Is the Price of Silver Set to Explode?

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So What's The Big Deal About Silver?

With the stock market reaching new all-time highs almost by the day, and precious metals in a vicious 7-year bear market, why would anybody want to invest in silver?

Fortunately, the exact conditions described above, as well as a unique set of events that most in the financial markets remain largely unaware of have led to what could well be one of the most explosive (and profitable) events in financial market history.

Representing a potentially life-changing opportunity for those who recognize it before it's too late.

Because similar to the way many wish they had bought Apple or Amazon stock years ago before their ascent in price, the case for a crypto-like move in the price of silver is not only compelling, but is also becoming more well known by the day.

With perhaps the time to act quickly running out.

The Problem...

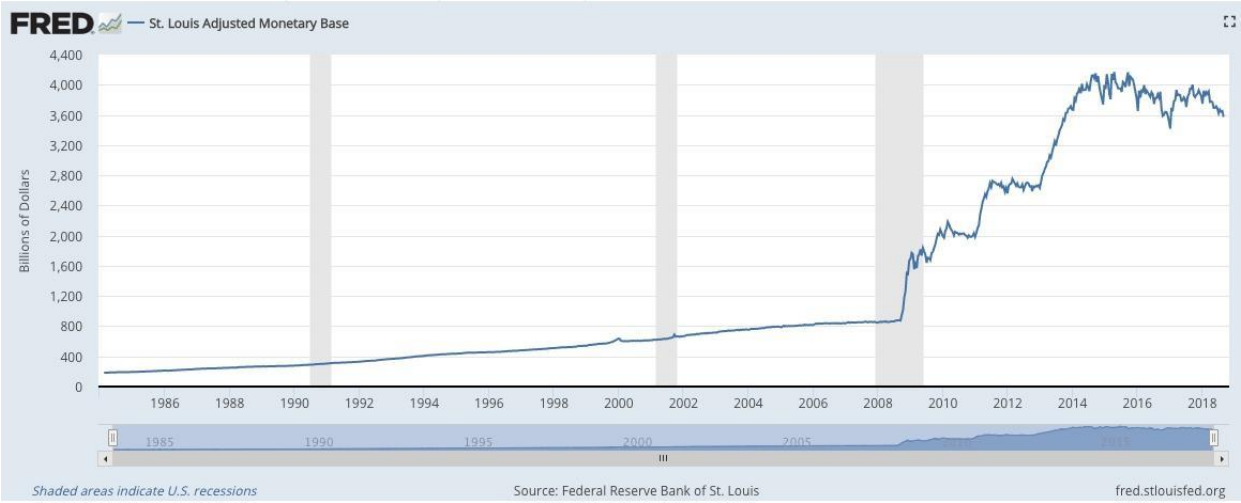
The short version is that following the collapse of the subprime bubble in 2008, the Federal Reserve printed an astronomical amount of money. And while many are aware of the Fed's low interest rate policy and quantitative easing programs, even many experienced investment advisors and traders don't really comprehend the true extent of just how much money was printed. As well as the magnitude of the impact the withdrawal of that money will have on the financial markets.

As is detailed in this report, silver is uniquely positioned to be the prime beneficiary of these circumstances and others. And when this occurs, those who were positioned correctly in advance are likely to experience similar success to the investors who realized that the mortgage market was in a bubble prior to 2008.

And subsequently made a fortune by shorting the market.

But the Fed Has the Situation Under Control...Right?!

As you can see in the chart below, between the Fed's Inception in 1913 and the collapse of the subprime bubble in 2008, the Fed increased the monetary base by approximately $875 billion (with the monetary base being one of the standard measures of the money supply - defined as the sum of currency in circulation and reserve balances held at the Fed).



(chart courtesy of the St. Louis Fed)

Following the quantitative easing programs, ***the monetary base exploded to over $4 trillion!!***

So if the amount of money that was printed prior to the crisis is considered a lot (which it certainly is), then what was done after the crisis is simply stunning.

Of course despite all of the coverage about how the Fed has been "tightening" and "normalizing its balance sheet" in recent years, even a decade after the crisis the monetary base still sits at $3.5 trillion. While the Fed funds target rate remains at 2.25%.

So while there's been a lot of talk about the Fed undoing the past decade of expansionary policy, keep in mind that relative to the amount of credit they added following the crisis, what's been undone so far is just a drop in the bucket.

And what even fewer investors and traders are likely aware of is that Federal Reserve Chairman Jerome Powell even acknowledged before a Congressional testimony that the Fed has no intention of ever unwinding the majority of that credit.

> ***Chairman Jeb Hensarling: With respect to normalization I think you had said publicly that you expect the new normal with respect to the size of the balance sheet to be roughly $2.5-3 trillion and get there over 3-4 years. Do I understand that correctly Mr. Chairman?***
>
> ***Fed Chairman Powell: Yes***

I've personally found it rather interesting how I have yet to see anyone else in the financial community mention this. Which makes me wonder how the markets will react as more begin to truly grasp the impact of Powell's confirmation of Hensarling's statement.

In other words, a lot of the printed money and credit that was supposed to be temporary is now here to stay. And I'd be a little bit surprised if you're able to find anyone else who's actually aware of that.

So Where Did All of That Money Go?

Over the past decade we've seen large amounts of printed money flow into the stock, bond, and real estate markets. With the major U.S. stock indices up more than 300% since March of 2009. While bond yields remain near historic lows, and real estate prices are generally in excess of pre-2007 levels in most areas of the country.

Yet silver, arguably one of the assets that would be most directly impacted by a dilution of the currency, sits basically unchanged during the same time when the money supply has exploded.

So why has this occurred?

And what does it mean going forward?

Keep reading, because I have a feeling you're going to want to hear the answer.

But Aren't Rising Interest Rates Bad for Precious Metals?

Before we get to why silver remains so undervalued despite the past decade of unprecedented global money printing (remember it's not just in the U.S. where the central banks have been running the presses), there's another issue that's worth addressing first.

Specifically, that if lower interest rates and quantitative easing programs increase the money supply, which should lead to an increase in the price per ounce of silver as stated in dollars (remember the price of silver per ounce is a simple fraction, and if the supply of dollars are increased then the $ price per ounce should theoretically increase as well), shouldn't higher interest rates and the unwinding of QE have the opposite effect?

If that's what you've been wondering, it's an excellent question. Because the answer is one of the primary reasons why it's worth your while to quickly become knowledgeable about what's been going on in the silver market.

The Fed's Unfortunate Dilemma….

Normally if we were in the midst of a typical Federal Reserve tightening cycle where the money supply was being contracted that would be bearish news for the price of precious metals.

Yet the times we live in are anything but typical, and given the context of what's going on both financially and geo-politically, the Fed's current dilemma has created a rather unique set of events that are unfolding as we speak.

Primarily because the past decade of central banking actions have inflated bubbles that are even bigger this time around. And seemingly less well equipped to handle higher interest rates than ever before.

Prior to the subprime crisis, the U.S. national debt stood at $9 trillion while the monetary base was $875 billion. Now the national debt is over $21 trillion while the monetary base is above $3.5 trillion.

Yet with interest rates on the 10-year U.S. treasury just barely cracking through the 3% level, we're already seeing overwhelming evidence that the real estate market has started to slow down again. This is not a coincidence.

So what's going to happen to the mortgage market if the U.S. 10-year treasury yield reaches 4 or 5%? Is the stock market capable of withstanding higher interest rates? Keep in mind that even 5% would still be well below anything that could be considered even relatively "normal".

To put it in perspective, back in 2003, former Fed Chairman Alan Greenspan took the Fed's target rate down to 1% for a year. When he tried to normalize rates the entire market collapsed. Now the Fed has almost a decade of 0% rates as well as the quantitative easing programs, and it's difficult to see how the consequences this time around won't be more severe.

Greenspan's last rate hike prior to the crisis took the Fed's target rate up to 5.25% in June of 2006. Yet the current Fed has a bigger set of bubbles that are already starting to wobble and rates are only at 2.25%. So should the Fed continues raising rates until the bubbles pop, we aren't looking at a typical tightening cycle where things carry on as normal.

If the money supply really did contract significantly (no, I don't consider a $3.5 trillion balance sheet and 2% interest rates a decade later a significant tightening), it's hard to see how the current system would remain intact.

Additionally, when the bubbles do begin to pop (with rising interest rates continuing to loom as one of the most likely pins), the Fed is incredibly likely to respond with a money printing campaign that will make the previous quantitative easing programs pale in comparison.

Amazingly, there's already an essay by a Fed official advocating a negative interest rate policy in the U.S.

How Do You Protect Your Wealth Against That?

The primary appeals of precious metals is as protection against systemic risk, market chaos, and currency devaluation.

All of which are amazingly already taking place in many of the emerging markets like Argentina, Turkey, Venezuela and others. And while most on Wall Street think that something like that could never happen in the developed economies, when you actually look at the debt loads and balance sheets of the United States, Europe, and Japan, amazingly the numbers are even worse than those of the emerging market countries that are already in a crisis.

To put it in perspective, consider that Argentina, which is in the midst of a currency crisis, has a debt to GDP ratio of 39%.

Which is a drop in the bucket compared to the level of debt that's been piled on in the United States. Where the current debt-to-gdp ratio is already well over 100%, and that's without even factoring in the unfunded liabilities like Social Security and Medicare. Which economist Laurence Kotlikoff estimates raises the true debt burden to over $200 trillion dollars! In an economy with a GDP of less than $20 trillion.

Yet meanwhile the price of insurance (in the form of gold and silver) remains in many cases below what it actually costs for a miner to dig it out of the ground.

Many on Wall Street might say that cooler heads will prevail in Washington and take responsible action before it's too late. Yet even this late in the game, rather than hearing any discussion of cuts, the budget projections are already discussing when the debt load will hit $30 trillion.

Then add in that with interest rates rising, the cost of servicing the debt is going to rise as well. And with the U.S. treasury already running trillion dollar deficits, where is that money going to come from?

It's a safe bet that one way or another, that debt is going to be monetized. Which is why the value of gold and silver is set to sky-rocket.

So you can debate the "when" of the situation. But at this point, it's no longer a matter of "if".

Of course I like to hope that we will never see the day where the U.S. and other established economies approach anything near a state of hyperinflation.

Although hope aside, if policy makers were given the task of generating that outcome, the actions one would take to achieve that are essentially what's being done right now. And one only needs to look through history to see how quickly everybody flocks to gold and silver in that type of environment.

So there is a day of reckoning coming in response to the last decade of monetary policy. And when that happens, again I would certainly want gold or silver versus dollars or treasuries.

It's Past the Point of No Return

When I first started researching the precious metals markets in 2009, this was one of the conclusions I quickly reached. That it's past the point of no return. That whatever the Fed does is ultimately irrelevant from a long-term standpoint.

Yes, they can and have delayed the inevitable. Although should they stay on course with their tightening policy, it still leads to the same outcome. The current system has finally been pushed past the breaking point.

Which is why I always felt so comfortable owning gold and silver. Whatever the Fed does, it's difficult to see an outcome that doesn't result in a surge of demand for gold and silver.

Keep in mind that as rates go up and the bubbles pop, that also means a lot of investors are selling assets. While the markets will be in the exact environment where investors most flock to precious metals.

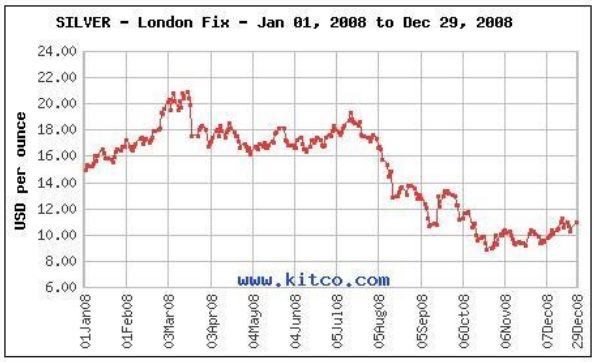
Gold and Silver Are Already Greatly Undervalued at Today's Levels

It's worth considering that even if the Fed really did contract the money supply and somehow the bubbles stayed intact, gold and silver would still have some catching up to do in price.

While there's room to debate which money supply measurements and precious metals data to use, there is a simple method that puts into perspective just how much the metals have lagged behind the rest of the markets during this unprecedented era of monetary stimulus.

Back in August of 2008 gold was trading around $820 per ounce while silver was between $14-16. Again, as mentioned earlier, at that time the monetary base was $875 billion.

(gold chart courtesy of Kitco.com)



(silver chart courtesy of Kitco.com)

Now with the monetary base over $3.5 trillion (meaning it has quadrupled) gold sits around $1,200 per ounce, up about 50%. While silver is flat or even down depending on which day's price you look at.

Meanwhile the stock markets are up by multiples, while most real estate markets are well in excess of their 2007 highs.

Additionally, add in that PhD Michigan State Economics Professor Mark Skidmore has uncovered that The Department of Defense and The Department of Housing and Urban Development have somehow "lost" $21 trillion. Which means you have to at least consider there's a growing probability that there's a lot more money out there than the Fed and government have told us about.

Meanwhile the World Is Noticing and Walking Away from The Dollar…

Many of the U.S. treasury's foreign creditors have already begun to notice the fragility within U.S. financing and have started making arrangements to walk away from dollar infrastructure.

While in many cases also loading up on gold and silver.

Which is stunning. Because while many have been concerned about U.S. finances for decades, we've now begun to see foreign creditors not only make pointed public comments that were once unheard of, but are following up their statements with actions.

Earlier in 2018 China launched the PetroYuan contract in order to reduce the need to use dollars for oil transactions. China has also been developing trade agreements to circumvent the dollar with other nations that have been sanctioned by the U.S., such as Russia, Iran, and Turkey. And recently the Chinese even held a meeting with the leaders of several African nations to discuss using the Yuan as their reserve currency instead of the dollar.

And consider some of the comments being made by the leaders of these foreign nations. Many of whom have long served as creditors to U.S. treasury borrowing.

Russian President Vladimir Putin:

> ***"Now in regard to the notion that we should break away from the dollar.***
>
> ***I agree in general, this is not merely a separation from the dollar. This refers to the strengthening of our economic sovereignty.***
>
> ***And this is absolutely right."***

Keep in mind that Putin made these comments right before Russia unloaded the majority of their U.S. treasury holdings over a period of 2 months.

Turkish president Recep Tayyip Erdogan also offered similar sentiments in 2018.

> ***"Why do we make all loans in dollars? Let's use another currency. I suggest that the loans should be made based on gold."***

And it's worth noting that Turkey has been one of the biggest gold buyers in recent years.

Yet perhaps most shocking of all is how recently even Germany's Foreign Minister Heiko Maas talked about the need to reduce Europe's dependence on dollar infrastructure.

> ***"We must increase Europe's autonomy and sovereignty in trade, economic and financial policies," he said. "It will not be easy, but we have already begun to do it."***
>
> ***"That's why it is indispensable that we strengthen European autonomy by creating payment channels that are independent of the United States, a European Monetary Fund and an independent SWIFT system," Maas wrote. "Every day the deal is alive is better than the highly explosive crisis that would otherwise threaten the Middle East."***

We're no longer talking about a few small nations who don't like U.S. policy.

Now it's the world's superpowers, and even one of the United States' closest allies, who are publicly walking away from the dollar. And if these nations who were buying the U.S. debt are

no longer doing so, or in cases like with Russia even becoming sellers, who's going to buy all of the debt at the same time the U.S. deficits are growing faster than ever?

So Why Is the Price of Silver Still So Low?

What many in the mainstream financial community are quickly realizing is that the majority of today's markets have become highly manipulated. Perhaps more so than at any other time in history.

In recent years alone the banks have been caught manipulating the Libor Market, the mortgage market, the energy markets, the stock market, the foreign exchange markets, and the Federal Reserve openly manipulates the bond market while just calling it policy.

At this point it's harder to find a market that isn't manipulated than one that is.

Yet perhaps most importantly, the banks have most certainly been manipulating the price of gold and silver lower, and have actually even already been caught doing so.

Deutsche Bank Trader Transcripts Remove All Shadow of a Doubt

In 2016 Deutsche Bank reached a settlement with regulators where they agreed to pay a fine of $100 million, while also agreeing to further cooperate in the case. Suggesting that part of their agreement was that they would provide information about the other banks that have been involved. And sure enough, in 2018 the U.S. authorities fined and charged UBS and HSBC as well.

So not only are there court cases and documents confirming that the price has been manipulated, but one of the results of the case is that many of the Deutsche Bank trader transcripts were released. And not only do they confirm highly illegal and collusive behavior, but they even depict traders boasting about how easily they were able to manipulate the market.

Deutsche Bank [Trader-Submitter A]: I got the fix in 3 minutes

HSBC [Trader A]: I'm bearish

Deutsche Bank [Trader-Submitter A]: Hahahaha

HSBC [Trader A]: Massively … Really wanna sell sil

* * *

HSBC [Trader A]: Let's go and smash it together[3]

Deutsche Bank: bro japan holiday today

Deutsche Bank: think it'll be quiet

Deutsche Bank: well, illiquid, not quiet haha

Deutsche Bank: illiquid means wild wild west

UBS:okay when gold pops 1430

UBS: we whack it

UBS: u sell your 50k

UBS: i sell my 20k

UBS: then we double that up and produce our on liquidity too

UBS: that should be enough to cap it on a holiday

Deutsche Bank: haha yeah

Deutsche Bank: lol

So It's Manipulated….But What Does That Actually Mean?

When you dig further into the silver market and explore the mechanics of the manipulation, the short version is that prices are kept lower by selling massive amounts of paper silver contracts that cannot actually be delivered.

For those interested in some of the more technical aspects of the manipulation, Craig Hemke of TF Metals has assembled an incredible "Econ 101 -- Silver Market Manipulation" that walks through the details.

But the nutshell version is that there's far more paper silver than there is actual physical metal in existence. And at some point when someone shows up for their metal and the other side can't deliver, the conditions are in place for the short-squeeze of a lifetime.

Well respected analyst Bill Holter (amongst others) reports that at this point there may be as many as 500 paper claims for each physical ounce of metal. And there are regular reports of large amounts of paper gold and silver being dumped and driving the price down.

This has happened on a repeated basis over the past decade in particular. Where on frequent occasions large sell offers hammer all of the bids in the middle of the night in the U.S., when the markets are not open and liquidity is thin.

As a former equity-options trader and NYSE specialist, I would have been thrown out of my firm if I ever executed an order like that. Because that's simply not what you would do if you were trying to obtain the best price.

Many others in the precious metals community have also commented on how the execution of some of these trades was rather suspicious. And it was one of the red flags that caught my eye and led me to investigate further.

The Silver Manipulation Is Starting to Become Not So Secret Anymore…

As the manipulation has continued on over the years, more and more market voices have been speaking out about what's actually going on.

So while the purpose of this report is not to overly focus on the manipulation elements, given how it is the biggest factor currently driving the price, I will share at least some of the developments that have occurred.

Which explain why the price of silver has gotten so far out of line.

Whistleblower Andrew Maguire Describes A Manipulation to CFTC - *BEFORE IT OCCURS*

There's a London metals trader and whistle-blower named Andrew Maguire who years ago contacted the CFTC (the regulatory agency tasked with maintaining integrity in the silver market) about the manipulation that he had been witnessing.

He even walked one of the CFTC regulators through a manipulation, and told him what would happen, ***before it occurred***. Sure enough, the situation played out exactly as Maguire predicted.

Maguire has continued to speak out about the illegal behavior he's witnessed, and if this is your first time hearing about the manipulation of the silver market, I highly recommend watching this video beginning at the 10:28 mark. Where Maguire walks through exactly how the scheme works.

Interestingly, in one of his articles Maguire also commented on some of the government and central bank activity in the gold market, that others including GATA have also reported on extensively.

> ***Shortly after the Bank of England bailed out Goldman Sachs in 1999, Eddie George, governor of the Bank of England, facing a Goldman Sachs bankruptcy admitted the following, these are his exact words.***
>
> ***"We looked into the abyss if the gold price rose further. A further rise would have taken down one or several trading houses, which might have taken down all the***

rest in their wake. Therefore, at any price, at any cost, the central banks had to quell the gold price, manage it. It was very difficult to get the gold price under control but we have now succeeded. The US Fed was very active in getting the gold price down. So was the U.K."

While it is beyond the scope of this report to cover the entire history of the precious metals manipulation, hopefully some of these excerpts (as well as the links provided) begin to illustrate that there has indeed been manipulation that has affected the price. And just like in any market where the price is artificially distorted, eventually it has to snap back.

Which is what all the evidence indicates is close to finally occurring in the silver market.

Silver Expert Ted Butler Warns CFTC About Extreme Short Positions

One of the more well-known figures in the silver community is analyst Ted Butler. Who for years has dissected the Commitment of Traders report published each week by the CFTC.

The commitment of traders report details what the banks and hedge funds have done, and provides insight into the mechanics of the market.

What Ted has uncovered over the past decade is beyond stunning, and copied below is a letter he wrote to the CFTC commissioners and shared online.

"I'm writing concerning a matter that the Commission has considered on a number of past occasions – allegations of a silver price manipulation on the Commodity Exchange, Inc. (COMEX). The reason the Commission has considered the issue of a silver price manipulation several times in the past is because the agency's own public data and guidelines point strongly to such a manipulation. Never have the data been more convincing than what was just published Friday, in the Commission's release of its weekly Commitments of Traders (COT) Report, for positions held as of April 4, 2017.

That report indicates that the concentrated net short position held by the four largest traders in COMEX silver futures hit an all-time extreme in numbers of contracts of 78,021, the equivalent of 390 million oz. of silver. The concentrated net short position of the eight largest traders was indicated at 104,978 contracts or the equivalent of nearly 525 million oz., or more than 60% of world annual mine production. No other commodity comes close to COMEX silver futures in terms of a larger concentrated short position when compared to real world production. On its face, the large concentrated short position in COMEX silver futures would appear to be an artificial price depressant.

But not only do COMEX silver futures stand out as having the largest concentrated short position of any commodity, in terms relative to real world production, consumption and existing inventories, the concentrated short position in COMEX silver futures is notable for other reasons.

For one reason, the big short traders do not appear to be engaged in any sort of legitimate hedging, since there are no signs they represent actual producers or hedgers of physical holdings.

Publicly-owned mining companies are required to disclose any hedge activity and few, if any have disclosed any hedging in silver. The big short sellers in COMEX silver futures are financial firms, mostly banks, speculating against other big speculators and have no legitimate economic or hedging purpose in dealing in COMEX silver in the first place.

The largest COMEX silver short seller for the past nine years is JP Morgan. That has been the case ever since it acquired the failing investment bank Bear Stearns, the former largest COMEX silver short seller, according to Commission data and its correspondence with lawmakers. The special manipulative twist here is that since 2011, JPMorgan has engaged in an epic accumulation of physical silver at prices much lower than would have existed if the bank had not also been the largest silver short seller on the COMEX. In the recently completed COMEX March silver futures delivery period, JPMorgan stopped (accepted) 2689 contracts in its own proprietary trading account, plus another 739 contracts on behalf of a client(s), considerably more than the 1500 contracts allowed according to exchange regulations. This while JPMorgan was the largest short holder in COMEX silver futures. It is not possible to imagine a more compelling motive or intent for manipulation than to acquire a massive amount of any commodity at depressed prices, where the acquirer is responsible for the depressed prices.

Almost without fail, on every past occasion where the concentrated short position in COMEX silver futures reached extreme levels, it was only a matter of time before the price of silver gets rigged lower by these big shorts to induce speculative selling from traders operating on technical price signals. In fact, COT report data indicate that JPMorgan has never taken a loss, only profits on every silver short position it has added over the past nine years. Such results would not be possible in a market that wasn't manipulated in price. In essence, speculators have taken over the price discovery process in silver because there are so few real hedgers trading on the COMEX, only speculating banks betting against other speculative traders.

I have communicated all this to the Commission, JPMorgan and the CME Group (owner-operator of the COMEX) for many years, with hardly any acknowledgment or rebuttal. I am hoping you will consider this matter differently and act to finally end the manipulation. I'm sure how you handle this matter will define your tenure. If I can be of any further assistance, please do not hesitate to call on me.

Sincerely yours,

Ted Butler

Ex-J.P. Morgan Trader Pleads Guilty To Manipulating Precious Metals

The allegations that J.P. Morgan has been manipulating the gold and silver markets were recently confirmed when former JPM trader John Edmunds plead guilty to manipulating the markets.

While also stating "that he learned this deceptive trading strategy from more senior traders at the Bank, and he personally deployed this strategy hundreds of times with the knowledge and consent of his immediate supervisors."

The Department of Justice now has an open investigation, and this development is the latest confirmation that the price has indeed been affected by manipulative trading behavior.

With those who pinpointed this in advance also largely in agreement that whenever the physical vs. paper imbalance is resolved, prices are simply going to have to rise substantially.

Even Bloomberg Reports on Suspicious Trading in The Precious Metals Markets

For a long time the mainstream media has been reluctant to share what has become common knowledge in the precious metals community.

Yet recently even Bloomberg and others have begun commenting on the suspicious trading activity. As it becomes harder and harder to otherwise explain the routinely counter-intuitive price action.

> ***"We didn't see any headlines, any news to make gold drop $10, but it just did," Miguel Perez-Santalla, a sales and marketing manager at Heraeus Metals New York LLC, said by telephone. "It's going with someone who has a huge position that can trigger stops and make the market move in a direction."***

And the following is another quote from Bloomberg's coverage of the Deutsche Bank case.

> ***The Deutsche Bank documents show two UBS traders communicated directly with two Deutsche Bank traders and discussed ways to rig the market, the plaintiffs said. Among other things, the traders shared customer order-flow information, improperly triggered customer stop-loss orders, and engaged in practices such as spoofing. Spoofing entails submitting bids or offers with the intention of canceling them before they're executed as a way to drive prices.***

CFTC Regulator Bart Chilton Confirms "Nefarious" Activity and Violations of Silver Law

Former CFTC commissioner Bart Chilton, who was a part of the agency during one of their investigations into the silver market has on many occasions publicly stated that after reviewing the evidence, he believes the market is indeed being manipulated.

> ***"Based upon the information I received from the public, certainly there were nefarious actions and I believe violations of the law. When people send you emails and say the price of silver is going to be smashed one day, and then the next day it actually happens. And when that happens repeatedly or maybe 6 out of 8 or 9 times, that leads you to question what's going on."***

Bart Chilton on CFTC Investigations of Silver Manipulation and Violations of the Law

(click the thumbnail above to hear Chilton's comments)

I did actually email the CFTC commissioners back in 2012 to alert them of what I had found in my own research. And interestingly, Chilton responded (he was the only one).

In his reply he mentioned that he was doing everything that he could, but that it took 3 out of 5 votes (with there being 5 commissioners who each get a vote) to pass any regulation. Essentially acknowledging that he believed the market was manipulated, yet was unable to get his agency to do anything about it.

Now why the CFTC continues to overlook a mountain of evidence without acting or responding remains an open question. But keep in mind that a similar regulatory agency, the SEC, had been receiving warnings about Bernie Madoff's Ponzi scheme from an analyst named Harry Markopolos for years before it imploded. Yet as Markopolos details in his book "No One Would Listen", whether for political reasons or otherwise, the agency just did nothing.

Years later, those who had not been informed lost big.

A similar dynamic now exists with silver and the CFTC, and whether the regulators ever act or not, either way the short paper imbalance is eventually going to be resolved.

Analysts and Experts Warn About Looming Shortage of Silver

Below are a few additional resources and experts that can provide further evidence and detail into the manipulation of the precious metals markets. As well as how these dynamics have created a setup in which precious metal prices are simply going to have to rise substantially at some point.

- Analyst and fund manager Dave Kranzler mentions tightness in the retail silver market, why gold and silver are set to soar, the similarities between now and 2008, and reasons for optimism in the precious metals market. He also examines why the banks have established a long position in the metals.

- First Majestic Silver CEO Keith Neumeyer, who has a background in trading, has routinely spoken out about how he believes the price is being artificially suppressed lower.

"Today we have over 300 times margin on silver. Silver trades on a global scale about a billion ounces a day and virtually all of that is paper, or 90% plus is paper.

The miners produce 800 million ounces a year, so we're trading, just using simple math, 365 billion ounces a year on the exchanges worldwide, and we're only producing 800 million ounces per year.

That's a quite lot of leverage in my view. So if you get away from the exchanges, that leverage disappears, and you have a much more fair pricing mechanism.

That whole system that's currently pricing our metals is going to end."

- Mike Maloney, founder of goldsilver.com talks about the market manipulation, and how the Office of the Treasury of South Carolina did a formal investigation and concluded that the banks have been illegally suppressing the price.

> **Similar to other commodities, the value of gold and silver is determined by supply and demand, as well as speculation. The Federal Reserve, The London Bullion Market Association, JP Morgan Chase, and HSBC Holdings have practiced fractional-reserve banking and engaged in naked short selling causing artificial price suppression.**
>
> - Office of State Treasurer, South Carolina

- Silver analyst Bix Weir notes how after holding a massive short silver position for years, the banks have managed to unwind it. Now leaving the hedge funds with the naked short position. Perhaps one of the best indicators yet that the expected spike upwards may be close at hand.

- Chris Powell of GATA (The Gold Anti-Trust Action Committee) discusses some of the recent court cases involving gold and silver manipulation. As well as some of the other evidence GATA has uncovered.

- Lastly, it's worth pointing out that a very similar scheme in the gold market has already been attempted, and was known as the London Gold Pool. The collapse of the gold pool occurred in very similar fashion to what's happening now, and eventually resulted in Richard Nixon removing the U.S. from the gold standard.

  It's an incredibly informative parallel, and provides at least one possible template for how things will play out this time around. Keep in mind that since the pool collapsed, the price of gold has gone from $35 an ounce to currently over $1200.

Supply and Demand Indicate Silver Is Set to Soar

Oddly enough, for those who closely follow the silver market, much of the supply and demand data has almost become an afterthought in recent years. Primarily because the supply and demand has had virtually no impact on price. As the market pricing has been dominated by the unbacked paper short position.

Yet there are still interesting data points to consider.

For example, while coming up with exact silver supply and demand figures is more of an art than science, The Silver Institute's data shows a consistent yearly deficit after accounting for investment demand.

One of the reasons why many expect this deficit to continue or even increase is due to how the majority of silver is consumed in industrial applications. And with demand for solar and "green" products growing, all of which require silver, there are many who believe the metal will be even more in demand going forward.

Neumeyer mentions how "if we expect to go green and do everything that we expect to do as a human race, we're going to need a ton more silver."

Legendary investor Rick Rule of Sprott Global, one of the most well-respected figures in the commodities sector also sees increasing demand for silver.

> ***"We are seeing increasing industrial utilization of silver, which will continue when the silver price stays low. There is enormous utility in silver, and new uses for it are being evolved currently, partially as a function of the fact that it's very cheap relative to its utility in industrial applications.***
>
> ***So from an industrial application standpoint the market is extremely strong."***

Also worth noting is how silver is currently trading slightly above $14 per ounce, which for many miners is below the cost of production. Which has led to a decrease in production. A condition that would only be further exacerbated if the price does not rise.

Which means that there's a natural floor to which silver cannot fall below without further reducing supply. And the price is already below that floor!

Neumeyer mentions how:

> ***"If you go back to 2015, the mining industry as a whole worldwide produced 850 million ounces of silver. In 2016 that number was 800 million ounces. A reduction of 50 million ounces. We know in 2017 that Chile is down 10%, and Canada and Mexico are also down.***

> ***If we add it all up the speculation is that the mining industry as a whole is something in the order of 750 million ounces in 2017. So we're seeing declining world production of silver and increasing demand for the metal. This is a perfect storm.***
>
> ***The market hasn't picked up on this yet, but this is a serious issue.***

So while these supply and demand fundamentals have failed to move the price in recent years, they support a significantly higher silver price whenever the paper manipulation is finally overwhelmed.

Why Silver Over Gold?

In this report I've referenced both gold and silver on several occasions, as they are closely interrelated and both share the qualities of being monetary metals. As such, I do expect gold to rise in price substantially in the coming years as well.

Yet with that said, there are just some dynamics that favor silver rising even substantially more than gold. As already mentioned, there is somewhat of a consensus in the industry that at this point due to the industrial consumption of the majority of silver that's been mined, that there's actually more above ground gold than silver.

Precious metals analyst Rob Kirby points out how:

> ***"Virtually every ounce of gold ever mined is in existence in stocks on the face of the earth. And silver being a dual use metal, being monetary and industrial, silver tends to get consumed, and the reality is there is much less in terms of stock of silver available above ground than there is gold by a factor of about eight.***
>
> ***There's is widely admitted to be roughly around a billion ounces of silver in existence in above ground stocks. Which is about the amount of silver that's mined out of the earth's crust in 1 year. Whereas there's probably 7-8 billion ounces of gold in identifiable or alleged above ground stocks.***
>
> ***So silver in reality is more rare above ground on the planet than gold.***

Estimates of the ratio of the amount of gold vs. silver in the earth's crust range anywhere from around 1:8 to 1:17. Meaning that there is 8 to 17 times more silver than gold in the earth's crust.

Yet at today's pricing the ratio stands at 85:1. Meaning that if this ratio corrects to account for the actual supply of above and below the ground amount of each metal, silver has a lot of catching up to do.

> ***"The amount of above ground silver is substantially less than gold. In 1950, there were approximately ten billion ounces of silver available above ground compared to approximately one billion ounces of gold. In 1980, there were approximately 3.5 billion ounces of available silver above ground.***
>
> ***In 2011, not one government owned any significant amount of silver, yet there were approximately 5.8 billion ounces of gold available. In 2014, the amount of gold available above ground had increased further, to approximately 6.2 billion***

ounces according to Thomson Reuters. At the same time, the world was unable to produce silver in sufficient quantities to meet the worldwide demand."

How Does Nobody Else Know About This?!

For a long time, that's what I wondered myself.

Because as soon as I got a handle on the fundamentals of the situation, it was shocking to me how during my 11 years on Wall Street I never came across anyone else who had ever even thought to consider looking into the silver market.

It's not a very public market. And the mainstream financial media rarely (at least until recently) mentions anything about the bizarre and counter-intuitive price action that so many in the silver community have grown accustomed to.

Yet evidence continues to emerge that even mainstream investors are increasingly awakening to the merits of the investment case for precious metals.

Several countries have repatriated their gold this year, while even mainstream investors like Ray Dalio and Jeffrey Gundlach have started investing in gold. All while countries like China and Russia continue to add to their gold holdings. And given the relationship and similarities between gold and silver, it seems like only a matter of time before some of these investment flows start getting reallocated into the silver market.

Keep in mind that the silver investment market is also relatively small (with most estimates claiming that the entire market of investment grade silver is only about $15-25 billion). Which means that when even a small amount of capital enters the silver market, the price is going to move quickly. Similar to what was witnessed in 2011 when silver hit $49 in the span of a few months.

Also remember that most market participants are largely unaware of everything you've just read. Although that's rapidly changing, and as more and more realize what's actually been going on, it's only a matter of time before someone forces the issue.

How Much Is Silver Actually Worth?

In terms of valuing silver, there's not necessarily one “correct” approach. Especially with a lot of ambiguity around how much metal actually exists, how many dollars are actually out there, and how much demand there will be for silver going forward. And all of it gets incredibly skewed by the manipulation of the pricing.

Fortunately, I have yet to come across a valuation that makes sense that doesn't have silver multiples higher than the $14 level where it trades today. And given how silver hit $49 in 2011, and now there are court documented records showing that the reason it got hammered was because of illegal trading, I've personally always internally seen that level as somewhat of a floor. With the possibility that a true fair value is far in excess of that.

Yet one simple method of thinking about what a realistic price might be is to start by calculating a range of estimates for gold. Which is a little easier to do. And then back out a silver price from that.

Noted economic analyst and author Jim Rickards has spoken often about how he calculates that to back the paper currencies with gold, the price would have to be around $9,000 to $10,000 per ounce. And while there is a lot of validity to his argument and approach (which I do recommend taking a look at), a case could be made that his estimate is actually somewhat conservative.

Now full warning, I’m not suggesting that the price of gold is going to $10,000 per ounce this year or in the near future (although at the same time it is very possible). But what is truly fascinating is how an objective approach to determine how much gold is really worth does provide some interesting observations.

According to Rickards:

> ***“If you back 40% of the $24 trillion of money supply with the amount of official gold, it implies a gold price around $9,000 an ounce. But I predict $10,000. So how do I arrive at $10,000 an ounce?***

That's because I expect central banks to print a lot more money by the time this issue comes to a head. So, by the time the printing presses stop running around the world, that $9,000 number will likely be in the range of $10,000."

FLEXIBLE GOLD STANDARD FACTORS (As of April 2011)	IMPLIED PRICE OF GOLI
U.S. M1 money supply with 40% gold backing	$2,590 per ounce
U.S. M0 money supply with 40% gold backing	$3,337 per ounce
U.S. M1 money supply with 100% gold backing	$6,475 per ounce
U.S., China, ECB M1 money supply with 40% gold backing	$6,993 per ounce
U.S. M0 money supply with 100% gold backing	$8,342 per ounce
U.S. M2 money supply with 40% gold backing	$12,347 per ounce
U.S., China, ECB M2 money supply with 100% gold backing	$44,552 per ounce

A few notes here. First, it's only appropriate to point out that in his initial calculation he is referring to the world's money supply, and not just the dollar. So if one were to just use the supply of dollars, that number would be considerably lower.

Theoretically.

Because as already mentioned, the $21 trillion of undocumented adjustments and losses between the Department of Defense and the Department of Housing and Urban Development raises the following question. If $21 trillion has gone missing, how much money is really out there? And can we really trust the Federal Reserve numbers at this point?

Also, Rickards uses the assumption of a 40% backing, rather than a 100% backing. Which would result in a much higher number. Now whether there would be a 40% backing or a 100% backing, or whether it will ultimately be the government that still has the ability to set the price gets a bit into the hypothetical realm.

But what I do agree with Rickards about is that there is more money printing on the way. And the reason this is important is that whatever answer you get based on whichever calculations and assumptions you choose to use will change if the money supply is then further increased. And given the corner the Fed has backed itself into, one way or another, the price of gold is going to be a great deal higher than it is now.

Keep in mind that if you used any of the figures in that chart and then backed out a silver price even using the current 85:1 ratio, you're looking at a massively higher price of silver. Of course if that ratio narrows, the valuations for silver just rise even more.

Solutions

So what's the solution when the conditions for the short squeeze of a lifetime have fallen into place?

There are a variety of different silver products available in the market. Some of which are very good and reliable, and some that are not so much. Keep in mind that anytime you invest in paper forms of silver, you are trusting a counter-party as opposed to knowing that you own and possess your own physical metal.

Based on my own career, experience, and research, I'm extremely wary of some of the bank paper metal products. Primarily because that's what has created so much leverage in the market and facilitated the manipulation. A lot of people own paper silver, and I'm concerned that when the price finally skyrockets, they are going to find out that there is no physical metal backing the paper they were sold.

So whenever people who are new to metals ask me about where to start, I always recommend beginning with buying physical bullion first. With the primary benefit being that you know that you have physical metal, and not a paper promise. And you can also store it safely on your own terms without needing to count on or trust a third party.

Miles Franklin specializes in providing physical metal to our clients, and for most investors, this is the place to start.

With that said, for those who are looking for alternative options, Miles Franklin did recently create VaultChain Gold and Silver. Which are blockchain gold and silver backed products, that represent ounces of metal that you are able to redeem and have delivered at any time.

Now given everything I've just said about paper gold and silver products, I can understand if you wonder why this would be any different. And it's a good question to ask.

Fortunately the products were developed as a specific response to the concerns many in the industry had about the integrity of some of the paper metal options out there. So in combination with SprottGlobal and the Royal Canadian Mint, VaultChain was created to utilize the transparency of the blockchain to verify that each ounce that's sold is actually backed by physical metal on a 1:1 basis.

So while starting with physical bullion is usually the more appropriate choice for most investors, the VaultChain gold and silver products are CUSIP registered. Which allows investment funds whose bylaws might not allow them to purchase physical metal to still own gold and silver that is audited and confirmed to be in place. And available for delivery at any time of your choosing.

At Miles Franklin we specialize in filling our clients' needs for a wide range of precious metal coins and bars, and are happy to facilitate both retail and institutional orders.

I encourage you to call me directly at 720-363-3791 with any questions about gold and silver, the contents of this report, or any other questions you have about the market (you can also email me at cmarcus@milesfranklin.com. And if you are ready to invest or purchase silver or any other precious metals, I'm happy to help you find what you need.

In Closing

These are certainly fascinating times we live in.

I often still think back to when I was beginning my trading career, and how I never could have imagined that this is where my research would take me. In fact to this day, I continue to be stunned that so many unique circumstances could lead to a market being this far out of line.

So by all means I encourage you to further research and verify anything I've presented in this report. Although I'm confident that if you do, you'll likely come away as excited about what's about to happen in the silver market as I am.

Again, if you have any questions or would like to place an order, I'm happy to help and can be reached at 720-363-3791 or cmarcus@milesfranklin.com.

I do appreciate you taking the time to read this, and hope you found it as valuable as it was intended to be.

Sincerely,

Chris Marcus

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