

April 14, 2021 – Full Circle

I find it remarkable how closely current developments in silver (and gold) appear to be a repeat of events that have occurred nearly a quarter-century ago. To my mind, there were two great happenings back 25 years ago that set the tone and price of silver and gold. One, was the continuous dominance and control of price by a number of banks through excessive and concentrated short selling in COMEX futures contracts that most frequently and to this day resulted in prices that were artificially suppressed, particularly in silver.

This price suppression via COMEX paper positioning was sufficient to depress prices from the mid-1980s through today, but it also created a question – no, a dilemma actually – as to why the law of supply and demand didn't kick in and result in physical shortages in gold and silver sending prices sharply higher. Even though I stumbled across the concentrated and manipulative COMEX paper short selling around 1985, it took me a full ten years to figure out why the suppressed prices didn't result in physical shortages. Let me assure you, those were the worst ten years of my life.

Eventually, it dawned on me, around 1996, what was preventing gold and silver from going into the actual physical shortages that artificially depressed prices would require, according to the law of supply and demand. The other great development that combined with concentrated short selling on the COMEX and prevented actual physical shortages from developing was the creation of precious metals leasing – a financial transaction thoroughly devoid of any economic legitimacy. To this day, precious metals leasing is nothing more than a device based upon fraud.

The reason precious metals leasing is inherently fraudulent is because bars of metal are not lendable. Simply borrowing bars of metal does the borrower no good, since the only practical use for bars of metal is the sale to an independent third party not involved in leasing transaction or the destruction of the bar through industrial consumption or fabrication, which destroys the collateral. In the end, with the collateral sold or destroyed at the outset of every precious metals lease, the net result of every lease is simply a transaction in which the financial viability of the borrower to return the physical metal someday is all that matters, as the original metal borrowed at the onset of the transaction is long gone.

Sometimes, the borrowers were financially able to pay back the precious metals loans, such as in the case of Barrick Gold and AngloGold some 20 years ago, but at great cost – more than \$10 billion each. Other times, the borrowers could not pay, such as in the case of Pasminco, the Australian zinc miner which borrowed many tens of millions of ounces of silver and simply went bankrupt, with the leased silver never returned. The one real lesson to the borrowers in precious metals loans is that payback is a heck of lot more onerous than ever contemplated at the loans' outset.

The reason gold and silver and other precious metals, like platinum and palladium (before it blew up in price) were the only commodities in which leasing occurred was because stockpiles of gold and silver had been built up through the ages and before silver was widely utilized as an industrial commodity over the past hundred years or so.

However, I don't mean to imply that precious metals leasing has been a continuous activity, as has the concentrated short selling on the COMEX been to this day. Certainly, after the disastrous results of

the mining companies in gold and silver forward sales/leasing of 20 years ago, I'm aware of no mining company involved in such leasing activities since. In fact, I thought the world had seen the last of precious metals leasing when the mining companies took it on the chin back then. What alerted me to the return of precious metals leasing was the sudden inflow of hundreds of millions of ounces of silver into the world's silver ETFs, starting about a year ago. I did speculate back then that it was JPMorgan as the instigator of the rebirth of precious metals leasing.

<https://silverseek.com/article/return-precious-metals-leasing>

Now, with the recent revelations that BankAmerica appears to be the new intended victim of physical silver leasing, my speculation of a year ago seem confirmed. By the way, I put up an edited version of my recent thoughts to subscribers yesterday. (Thanks to Jim Cook for the editing) ^^^

<https://silverseek.com/article/new-piece-puzzle>

Some new thoughts on this matter. Although I allege JPMorgan, being the master market criminal that it is, has orchestrated and bamboozled BankAmerica into borrowing silver for the sole purpose of providing JPM's friend & family and affiliates with more physical silver to buy, what I haven't pointing out is the limits to this lending and borrowing. Because we are talking about (the absurdity) of lending physical metal which is by definition limited, as opposed to the lending of money in which no limit exists, the question of how much more physical silver can be lent arises. The answer, as best I can determine, is not much.

I base this on the amount of silver (in the form of 1000 oz bars) thought to exist, which is around 2 billion oz. I claim that JPMorgan, not just in its own name, but also for entities it controls or is closely-related to, controls 1.2 billion oz, or 60% of all the silver bullion in the world. With 300 million oz lent to BofA and perhaps another 100 to 200 million oz also lent out, as much as 500 million oz has been lent by JPMorgan (and which its close entities have purchased). Therefore, some might argue that JPM has room to lend hundreds of millions of additional ounces.

But much of the silver that JPM and its entities own is in the form of silver ETF holdings and warehouse inventories on the COMEX, a combined total of 1.6 billion oz, or 80% of the world's silver. ^ (Clearly, there is a big overlap between what JPM and its affiliates own and control and total world silver inventories). My point is that silver in the ETFs and on the COMEX can't be lent out and sold to an independent third party, although a good chunk of the metal already there may have been the result of past lending. The bottom line on all this is that I believe JPM has reached the practical limit of how much more physical silver it can lend out, even if it wanted to and could find more dupes like Bank America.

Therefore, I believe we have reached the end of the road as far as additional significant physical silver supplies from leasing. In a real sense, the physical silver market is operating on fumes and prices are only being contained by short selling from the 4 big shorts on the COMEX, something not likely to continue for much longer.

Along those same lines, a new silver report from the LBMA (of all sources) comes closer than it has ever come before in describing the status of the silver market. I don't have much use or respect for the LBMA, but the current report isn't all bad (as is typically the case). The report describes a physical silver market as on the edge, as it questions where the metal will come from if demand

accelerates. Of course, the report completely sidesteps the most important issues of the day, namely, the concentrated short position on the COMEX and the leasing scam perpetuated by JPMorgan – not that anyone expected impartial analysis from the LBMA whose most influential member is none other than JPMorgan.

<https://cdn.lbma.org.uk/downloads/Publications/LBMA-Silver-Investment-2021-Report-Final.pdf>

It has now been more than month since I wrote to the CFTC on March 5 about the concentrated short position in COMEX silver towering over every other commodity in real world terms and how the exclusive short selling by the 4 largest shorts unquestionably capped and suppressed prices into the price highs of Feb 1. While I have become accustomed to being ignored by the Commission over the decades, I’ve never doubted the seriousness or substance of the allegations I have made. This time, however, I am certain that the Commission will respond.

The difference this time is the persistence of Congressman Brian Mast’s office, specifically the constituent services staff in the form of Derek Hankerson, in following up to ensure the Commission responds. I had almost forgotten the importance of writing to one’s elected officials to make sure a response from a federal agency is forthcoming, as the last time I did so was back when the late Honorable Lawton Chiles was a US senator from Florida in the latter part of the 1980’s. – Wendy Gramm was head of the CFTC at the time.

While it is true that the CFTC completely evaded the issue of silver manipulation at the time and since, Walkin – Lawton Chiles (as he was affectionately known for walking the state in election campaigns) will always be remembered by me in the most favorable terms. I even made a subsequent campaign contribution which he returned when he decided not to seek re-election (he did go on to become Governor of Florida later) and I had the honor of meeting him in person.

I still don’t know how the Commission will respond, of course, but I’m sure it will respond and that the issues are much more pointed and specific today than they were back then. The last such follow up I received from Congressman Mast’s office was that the Commission said it was working on a response.

As far as what to expect in Friday’s new Commitments of Traders (COT) report, until yesterday, I was convinced we would see a reversal of sorts from last week’s increase in managed money buying and commercial selling, but perhaps not completely eliminating the likely continued deterioration immediately following the prior reporting week’s cut off. If that sounds confusing, it’s probably because I’m confused by yesterday’s sharp increase in silver’s total open interest.

I didn’t think the actual trading volume (net of rollovers) was high, so I was taken aback by the nearly 6000 contract increase in total silver open interest. There’s no way of telling if the increase was due to spread creation or managed money buying and commercial selling. – I’m hoping for not much of an increase in commercial selling and even a reduction, but am not sure of what to expect. While I would be the last one to deny the influence of COMEX paper positioning on price, there does seem to be much more important issues emerging in the physical and regulatory worlds so as to overshadow COMEX paper positioning ahead.

Gary Gensler was finally approved today by a full Senate vote to be the next chairman of the Securities

and Exchange Commission, although not without a last-ditch effort by the banking industry to derail his appointment. A goal line stand by the banking lobby at the last moment did prevent Gensler from a full term in the hopes that the Senate will return to Republican control in the next election and that â??bankingâ??s public enemy number oneâ?•, Gensler, wonâ??t be in office for long. Someday, Iâ??ll tell you what I really feel about big banks.

<https://www.politico.com/news/2021/04/14/gary-gensler-confirmed-sec-481474>

As far as how the 8 big shorts have fared financially since Fridayâ??s close, thanks to weakness in gold, they enjoyed a bit of relief, to the tune of \$100 million, putting their total losses at \$9.3 billion.

Ted Butler

April 14, 2021

Silver – \$25.42Â Â Â Â (200 day ma – \$25.03, 50 day ma – \$26.24, 100 day ma – \$25.71)

Gold – \$1736Â Â Â Â Â Â Â (200 day ma – \$1859, 50 day ma – \$1757, 100 day ma – \$1808)

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