million shares to 28.1 million shares (ounces). This is the first increase, following three prior reports which indicated the short position had decreased by 12 million shares; so, the short position in SLV is still down around 10 million shares over the past two months. While the short position is still too high, seeing as it is lower on balance over the past two months, I donâ??t believe it is appropriate to rattle the cage of BlackRock, the trustâ??s sponsor. However, there should be little doubt that the only reason the short position is as high as it is, is due to not enough physical silver being available for the short syndicate to deposit.

<https://www.wsj.com/market-data/quotes/etf/SLV>

Not that Iâ??m superstitious or anything, but I canâ??t help but note that my somewhat abbreviated stay in Maine this year (I didnâ??t get there until late June) coincided with a rather dismal period in silver, with prices falling from \$26.50 (and from over \$28 in early June) to \$21.50 at the end of September. Since leaving Maine last Tuesday, silver prices seem to have perked up, but remarkably, are still close to two dollars below where we ended last year (gold is still down \$50 year-to-date).

Considering all that has transpired this year, including the surge in inflation and all the supply chain shortages, plus the price surge in residential real estate, stocks and cryptoâ??s and now just about every industrial metal and energies, the fact that silver and gold have been consistently lower this year is mind-bending. Once again, there are no short syndicates in anything it seems, except silver and gold.

So, are the past weekâ??s gold and silver price rallies, particularly todayâ??s surge, clear indications of the start of the big move up? No one can know that for sure, but as I indicated in signing off in the weekly review, itâ??s downright dangerous to play it any way other than full pedal to the metal. â?? Not only could this be the start of the big one, particularly in silver, it should be and is long (years) overdue. Can the COMEX short syndicate succeed, once again, in capping the rally and engineering yet another rig job lower? I donâ??t know and neither does anyone else.

But I do know we should be substantially higher in silver right now and, in fact, the preconditions for an imminent price surge are more in place today than, well, forever. It is simply astounding that the master market criminal of all-time, JPMorgan, has pulled off the greatest financial swindle of all time and will undoubtedly escape any adverse consequences of any type. Not only has JPM put any regulatory blowback to bed, it and its circle of connections are sitting on a mountain of physical silver and gold that they picked up on the downlow over the past decade and have cast their short positions aside. To this point, JPMorgan is ahead by more than \$25 billion on its 1.2 billion oz of silver and 30 million oz of

gold and there appears much more gains to come.

On top of the master criminal being fully-positioned for a silver and gold blastoff, I don't think the physical market in silver has ever been as tight as it appears to be currently. And as I described above, I think we are running on fumes in the tank as far as sufficient amounts of physical silver being potentially available to new buyers. There appears to be little real physical silver available, just as there exists the greatest amount of world investment buying power seeking to uncover the next big opportunity. Talk about a mismatch that seems destined to be uncovered at any time.

The biggest concern, or potential fly-in-the-ointment has been the remarkable increase in total gold open interest, as I mentioned on Saturday. Through the reporting week ended yesterday, total open interest in COMEX gold futures soared by 63,000 contracts, one of the largest weekly increases in memory. It was an interesting reporting week, starting out on the first day with gold falling more than \$30 and then surging higher over the balance of the week to finish more than \$40 higher for the reporting week on yesterday's close and well above all key moving averages.

As such, it would be reasonable to assume heavy managed money buying and commercial shorting, hopefully not to the full extent of the total increase in open interest. I'm hoping the actual net increase in managed buying and commercial shorting will be on the order of 35,000 contracts due to what I sense has been heavy (phony) spread creation which has absolutely no bearing on real positioning changes. I will be paying close attention to the commercial shorting category breakdown, with particular interest in what the 4 big shorts may have done, in Friday's report. Scratch that, I just checked and the COT report is scheduled to be released on Monday, Nov 15, due to the Veteran's Day holiday on Thursday.

In silver, the total open interest increased by only 3000 contracts over the reporting week, but net positioning changes can often be greater than gross changes in total open interest. The price path of silver over the reporting week mostly followed the pattern in gold, excepting that the selloff on the first day of the reporting week did take prices below the 50-day moving average before ending around 80 cents higher for the reporting week and above both the 50-day and the 100-day moving average (for the first time in months in the case of the 100-day ma). Offsetting the obvious conclusion that there was heavy managed money buying and commercial selling in silver (as there was in gold) was the issue of spread creation. I'm hoping there wasn't more than 5000 contracts of net managed money buying and commercial selling in silver for the reporting week and am especially hopeful that all or nearly all the commercial selling was on the part of the raptors and not the 4 biggest shorts.

The price fade after much stronger earlier gains today does raise the specter that the COMEX short syndicate threw everything possible (including the kitchen sink) to stop the run up and considering past experience and the consequences of what it will mean to the COMEX shorts should they fail to contain prices, it can't be surprising (but still disappointing) they are not rolling over. Simply put, the stakes to the short syndicate failing and prices running away to the upside are of such monumental and devastating consequences to them that it must be expected that they will fight to the bitter end.

Ask yourself who in their right and legitimate mind would persist in shorting silver and gold who virtually the only markets that haven't surged over the past year and longer? Then put yourself in the short syndicate's place and ask what you would do to prevent complete financial and reputational ruin? The only answer I can come up with is in that position, I would short more to stave off what will and must occur in the end, namely, silver prices exploding. Of course, that's not how a

legitimate market is supposed to operate, but since when has COMEX silver been a legitimate market?

Still, the drumbeat of a genuine and undeniable physical silver shortage is getting louder and louder and it wouldn't appear to take much more in physical tightness to unravel the short syndicate. I can say that when that day arrives, we will be talking about silver price rallies like none that came before.

Even with today's sharp fade following the early rally, the 8 big shorts in COMEX gold and silver were further underwater by \$800 million from Friday's close, putting their total loss at \$10.8 billion.

Ted Butler

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Silver \$24.65 (200 day ma – \$25.46, 50 day ma – \$23.43, 100 day ma – \$24.23)

Gold – \$1850 (200 day ma – \$1792, 50 day ma – \$1782, 100 day ma – \$1788)

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