

# The Biggest Silver Haul in History

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As I've mention previously JPMorgan is still stopping (taking) silver deliveries in its own house account. In the May COMEX futures contract, they've taken over three million ounces so far. It still looks like JPM will take another million ounces or so before the delivery period is over. This is in addition to the 7.5 million ounces the bank took in the March delivery period.

Another standout development in recent weeks has been the withdrawal of 5 million ounces from the big silver ETF, SLV. This large withdrawal would appear to be a big buyer converting shares into metal for the purpose of acquiring physical silver and avoiding the 5% ownership reporting requirement. I believe this is the work of JPMorgan and represents the mechanism by which the bank has amassed the bulk of the 350 million ounces I claim it has acquired over the past four years.

The U.S. Mint sold 783,500 Silver Eagles in just two days after going 4 or 5 days with no sales. Then the Mint reported a scant 50,000 additional coins sold over the next two days. This is precisely the erratic level of sales that indicates the presence of a big buyer. I can't certify that the big buyer is JPMorgan, but everything I look at points to them.

The Canadian Royal Mint reported sales last week its 2014 sales of Silver Maple Leafs and the same pattern that has characterized the U.S. Mint was clearly revealed. Sales of silver coins hit a new record, with more than 29 million Silver Maple Leafs sold. The big buyer of Silver Eagles has also been accumulating Silver Maple Leafs. Over the past four years the big buyer has bought, at least 30 million ounces of Canadian Maple Leafs and 75 million U.S. Silver Eagles totaling more than 100 million ounces of silver in bullion coin sales alone. I'm convinced JPMorgan is the big buyer.

How in the world can JPMorgan eventually sell hundreds of millions of ounces of silver without flooding the market and causing prices to crash? This is what JPMorgan does as a regular part of their business – accumulate and then liquidate massive market positions before most people get out of bed every morning. It is second nature to them. In my opinion, this silver will be sold before most people realize they bought it in the first place. Buying 350 million ounces of silver was the hard part, selling it will be a snap.

The big buyer is exploiting a loophole in the law that requires the Mint to produce to whatever the demand might be. So JPMorgan artificially depresses prices via short sales on the COMEX and then requests that the US Mint sell it all the Silver Eagles it can produce. It doesn't care if it is paying \$2 over the spot price, JPM wants all the silver it can get its hands on. But what about selling the coins I claim JPMorgan has acquired? The coins will not be sold as coins, but melted into 1,000 ounces bars. In fact, some of the 100 million+ ounces of coins may have already been melted and cast into good delivery bars. Considering that the coins are the same purity as 1,000 ounces bars, melting is a simple and a low cost process.

At the end of 2007, when the price of silver was less than \$15, but close to the highest price it had been in 25 years, Bear Stearns assumed the role of the biggest silver and gold short when these positions were transferred from AIG. From the end of 2007 to March 2008, the price of silver rose to \$21 and gold rose from \$800 to \$1,000. Based upon the size of the short positions that Bear Stearns held the investment bank had to come up with more than \$2 billion in margin money. Bear was unable to do so and the U.S. Government arranged for JPMorgan to take over Bear Stearns and its massive COMEX short positions in silver and gold.

With the cooperation from the federal government, JPMorgan was able to turn silver (and gold) prices sharply lower into year end 2008 and made well over one billion dollars as a result of falling metals prices. Thus, they were able to greatly reduce the short positions inherited from Bear Stearns. JPMorgan then repeated the process of selling short great additional quantities of COMEX short contracts on metals price rallies buying back those short positions when prices fell. JPMorgan's profits from the short side of COMEX silver and gold, amounted to hundreds of millions and even billions.

This process was repeated by JPMorgan in COMEX silver until the fall of 2010, when silver began to rise in earnest due to a developing physical shortage that drove prices to nearly \$50 by the end of April 2011. On the run up, it must have become clear to JPMorgan that a physical silver shortage was developing and for the bank to try to fight it with additional paper short sales would be futile. Therefore, two decisions were made; one, it would be necessary to create such a large break in silver prices so as to crush the momentum of the price rise and two, the developing physical shortage proved that silver was destined to blow sky high in time and JPMorgan should position itself accordingly. The big break in prices started on May 1, 2011 and broke the back of the silver price. Less visible is the evidence that JPMorgan began to acquire the biggest physical silver stockpile in history.

1. In little more than a month, as a result of the big break in silver prices starting on May 1, 2011, some 60 million ounces were liquidated from the big silver ETF, SLV, as a result of plain vanilla selling by investors who sold their shares in reaction to plunging prices. When net selling occurs in SLV, metal is automatically redeemed from the trust on a mechanical basis. The shares were sold and the metal was withdrawn from the trust as prescribed by the prospectus. That doesn't mean the metal was dumped on the streets of London or ceased to exist. The metal fell into the ownership of someone and the most likely candidate was the entity that arranged for the selloff in the first place. The entity which stood to gain the most by the selloff was JPMorgan. They picked up their first 50-60 million ounces as a result of the May 2011 silver smack down.

2. Pressed for space to store the silver it planned to acquire, JPM opened its own COMEX warehouse in April 2011 and from zero ounces in 2011, that warehouse has turned into the biggest COMEX silver warehouse of all with nearly 55 million ounces on deposit. The start date proves intent by JPMorgan to acquire silver.

3. In 2012, JPMorgan physically transferred 100 million ounces of silver from its own custodial warehouse for SLV to the Brinks warehouse in London, leaving ample space in the former SLV warehouse to store 100 to 200 million ounces of silver that would come to be owned by JPMorgan and that would never require public disclosure. This is the most plausible explanation for why JPMorgan would move the silver to the Brinks warehouse. All the movements of metal out of SLV over the years, reeks of JPMorgan converting SLV shares to metal to be stored in its own warehouse in London on an undisclosed basis. An easy 200 million ounces can be accounted for in this manner.

4. The unusual and unprecedented turnover of physical silver in the COMEX-approved silver warehouses that began in April 2011 suggests to me that JPMorgan has been causing the movement in its quest to acquire physical silver. An easy 100 million ounces acquired by JPMorgan can be deduced from the more than 750 million ounces turned over in the COMEX warehouses over the past four years. How hard would it be for JPMorgan to “skim” 100 million ounces off a turnover of 750 million ounces?

5. The recent acceptance of more than 10 million ounces on COMEX futures deliveries and the physical movement of most of that metal into the JPM COMEX warehouse is a mere fraction of the total amount of silver JPMorgan has acquired over the past four years, but it is clearly the most transparent and may point to JPMorgan reaching the maximum amount of physical silver it intends to acquire, indicating we may be close to when the bank decides to let silver prices rise.

I’m using the number of 350 million ounces as what JPMorgan has acquired, but the real amount may be in excess of 500 million ounces. I’m being somewhat conservative in saying 350 million ounces because I’m worried that those who deny that JPM has acquired any physical silver heads might explode if the number is closer to half a billion ounces. I’m not looking for anyone to lose their minds, but to understand what these facts mean.

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