October 19, 2022 – The Coming Move to $50 (and beyond) in Silver

Twice over the past 42 years, the price of silver has risen to $50; once back in 1980 and again 11 years ago, in 2011.Â Obviously, no one would argue that something that occurred twice already is not capable of happening again. On both prior silver price peaks, prices then fell sharply and quickly. But the next coming move to $50 in silver is much more likely to not only exceed the past two highs, but also remain far higher for far longer than previously.

In 1980, the price of silver rose from $7 to $50 in little more than a year, driven, essentially, by the concerted buying, both in futures and physical metal by interests associated with the Hunt Brothers from Texas and then fell even more sharply as a result of exchange and regulatory actions to unwind the Huntâ??s buying. But the epic price run up did show, conclusively, that speculative investment buying could drive silver prices sharply higher.

In 2011, silver hit near $50 again, but this time there wasnâ??t the slightest hint of excessive speculative buying in silver futures, an area I monitor closely. Instead, the price surge was due to the physical buying of silver, mainly by way of the silver ETFs (investment vehicles that didnâ??t exist in 1980). The sharp price fall, starting in May 2011, was engineered by interests associated with JPMorgan and did succeed in persuading the silver ETF investors who drove prices higher to sell.

The coming silver price surge to $50 (and beyond) will be driven by both physical and paper buying and will occur against a backdrop far more bullish than existed in either 1980 or 2011. For one thing, there is far less silver in the world than existed in 1980, as a result of a deficit consumption pattern that prevailed for at least 25 years (to 2005). And while there is just as much (or more) physical silver in the world today than existed in 2011, that silver is now owned by investors (including JPMorgan) in the worldâ??s silver ETFs to an extent never witnessed.

Of the 2 billion oz of silver that exist in 1000 oz bar form (the form that matters most to price), more than 1.1 billion oz (or 55%) is owned by the worldâ??s silver ETFs. (Another 300 million oz are held in the COMEX warehouses, making the total amount of silver bullion in recorded form a remarkable 70% of all the silver in the world). Back in 2011, there was less than half that amount in the worldâ??s silver ETFs. In 1980, investors held no silver in the worldâ??s silver ETFs, since they were only introduced in 2006 and later. The key point here is that there is demonstrably less physical silver available today than in 1980 and 2011. Yet, at the same time, there are many trillions of more investment dollars sloshing around and looking for an investment home.

One important consideration often overlooked is that the first price run up to $50 in 1980 resulted in a literal avalanche of silver coming to market, in the form of old coins, as well as silver artifacts of every type imaginable, including silverware and cooking and serving pieces. Quite literally, hundreds of millions of ounces came to market in the Great Silver Melt of 1980. After all, silverâ??s price had been, essentially, fixed at little more than a dollar an ounce for many decades before 1980. It mattered little that discounts of 50% and greater were received for the silver artifacts melted â?? the price advance was great enough to provide a windfall for the sellers.

In addition, the US Government would come to sell the remaining hundreds of millions of silver ounces it still held in 1980 over the next 20 years, either by auctions or in coinage for the American Silver

Eagle program started in 1986. In the second silver run up to $50 in 2011, there was a second wave of melting, but nowhere near as large as the melt in 1980. The striking thing about the Great Melt in 1980 and its minor sequel in 2011, is that once someone sells his or her unwanted silver artifacts, they canâ??t be sold again. The unmistakable conclusion is that the next run to $50 will not bring great supplies of silver to the market because there is that much left remaining to be melt. And just like in 2011, the US Government canâ??t dispose of silver since it doesnâ??t own any – a far cry from the 5 billion oz it held in 1940.

All the while, the physical industrial demand for silver, from 1980 or 2011, has increased, while since 2011, mine production has been static, due to the ongoing price manipulation on the COMEX. Remarkably and owing to silverâ??s great industrial versatility, the former main use of silver in photography almost disappeared (due to digital photography), only to be replaced by demand for new uses, such as for solar panels, a use that didnâ??t exist in 1980 and that has grown by leaps and bounds since 2011. Take a look around and try to deny that the modern world isnâ??t becoming more electronic and electrical every day and that the worldâ??s best electrical conductor, silver, wonâ??t play a vital and expanding role.

The absolute key to the coming silver price surge to $50 and beyond is the same force in play in 1980 and 2011, namely, investment demand. But whereas investment demand suddenly exploded in 1980 and 2011, silver investment demand has been surging for years to this point – not only growing as prices have remained stagnant, but engendering such a rabid belief in the higher prices to come that any thought of liquidation on lower prices seems absurd. Thereâ??s even a grassroots Internet movement that has sprung up over the past less than two years that is devoted to promoting the buying of silver that numbers in the hundreds of thousands. No such movement exists in any other commodity, not even gold.

Perhaps the biggest difference between the two past runs to $50 in silver and the coming run is the state on the ongoing COMEX price manipulation, orchestrated by large traders classified as commercials, but in reality, mostly banks which are just speculators masquerading as legitimate hedgers. In fact, the origins of the long-running COMEX price manipulation had its roots in the Hunt Bros bust in 1980 and began in earnest in 1982, 40 years ago. On second price run up to $50 in 2011, the COMEX price manipulators (at this time lead by JPMorgan) bent, but did not break and succeeded in turning prices sharply lower, starting on May 1, 2011.

But the near-financial death to JPMorgan and other large short sellers into April 2011, taught the bank a lesson that could only be learned by first-hand experience. It was the unexpected surge to $50 in 2011 that taught JPM of the critical balance between how much physical silver existed in the world and how easily an increase in investment demand would send prices sharply higher. Being the criminal masterminds that I believe JPMorgan to be, it put this sudden realization into practice by continuing the downward price manipulation with selective and concentrated short sales of COMEX futures contracts to keep silver prices as cheap as possibly, but with a criminal genius new twist, namely, accumulating as much physical silver (and gold) as it could, while keeping prices artificially depressed.

And it worked like a charm over the next decade, with the result that JPMorgan and its hidden interests accumulated more than a billion oz of silver and over 30 million oz of physical gold. If anything, I believe my estimates may be too low, rather than too high. Sure, it cost JPMorgan some regulatory frictional expenses over the years, including a $920 million settlement with the Justice Dept and CFTC, but whatâ??s hundreds of millions of dollars when the potential payday is in the many tens of billions of dollars?

Therefore, the biggest difference between the two prior run ups to $50 in silver and the coming run to $50 and beyond is that the coming run will mark the end of the long-running COMEX price manipulation. To be blunt, the COMEX silver manipulation has been the longest-running price manipulation in history and the principal manipulators, a series of large banks and financial institutions, made a boatload of money for nearly the entire 40-year episode, up until mid-2019 or so, as JPMorgan began its-long awaited exit from the short side of COMEX contracts and fully-completed by the spring of 2020. Abandoned by their former ringleader on the short side, the remaining large commercial shorts began to suffer large losses for the first time in nearly 4 decades.

More recently, since March 8, the remaining big commercial shorts on the COMEX, no doubt sensing the coming end to the long-running manipulation, resorted to the only true remedy for closing out as many of their COMEX silver (and gold) short positions as possible, namely, by arranging what I believe to be the final selloff and tricking the commercialsâ?? main counterparties, the managed money traders to sell heavily so that the commercials could buyback and rid themselves of as many COMEX short positions as possible. And it certainly appears that the commercial manipulators have succeeded in doing just that, as the commercial-only concentrated short positions in both COMEX silver and gold have reached historically-low levels of late. Throw in an unmistakable developing physical silver shortage â?? the inevitable result of a long-term downward price manipulation â?? and the ingredients for the next price run to $50 and beyond appear firmly in place.

Today, there are more people than ever that understand that silver has been artificially depressed in price and that are putting their money behind that understanding. This was not the case at all in 1980 or 2011 and just about guarantees that silver will soon lift off in price to the former peak levels and beyond. There has never been a set up like this before and it would be a shame not to take advantage of it.

Turning to other matters, I did an interview with the folks at $WallStreetSilver that you may be interested in

https://silverseek.com/article/chaos-comex-silver-price-manipulation-explained-ted-butler

It would appear that a large number of people may have taken my suggestion to email the commissioners (particularly the 4 new commissioners) at the CFTC about the blatant discrepancy between the developing physical shortage in silver and the counterintuitive and decidedly non-free market pricing from the COMEX. As the front-line federal commodities regulator, price manipulation and protecting the public are at the very top of the agencyâ??s primary missions. There is no good reason for the commissioners to cast aside the publicâ??s concern on such an important issue as the ongoing COMEX silver manipulation surely is.

As I mentioned in the above interview, the many people who wrote to the CFTC back in the fall of 2008 concerning evidence I uncovered in the August 2008 Bank Participation report led to the CFTC acknowledging, in effect, that JPMorgan was the big COMEX silver (and gold) short, as a result of it taking over Bear Stearns, and initiating what turned out to be a five-year formal investigation ofCOMEX silver manipulation (which, unfortunately, went nowhere). The important point, however, is thatthe investigation wouldnâ??t have occurred were it nor for the public contacting the agency.

Much later (more than ten years later, in fact), we learned in an interview with the late former commissioner Bart Chilton that the Commission and staff held hundreds of meetings at that time about the ongoing COMEX silver manipulation regarding JPMorgan of which nary a word was released. Therefore, donâ??t be alarmed if nothing is said publicly this time around (although all who sent the request to the CFTC thorough their elected representatives will get a private response). Not hearing anything publicly doesnâ??t mean the Commission is not taking the issue seriously.

The combination of four new commissioners in office, as well as the increasing and obvious physical silver shortage with no free market response in price creates a circumstance unlike any before. When I started petitioning the CFTC back in the mid to late 1980â??s, the agency argued forcefully that a surplus in silver accounted for the low price, although I knew there wasnâ??t a real surplus â?? the definition of which is more production than consumption. There was, admittedly, more silver in world inventories than were visible and through leasing that physical metal came to market, helping to depress the price.

Today, however, no such silver surplus can be claimed, as the signs of physical tightness and developing shortage are everywhere â?? yet the price remains depressed. Certainly, if the new commissioners can argue that the conditions everyone can freely observe are not as the appear to be, they are welcome to do so. But even if they attempt to do so, the odds of an extreme price explosion due to the artificial low price, combined with the growing physical shortage cannot be avoided. After all, no one can alter the effect of the law of supply and demand at this stage in the real world of silver. Continued low prices will only exacerbate the physical shortage, ultimately leading to an even more explosive price move.

As far as what to expect in this Fridayâ??s COT report, Iâ??ll be quite surprised if we donâ??t see a significant improvement (managed money selling and commercial buying) in market structure in both COMEX silver and gold. As I indicated on Saturday, the sharp selloff in silver in the prior reporting week wasnâ??t enough to trip off heavy managed money selling because the rally of the reporting week before that made the managed money traders reluctant to sell what they had just bought.

But as of yesterdayâ??s close to the reporting week, the price weakness in both silver and gold should have been sufficient enough to prompt significant managed money selling (and short selling). Whatâ??s most of interest to me is how many of the recently added shorts of the big former commercials were bought back, particularly in silver. My hope and expectation is that this last sharp rig job lower in price allowed the big commercial shorts to buy back their recently added shorts, thus clearing the decks, so to speak, for the coming big run higher.

Iâ??ve been experiencing Internet problems today, so to avoid not to being able to send this out later, Iâ??m sending it a bit early.

Ted Butler

October 19, 2022

Silver – $18.35Â Â Â Â (200 day ma – $21.82, 50 day ma – $19.25, 100 day ma – $19.80)

Gold – $1633Â Â Â Â Â Â Â (200 day ma – $1820, 50 day ma – $1718, 100 day ma – $1755)

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