

The Silver Market in Crisis

By [Bill Holter](#)

Theme: [Global Economy](#)

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Here we go again, silver has been trashed to \$15! But don't fear as this "trashing" in my opinion is going to be like Custer's last stand, let me explain. Just as in past episodes, the artificially suppressed prices have brought out 1,000's of "Indians" all over the world as buyers of physical metal. I use this analogy of "Indians" because prior to this last 5 years, it was in fact consumers from India (whom are so very price sensitive) who would step up in the physical market to eat up supply if the price dropped.

There were stories out of Germany regarding the public's consumption of silver this past week which were astounding. There were reports of coin dealers selling out of all silver inventory and even one dealer claiming they did more business Thursday and Friday (a week ago) than they had for average months so far this year. For quite some time now, there have been rumors that the big demand for Silver Eagles has come from Europe. This cannot be confirmed because the U.S. mint does not disclose its customers but the frenzy in Germany this week does add some credence to the rumors.

Domestically, this past week saw exactly what we have seen no less than four previous times going back to the fall of 2008. Premiums started to rise after the FOMC meeting Wednesday a week and a half ago and rose nearly each and every day since. In fact, even though paper (COMEX) silver was down over \$1 between Thurs. and Friday, premiums rose by close to an equal amount ...so real silver was still priced about the same as it was 2 days earlier. Fast forward to this past week and premiums rose again on Monday and Tuesday and stories of "sell outs" started to swirl. By Wednesday morning, we found out that premiums jumped again and many products were going "wait list" of 2-3 weeks.

This was confirmed by the U.S. mint when they announced a suspension of sales. The mint had a record "non January" month of close to 6 million Silver Eagles followed by nearly 3 million in just the first 3 days of November. Reportedly they sold over 2 million Eagles in less than 2 hours Wednesday morning, they experienced a "run" and suspended sales indefinitely!

Before going any further on the silver topic I want to stop anyone in their tracks who refuse to see that the price of gold and silver are suppressed. Wednesday in the wee hours of the morning at 12:30 AM, someone sold 13,000 COMEX gold contracts which pummeled the price of gold by over \$20. <http://www.zerohedge.com/news/2014-11-05/because-nothing--says-best-execution-dumping-15-billion-gold-futures-0030et> In perspective, the size and timing of this is hilarious! 12:30 in the morning? India was on holiday while Japan and China were on lunch breaks ...not to mention the outright size.

This 1.3 million ounces (40 tons) works out to \$1.5 billion dollars or nearly seven days of global production! Who has this amount of gold to sell? Or to even hedge? It is not as if

gold is just sloshing around because GOFO lease rates are now more negative than any time in the last 10 years! The gold market was very tight PRIOR to this sale, the sale only made the market tighter and served to clear the shelves. No real seller looking for the “best available price” would sell huge volume like this at THE most illiquid moment in global markets, apologists like Martin Armstrong and Doug Casey might take a stab at explaining this one away? Selling in this manner can have only one result and one purpose alone, affect the price downward ...end of story. (The previous was written on Saturday, news out Sunday that UBS will be fined for manipulating gold and silver prices)! <http://www.zerohedge.com/news/2014-11-09/another-conspiracy--theory-bites-dust-ubs-settles-over-gold-rigging-many-more-banks-f> !!! It is now a fact folks!

So, the financial Rembrandts got what they wanted, they broke silver and gold through their support levels and broke the charts ...but did they really? NO! \$15 silver you say? Too bad, you can't have any! You can't have any because there is none to be had! Please don't tell me “yes you can” and that you could simply purchase a COMEX contract and demand delivery because they are on the hook for nearly 600 million silver ounces in December while holding an inventory of just over 60 million ounces, close to a 10-1 ratio of “obligation versus ability to perform”!

By the end of the week, there was nearly no “live” silver available. In fact, this was the case by close of business Wednesday. Most all products saw their premiums rise and wait times go out to 3-4 weeks, “indefinitely” in the case of the U.S. mint. The situation now is like the butcher who has a sign in his window selling filet mignon for \$2 per pound ...he doesn't have any and if he did it would be gone in a NY minute. Expanding on this, if it were really true, he was selling prime beef for \$2 per pound and ranchers were paid even less, herds would be slaughtered all over the place because a dead cow is better than one that needs feed and water. Think about this in the mining industry, these current prices being offered to mines are not enough for them to sustain business so they will either cut back or go broke which will even further diminish the supply to an already supply starved market!

What I tried to explain to you in the above paragraph is that “low prices will be the cure to low prices”. Low prices have created a literal tsunami of demand and over time will restrict supply, this is why there are now very high premiums, very little product available and if you want any you must pay close to \$20 per ounce. This is almost an exact replay of 2008 when the silver price was an artificial \$9 and getting real silver at \$15 was almost impossible while waiting 4-8 weeks!

Let me add by saying this, “it has to start somewhere”, an explanation is needed. I believe the entire “fiat” episode (which Greenspan has now admitted is inferior to gold) will end with both silver and gold going “no offer”. The physical markets will be swept clean by a systemic “run”, probably sometime soon. We may even see the paper markets go down further and physical pricing get even stronger, we are already seeing sub \$16 paper and nearly \$20 physical. Paper is only 80% in price of the real metal, this can and I believe will widen much much further. The average person will marvel at the prices of gold and silver but that will not be the real story. I believe the gold and silver markets will be defined by “availability” ...or lack of. Ask yourself what will be your mindset when gold and silver prices are breaking out to the upside and there is no availability of product? THIS will define the market.

What if COMEX silver was moving to \$20 but you couldn't get any for \$30? Or COMEX at \$50 and your \$100 bill could not entice someone to part with an ounce of silver? When the

fiat system does finally collapse which it mathematically will, real metal will go “no offer” for any amount of fiat money. Say I’m crazy if you will but keep in mind that this is exactly what has happened every single time in the past to every single fiat currency throughout all of history. All I am saying is that it has to start from somewhere and lack of availability will be present when it does. Lack of availability is now happening again and I do want to point out a most very basic human nature. When man wants something and is told he cannot have it ...he wants it even more!

Let me finish with this, the current episode in my opinion is the start of a global systemic “run”. It is quite curious that the G-20 summit starts this coming week and concludes on the 16th. I believe there are 150 or more countries now that would like to see the end of the dollar as the world’s reserve currency (I plan to write about this tomorrow). Is it a coincidence that we now see the end of QE, a “stronger” dollar versus (other paper) fiats, an obvious paint job on metals, a COMEX delivery period where far more metal is contracted for than exists, a real (Shanghai) exchange which has seen 90% of their vault inventory swept clean ...followed by a global meeting of all world leaders? Not to mention a meeting where the president of The United States will arrive in a virtually “castrated” condition after the elections? Has the “paint job” been done in order to “show” dollar strength? I believe yes, I also believe that if I can see it then so can the upper echelons of the rest of the world!

If you have waited to this point to purchase silver or gold, the market told you something this past week. The market has spoken and told you “if you want \$15 silver, you can’t have any”! The danger as I wrote above is what will happen when prices are higher and “you can’t have any”? Don’t let this happen to you!

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Bill Holter writes and is partnered with Jim Sinclair at the newly formed Holter/Sinclair collaboration. Prior, he wrote for Miles Franklin from 2012-15. Bill worked as a retail stockbroker for 23 years, including 12 as a branch manager at A.G. Edwards. He left Wall Street in late 2006 to avoid potential liabilities related to management of paper assets. In retirement he and his family moved to Costa Rica where he lived until 2011 when he moved back to the United States. Bill was a well-known contributor to the Gold Anti-Trust Action Committee (GATA) commentaries from 2007-present.

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