

July 21, 2021 - Tighter Than Tight

A relatively overlooked aspect of the world's inventory of good delivery and industry standard 1000 oz bars of silver is just how few of these bars exist, compounded further by how tightly they are held. Please don't misunderstand me - silver in smaller retail forms, such as coins and bars are just as much real silver as is the metal in industry standard 1000 oz bars, but ultimately, when the COMEX price suppression bites the dust, it will be silver in good delivery bar form that will set the price.

Where silver in retail form plays a major role is when strong retail demand, such as has existed recently, creates sufficient investment demand so as to divert and curtail the production of new 1000 oz bars. Silver demanded in coin or small bar form limits the production of metal in new 1000 oz bars. What's most remarkable is that the world supply of silver in 1000 oz bar form is already the tightest it has been in history, making the surge in retail demand particularly critical at this time.

By most accepted sources, the total world inventory of silver in 1000 oz bars form is 2 billion oz, or 2 million good delivery bars. The math is pretty simple, but nonetheless shocking - at current prices, the 2 billion oz is worth \$50 billion. What makes it so shocking is how tiny \$50 billion has become in current financial terms. Forget financial institutions, there are now more than 20 million individuals in the world of millionaire status - meaning there are ten times as many millionaires as there are good delivery bars of silver worth \$25,000 apiece. And thanks to the existence of world silver ETFs, it has never been easier for anyone, millionaires included, to secure ownership of silver in 1000 oz bar form.

But even if you conclude (correctly, in my opinion) that the mismatch between those capable of buying silver, a world asset prized and sought after for thousands of

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years, and the incredibly tiny amount of industry standard bars in existence guarantees a coming contest for ownership - you would only be scratching the surface of the real ownership battle ahead. Like every other investment asset in the world, such as every single share of stock, every bond and every parcel of real estate, every single ounce and 1000 oz bar of silver is currently owned by someone.

What this means is that the extremely limited total inventory of good delivery bars of silver is further limited in that the existing owners of that silver must agree to sell and part with their metal before any bar is available for purchase by any of the world's millionaires or anyone else. Here's where it gets really interesting in silver, more so than in any other asset - from readily available sources, the amount of silver held by existing owners is remarkably unique on a number of metrics.

First and foremost, more than 60% of all the good delivery bars of silver in the world are held in publicly-traded Exchange Traded Funds (ETFs) and other professional storage programs and, therefore, are publicly owned. Some 1.25 billion ounces are held in the world's silver ETFs, with the vast majority held in the ten or so largest ETFs, led by SLV, with more than 550 million oz. While ownership data are available daily (including serial numbers, hallmarks and specific bar weights), one of the most overlooked aspects to the silver market is just how much of the world's inventory of good delivery bars are "tied up" and "already spoken for" in the silver ETFs.

It is only when one compares the publicly-owned percentage of all the silver good delivery bars in the silver ETFs does the amount resonate. The only relevant comparison, of course, is with gold, since gold and silver are the two premier investment precious metals. While the amount of good delivery silver in the world's silver ETFs is more than 60% of total world inventories, the amount of gold in bullion

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form in total (3 billion oz), held in the world's gold ETFs is less than 4% (115 million oz). In other words, some 15 times more of the world's inventory of silver bullion is held in publicly-traded ETFs than is held by the world's gold ETFs.

As I've previously explained, there are very good reasons why so much more of the world's total inventory of silver bullion is held in the ETFs compared to gold, centered on the fact that silver is so cheap that you end up getting so much metal for the money that even relatively modest dollar amounts require professional storage. The cost of a single good-delivery bar of silver (1000 oz) may only cost \$25,000 or so, but each bar weighs 70 lbs. For \$25,000, you would get 14 troy oz of gold, about one lbs. I would submit that there are many more investors in the world that could invest in a single good delivery bar of silver than could physically lift one.

Regardless of the reasons why so much more silver as a percentage of total world bullion inventories is held in the publicly-traded ETFs than is the case in gold, it is a fact that can be easily documented. The real question is what this means. The big take away conclusion seems unavoidable - by virtue of its documented public-ownership in the world's ETFs, silver is much more tightly held than is gold or any other investment asset in the world - tighter than tight. But wait, there's much more.

The other great documented and publicly-verified holdings of gold and silver are the inventories in the COMEX-approved silver warehouses. In round terms, some 35 million oz of gold and 350 million oz of silver are held in these warehouses. The 35 million oz of gold, when added to the 115 million oz in the world's gold ETFs, brings the total amount of gold publicly disclosed and identified (away from government holdings) to 150 million oz or 5% of all the gold bullion in the world.

In silver, the 350 million oz of COMEX warehouse holdings added to the 1.25 billion

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oz in the world's silver ETFs brings the total amount of silver bullion publicly disclosed to 1.6 billion oz or an astounding 80% of the 2 billion oz of silver bullion thought to exist. That's beyond remarkable - 80% in silver, versus 5% in gold. In the interest of full disclosure, there may be some overlap in silver, as 100 million oz of silver in the JPMorgan COMEX warehouse is likely included in the published inventory of SLV, but neither JPM nor BlackRock (SLV's sponsor) will say. But even if this silver is double-counted, as I suspect, it doesn't change the fact that a disproportionately large amount of the world's silver inventory is held in the silver ETFs and in the COMEX warehouses compared to gold or any other investment asset.

Less easy to document, particularly to those who reject the premise out of hand, is the role of JPMorgan in all the above, but regular readers know I have focused on this bank extensively since first discovering it had assumed Bear Stearns' gold and silver short positions in its takeover of the failing Bear in 2008. After staring into a financial quagmire in April 2011 on its giant COMEX short position when silver hit near \$50, JPMorgan dreamed up the criminally-genius solution for all-time - it began to accumulate physical metal over the next decade. It was in April 2011, not in 2008, when JPM opened its COMEX silver warehouse and began to accumulate physical. Today it holds 187 million oz or more than 50% of the 350 million oz on the COMEX in its own warehouse and perhaps another 100 million oz in other COMEX warehouses - starting from zero in 2011.

I latched onto JPMorgan's criminally-genius solution in 2013 and have recounted all the various means it has used to acquire what I now estimate to be 1.2 billion oz of physical silver and 30 million oz of physical gold. Admittedly, this is harder to document than the holdings in the silver ETFs, but we're talking about JPMorgan,

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the hungriest and most perfect money eating machine in the financial sea. The bottom line is that JPMorgan or its closely-held and non-disclosed related entities hold the lion's share of the world's holdings in the ETFs and on the COMEX.

Plus, JPM has enhanced its affiliates' large holdings of the world's silver bullion by leasing out 400 million oz to the chumps at Bank of America and Citibank. This silver lent doesn't actually increase the inventory of silver, but it does increase JPM's ownership percentage and the liability of those who must return the silver someday. As for suggestions that JPMorgan intends to keep silver (and gold) suppressed in price indefinitely due to its massive physical holdings and not allow the price to soar to the heavens, believe what you wish - but just don't try to pet a Great White.

Here's a new thought about something I've documented for more than 10 years. If such an incredibly large amount of silver is held in the world's silver ETFs and in the COMEX warehouses, as the facts make clear, what signs might we see that this was highly unusual and unprecedented? If such a large percentage of the world's silver bullion inventory was so tightly-held as the documented data indicate, wouldn't there be some unusual signs that this was the case? Then it dawned on me - that's the message of the highly unusual and unprecedented physical turnover I've been documenting weekly for the past ten years.

Reported daily by the COMEX and by me on a weekly basis, some 250 million oz of silver have been physically moved annually in and out of the COMEX silver warehouses - more than 2.5 billion oz over the past decade. That's more than all the silver bullion in the world. The movement erupted in April 2011, when I allege JPMorgan came up with its criminally-genius solution of acquiring physical metal on the cheap and has persisted to this day. No such physical movement of warehouse

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inventory has ever occurred in any other commodity.

While I always suspected that the unprecedented physical turnover in the COMEX silver warehouses was the result of an overall physical tightness, I can't help but think now that it is more than just a suspicion on my part, but instead actual proof of hand to mouth physical tightness. Given the documented stunningly-large percentage (80%) of the world's silver bullion inventory tied up in the silver ETFs and in the COMEX warehouses, wouldn't that demand a stunning-large and unprecedented physical turnover?

In other words, the unprecedented physical turnover in the COMEX silver warehouses is the proof that the world's inventory of silver good delivery bars is as tight as I suggest. And to think that the documented COMEX physical turnover has been virtually ignored by silver analysts and commentators and here it is the proof of the physical tightness in silver. Tighter than tight, indeed.

Of course, it is against this backdrop of documented physical tightness that silver investors have had to endure the latest downward assault on prices and insult to their intelligence - to say nothing of their mental health. I'll get into the price action, but I'd like to comment first on the last two days of deposits to and redemptions from the big silver ETF, SLV. Not that it's written in stone, but unlike the reporting of holdings in the big gold ETF, GLD, and other ETFs, which seem to be reported on the same day deposits and redemptions occur, for some reason, there seems to be a one-day delay of reporting in the SLV. - at least that's my impression.

On Monday, more than 7.2 million oz were deposited in the SLV, and the following day, yesterday, some 4.1 million oz were redeemed. Both Friday and Monday were sharp price down days and trading volumes were very high both days. Unlike the

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physical turnover that occurs in the COMEX warehouses, I'm convinced that deposits and redemptions in SLV, while they reflect physical metal, don't usually involve the actual movement of metal. That's because the amounts in many cases are too large to involve physical movement and London is a major depository for physical silver (and gold), so that while the ownership changes are real, they don't involve physical movement - more likely bookkeeping entries.

As far as the 7.2 million oz deposit on Monday (as a result of trading on Friday), the two most plausible explanations were that the deposit was the result of an action to reduce the still-quite high short position on SLV (29.5 million shares/ oz). If this was the case (as I suspect), we won't see it until the next short report on securities, since the cutoff for the next short report to be released on July 26, was last Thursday, July 15. The report after that won't be available until August 10.

If the big deposit of 7.2 million oz on Monday wasn't intended to reduce the short position, then the next most likely explanation was that a large buyer bought shares. I'm much more inclined to view the big deposit as short covering, but in any event, both explanations are bullish for price.

As far as the big redemption yesterday, it looks like collective investor liquidation and the throwing in of the towel in the face of rotten price action. I suppose it could also be a conversion of shares to metal, most likely by JPMorgan. Funny thing is that neither of these explanations are bearish.

Separately, I couldn't help but notice that the board of directors at JPMorgan just awarded its CEO, Jamie Dimon, a special award of options on 1.5 million shares of stock. This may sound strange, but if it was related to the magnificent job the bank has done in positioning itself in silver and gold, the board should have awarded

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Dimon a heck of a lot more. Mindful that JPM's metal positioning was illegal, along with the extra bonus given by the board, he (or some of his subordinates) should have also be given free rent in the big house, courtesy of the DOJ.

More to the point, it shouldn't be lost that after two days of the sharpest and most deliberate price smash in some time in silver, there was a net deposit of 3 million oz in the SLV and no noticeable redemptions in any of the other world silver ETFs. As a result, any suggestions that the selloff was related to physical selling are hogwash on their face. Back to the particulars of the current price smash.

The only difference between a medical operation necessary to save one's life and the selloff in silver making the market structure that much better is that making the silver market structure better wasn't necessary - that plus medical operations usually involve some type of anesthesia, whereas in silver, the damage to existing account balances called for some type of pain-killer.

Added insult to injury was the continued stark underperformance of silver to gold, although here too, one must keep things in perspective. Just a short 16 months ago, the silver/gold price ratio widened out to a 5000-year undervaluation of 125 to 1, and even after silver's more recent relative punk showing, we're still 50 full points better off than we were in March 2020.

There can't be much question at this point, except by those determined not to see, that the price take down in silver had anything remotely to do with the true state of silver's actual supply/demand fundamentals and everything to do with paper positioning on the COMEX. As discussed last Wednesday and again on Saturday, the price takedown on Friday and Monday (somewhat continuing into this morning) was clearly designed to induce as much non-commercial selling as was possible. From

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everything I've seen, the commercials' efforts to buy as much of that induced non-commercial selling looked highly successful.

So much so, that the fear I had on Saturday that the commercials might still rig a deliberate selloff in gold below its 100-day moving average to induce a final price smash in silver seems to have dissipated - not necessarily because the commercials are incapable of rigging such a price drop in gold, but more because the cleanout in silver looks complete enough that such an induced selloff in gold doesn't appear required at this point - at least in terms of inducing additional non-commercial selling in silver.

Left out of my recent ramblings on COMEX market structure developments was my firm conviction that it is silver that remains at the core of what's most important in precious metals. After all, it is in silver where all the important issues of our time reside. Those issues include not only the above-mentioned tighter than tight world inventory situation, but also the matters most important to regulatory concerns. In addition to silver having an unprecedented tightly held world inventory, it is also - not coincidentally - where exists the largest concentrated short position of any commodity in real world terms. I challenge you (or the regulators) - to try to come up with a legitimate explanation for why one commodity would have the tightest documented physical inventory of all commodities, as well as the largest concentrated short position.

It is this incredibly-unique combination and easy to document circumstance - the tightest physical position and largest concentrated short position - that puts silver on the cusp of a price liftoff and journey heretofore not witnessed in world history. The tightest physical holdings ever seen against a backdrop of more buying power than

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ever in place promise an upward price move of historical proportions. Add in the existence of and the likely end of the largest concentrated short position in any commodity and that guarantees that the historically large price journey is most likely to be accomplished in an incredibly short time frame. That the coming silver price move is likely to be very big and very fast seems undeniable, at least to me. The exact moment of liftoff? I'd tell you, but then I'd probably have to kill you and I would find that distasteful.

What I can tell you without having to kill you is that what will determine if the moment of true liftoff is occurring is whether the 4 big COMEX shorts add to short positions aggressively on the next silver rally - a rally that is much closer to now occurring as a result of the recent price smash and resultant improvement in market structure. I did say that I thought this recent price smash was likely to be the last such smash and I'll eat my words when and if that becomes apparent. At this point, it's still all systems go - only if we do blast off, it's likely to be a lot more of a price journey than the recent brief forays into space.

Unless someone just returned from a decades-long and communications-cutoff journey through the solar system, he or she would know that this week's coming COT report on Friday is destined to feature non-commercial selling and commercial buying in silver. That's because not only has such selling and buying occurred on every significant price drop in silver over the past 40 years, but also because that is precisely what moves prices. Having established it wouldn't be possible to suggest that silver's tight physical condition would be responsible for a sharp selloff - that only leaves COMEX paper positioning.

What we don't know is how much non-commercial selling and commercial buying

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occurred in COMEX silver through yesterday's cutoff. But we will know on Friday (if the CFTC can get the numbers straight this week). My guess is there has likely been non-commercial selling and commercial buying on the order of 5000 contracts or so - hopefully more, but even if it comes in lower, I would be inclined to believe that might be all we see, given what was already a fairly washed-out market structure.

Total open interest in silver fell about 3000 contracts over the reporting week and while I may be premature in forming any conclusions, I am encouraged by the decline in open interest as it seems to suggest the managed money traders might not be about to add massive amounts of new short positions. Some increase in the managed money gross short position is always welcome, as it implies eventual covering and buybacks, but I could live without the massive managed money short positions that existed as recently as May 2019, when these traders were short as many as 90,000 silver contracts, compared to the 25,000 short contracts they held in the most recent COT report.

I don't imagine the managed money traders ever getting that heavily short again, but the thought that they might scares me more than most other things. Seeing as the managed money traders never made much, if any money when heavily short silver (or gold), I hope they remember that. One other thing suggesting that the managed money traders might not add aggressively to short positions on lower prices is the fact that since we are already below all the key moving averages in silver, greater risk must be assumed as far as a buyback point to cut losses should prices rally.

No firm guess on gold, as prices were mostly unchanged over the reporting week, whereas they were sharply lower in silver, falling more than \$1.50 from peak to trough intraweek. Gold total open interest fell by roughly 5000 contracts over the

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reporting week. Again, regardless of what the data indicate in silver, it strikes me whatever improvement we see is likely all we are going to see.

Lower gold and silver prices since Friday's close reduced the 8 big COMEX gold and silver shorts' total losses by around \$300 million, putting the total losses at \$10.5 billion.

The volume is not completely in synch, but here's an interview I did with the folks at r/#wallstreetsilver nearly two weeks ago.

<https://wallstreetsilverofficial.podbean.com/e/ted-butler-silver-is-the-most-manipulated-metal-on-the-planet/>

Ted Butler

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Silver - \$25.30 (200 day ma - \$25.88, 50 day ma - \$27.01, 100 day ma - \$26.43)

Gold - \$1804 (200 day ma - \$1828, 50 day ma - \$1838, 100 day ma - \$1792)