

# Unstable Markets and the Great Silver Debate. The Role of JP Morgan

By [Bill Holter](#)

Theme: [Global Economy](#)

Global Research, May 14, 2015

*Over the last weeks, a great debate has erupted regarding silver. More to the point, Ted Butler claims JP Morgan has accumulated at least 350 million physical ounces. Some pooh pooh this and say it is not possible while others who may believe it are scared witless because they are afraid Morgan will dump the metal and destroy the silver price.*

Taking first things first and then later expanding, I believe it is possible for Morgan to have accumulated this silver. If you look at the bleed from both COMEX and SLV inventories and add in the purported movements on the LBMA, I do believe it is possible that JPM has amassed a silver war chest. From a “dollar” standpoint, this is only about \$5 billion which wouldn’t even need to come from their equity as they have a direct pipeline to the bowels of the Fed and Treasury for credit.

To answer the question of “fear” propounding this silver will be used to destroy the market, I would first remind you that “devious” and “stupid” are two separate descriptions. No matter what anyone believes, JP Morgan is not stupid, devious may be another matter altogether with each fine they have paid as proof. JP Morgan has had a huge short paper position in silver for many years dating back to at least 2007 when they inherited Bear Stearns positions. The position has been so large in fact, they could never possibly “push a button” to cover it because the metal simply never existed to cover it in a short period of time. Any attempt to cover would have created a panic of demand and a minimum price of \$100 per ounce for starters!

This leads us to one of several theories and the most obvious, JP Morgan has been amassing physical silver and is now actually a hedge against their short position as opposed to the other way around. It makes zero sense to me that Morgan would dump a physical position because the accumulation was so difficult to acquire in the first place. As I said above, JP Morgan is not stupid and they understand the logic of where the macroeconomics are headed. They know the game is either inflate or die and can surely make the judgment as to whether or not they want to be net long, or short silver. And trust me, they also know the difference between paper contracted silver and the real thing in their vaults.

It also occurred to me, what if the short position is “used” to revalue the long position?

We have seen so many times where naked contracts were “sold sloppy and sold BIG”, what if JPM decided to actually cover their short by buying “sloppy”? They effectively could use the short position as a springboard if you will? What would stop them from covering the short to become flat and just keep on buying sloppy in the futures pits and running every short on the planet? They must surely know the upside pressure is there not only technically but fundamentally because of the supply being knocked off stream by below

production prices? This is an easy trade for them if truly have built a physical long, thus making their short to unwind the “sloppier the better”! This makes more sense to me than dumping the physical long which everyone is so afraid of.

Another theory is that JP Morgan has gotten very long physical silver at low prices by compressing said price in the futures markets. Some believe Morgan understands where the game is headed and also understands the “uses” for silver are expanding exponentially, and in particular the solar energy industry. This is possible in my opinion as I don’t believe there is any hoard of 350 million ounces or more anywhere else. Maybe they are looking to the future and want to sit on the real metal to supply into a future market at grossly higher prices with real demand unable to be satisfied.

There is one more theory, one that I cannot prove but makes a lot of sense. I believe the Chinese lent 300 million ounces of silver to the U.S. back in 2003 and this was a 10 year lease. I believe the lease ran out and was defaulted on in 2013, this would partially or mostly explain why silver was attacked in the paper markets so brutally. The “tree had to be shaken” in an effort to shake some real silver from holders hands. Also if you remember, it was around this time that Warren Buffett let loose of his 129 million ounce position he announced originally a few years earlier, the divestiture “coincidentally” coincided with the formation of the ETF, SLV... that was funded with a very similar number of ounces!

It is my belief that after the U.S. defaulted on its lease to China, China wanted some sort of assurance they would ultimately be paid. It was this broken transaction and the following agreement not to “let the price of silver (or gold) to get away” that has allowed China to amass huge sums of gold “in lieu of” silver. I believe this broken transaction is the reason suppression has been so blatant and violent since April 2013, time will tell.

I say “time will tell” because something very different has just begun to happen. Sovereign bonds all over the world have begun to gyrate wildly with yields moving to the upside. The short squeeze/giant margin call in the dollar seems to be ending and the dollar has now reversed. Gold and silver are also acting unlike anything over the last two years just today. They opened on the firm side, jumped higher, and then rather than being capped it is like they are bulldozers in low gear steadily rising tick by tick. We will need a few more days to see if the previous patterns are firmly broken but it looks like it so far.

The odds China announces how much gold they have accumulated sometime later this year are very high in my opinion. The case for 10,000 tons is very easily proven, just as is the case that much of that gold MUST have come from N.Y., London and the FRBNY (or Fort Knox). The paper short positions in gold and silver will be destroyed in virtually overnight fashion after any announcement by China even close to 10,000 tons.

Getting back to JP Morgan’s silver position, I cannot see them trying to “flood” the market with physical silver because a move like this might have the staying power of 24 hours. For them to sell \$5 billion worth of silver is laughable in dollar terms and would be “Hooverized” by physical buyers (even China herself) long before it hit any market or exchange. If JP Morgan truly does have 350 million ounces of real physical silver it is in my opinion because they are bullish on “real physical silver”!

**Bill Holter** writes for Miles Franklin

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Bill Holter](#)

### About the author:

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.

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)  
[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)