

Delivery Default in the Gold and Silver Markets? Something VERY BIG is Afoot!

So, is a delivery default here and now in June or July? I am sure I will hear "they will never default, they will cash settle".

By [Bill Holter](#)

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Theme: [Global Economy](#)

For more than three years we have watched the COMEX very closely. The initial clue to begin watching were the waterfall events where the amounts of paper gold and silver sold simply dwarfed what was being mined. I have said many times after the smackdowns, "first, no one has this much (gold or silver), second, no trader would ever sell in this fashion and destroy the price he will receive for the sale. Clearly the sales were done to affect price downward". Each time I have written on this topic and suggested it would ultimately end with a delivery default I have been trolled. It looks very much like we will soon find out a default of delivery is not only possible but highly probable.

Starting with gold, last month (May) saw 221,000 ounces stand for delivery.

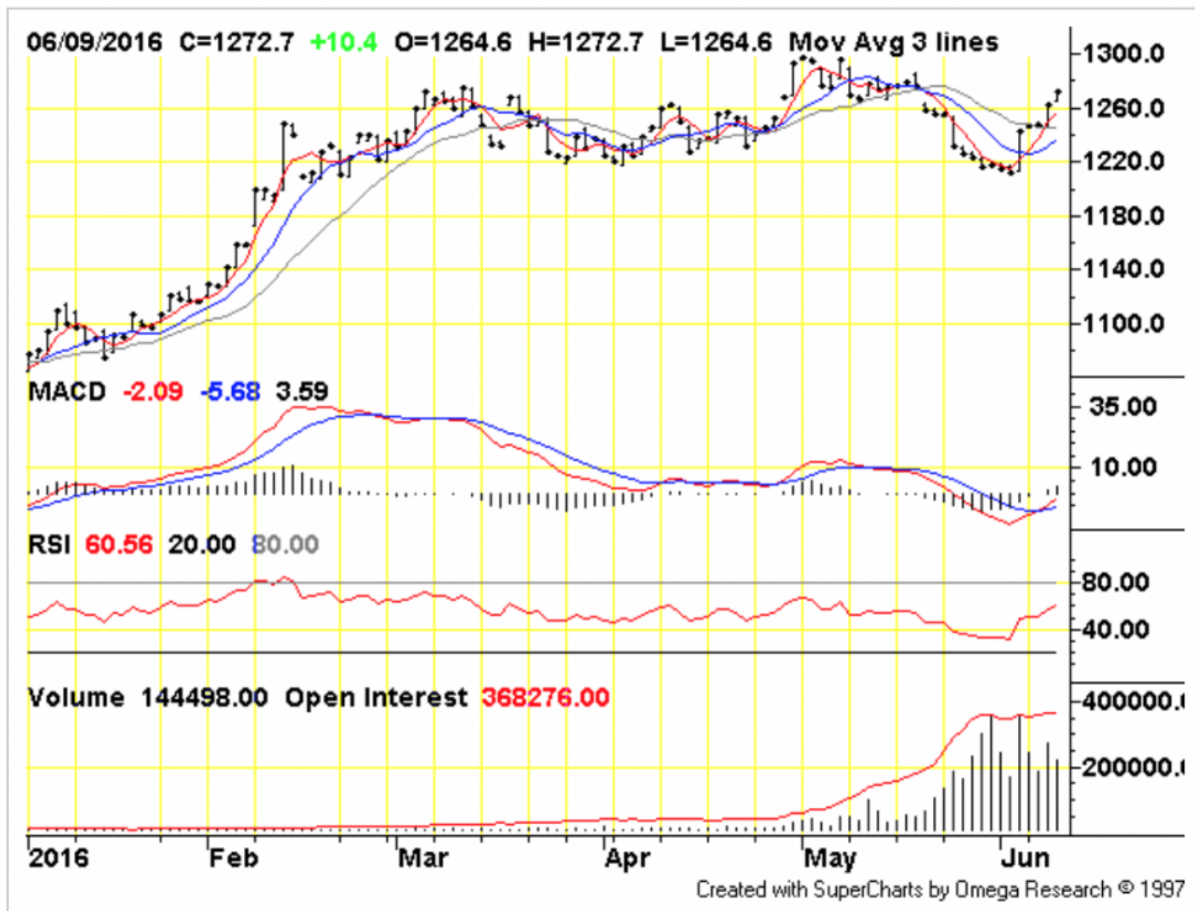
This amount actually grew during the month which is highly unusual as the amount standing has ALWAYS dropped during delivery periods, this is the first time to my knowledge that the amount standing actually increased. For comparison, May 2015 delivered only 2,500 ounces. Looking back at June of 2015, the amount standing on first notice day was 509,000 ounces. The final amount delivered was 295,000. As I have written and questioned before, who would fully fund their account 100% to take delivery ...and then "go away"? The answer of course is someone willing to accept a "premium" as a bribe to not take delivery.

Daily Commodity Futures Price Chart: Aug. 2016

Gold (COMEX)

TFC Commodity Charts

Date:06/09/2016 O=1264.6 H=1272.7 L=1264.6 C=1272.7 V=144498



This June as you know does look to be quite interesting. The initial amount standing was 49.119 tons or over 1.5 million ounces. The amount dropped on day two by about 4 tons but has since gained back nearly all of it to stand at 49.11 tons. (If I am not mistaken, this month is the largest month of gold contracts ever standing for delivery.) Over 40 tons have already been served so we know these longs could not be persuaded to “go away”. We have seen no evidence of delivery for March, April or May. If we add these together with June, we have 65.813 tons standing with only 51.12 tons of registered gold.

My point is this, someone very real and very big is standing for gold. This “someone” would not be bribed to go away last month and does not look like they will go way this month!

Who is this long who all of a sudden cannot be bribed to stand down? As you know, I have speculated the Chinese (and Russia) have been positioning themselves to abandon the dollar as the reserve currency. I theorized nearly two years ago it was the Chinese who held the long month after month and rolled them ...until they won't and then demand delivery. I still believe this is the case as the open interest in silver has stayed so high, only pockets as deep as a sovereign could have sustained the losses. It also needs to be said again, no market has ever seen open interest expand to all time record highs ...while the price was plumbing multi year lows. A reconciliation will come at some point, either open interest needs to be washed out or price skyrockets, one or the other.

Looking specifically at silver, we have a true potential atomic bomb in the works for July. COMEX claims to have 22,482,000 ounces registered and available for delivery. This number is an ALL TIME low for “registered” ounces. To put this number in perspective, it is less than \$400 million dollars and only about 10 days of global production. Also in perspective, customers have already withdrawn 12,244,000 ounces of silver in just the first 8 days of June! Finally, the real shocker is the July contract. First, the open interest for July of over 107,000 contracts is more than 50% of the entire open interest.

This represents over 536 MILLION OUNCES! Do you realize this amounts to over 60% of total global production on just one bourse and in just one single month? Obviously there will not still be 536 million ounces standing for delivery by July 1st, but as it stands now there are contracts open to deliver 24 ounces for every 1 ounce registered for delivery.

So, is a delivery default here and now in June or July? I am sure I will hear “they will never default, they will cash settle”. “Cash settlement” IS default, please do not delude yourself into thinking it isn’t. If you believe cash settlement is OK, what will you think AFTERWARDS when your cash will not buy metal? There is no way to tell if it is here and now but it certainly looks possible. Something has definitely changed. The longs of the past who would stand on first notice day only to mysteriously disappear during the delivery period seem to have changed or ...are now different entities. It is clear by looking at past deliveries and current inventories that COMEX is not meant to be a major delivery hub. It has been “used” to “price” gold even though very little real metal changed hands.

I believe this is about to change as actual gold being traded will become the pricing mechanism. The about face in the price action over the last six months and now the amounts standing tell you something very big is afoot. We already know that physical metal has been moving from West to East for years. I believe we are about to find out the pricing mechanism itself is being moved from West to East.

Stay tuned!

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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

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