



SILVER MANIA AHEAD?

HoweStreet.com Interview
August 6, 2016

Ted Butler of ButlerResearch.com joins us to talk Silver.

HoweStreet.com: Is Silver close to the end of a long term Bull Market, or at the beginning of a new Bull Market?

("close to the end" refers to a possible mania run in Silver in 2016 or 2017. "new Bull Market" refers to a market that will likely last a few years.)

Ted Butler: I'm inclined to think that a mania phase will take hold in silver in the relative near to intermediate term. Say within a year or two and, in fact, may have started already. If a full-fledged buying panic occurs prices will shoot up to levels not likely to be sustained, but in the long run will still prove much higher than current prices. Sort of we overshoot by a lot, but still end up higher than today.

HoweStreet.com: Silver seems to have a ceiling of \$50. Do you think Silver could break through this ceiling, and if it does, how high could it go?

Ted Butler: Prices can always go as high as there are numbers, and if silver does get into a pronounced wholesale physical shortage (which I expect), most will be surprised at how high the silver price will climb. Then again, few will complain at \$50 silver.

HoweStreet.com: What would \$50 Silver in 1980 be worth today?

Ted Butler: Less in real terms, but I'm not sure of the exact numbers. But I do agree that \$50 this time around is (not?) that much of an achievement in inflation adjusted terms and suggests we could go much higher.

HoweStreet.com: Are we likely to see the volatility of Silver increase between now and the Presidential Election in November?

Ted Butler: I imagine so, particularly if the volatility involves an increase in investment buying, but positioning on the COMEX and wholesale physical market developments are still at center stage. And it's not just the election, more factors favor precious metals currently, than I can recall. With near zero percent interest rates, the world's investors are being forced to consider alternative investments like never before. Considering how little physical silver is available for investment, even the slightest investment flow to silver should have a pronounced influence on price.

HoweStreet.com: Is physical Silver facing a supply crunch?

Ted Butler: According to everything I see, yes. But the exact timing is always unknown. The potential kicker is if the industrial silver users get spooked by delivery delays of needed metal and rush to build physical inventories. That's the one factor that could, quite literally, blow the top off the silver market

HoweStreet.com: Silver has Daily Fixes. Is the Silver market controlled or manipulated, and if yes, are the Daily Fixes part of it?

Ted Butler: I don't know that many even follow the daily fixes, certainly I don't. I do agree that silver is manipulated, but the manipulation is in COMEX positioning. Currently, 8 traders (mostly banks) are short close to 500 million ounces of silver on the COMEX. This is the largest concentrated short position in history and on its face is manipulative to price. If these 8 crooked traders weren't short 500 million ounces, the price of silver would be several times its current price. But I do admit that the word "fix" is akin to manipulation.

HoweStreet.com: In percentage terms, do Silver and Silver Stocks outperform Gold and Gold Stocks in a Bull Market?

Ted Butler: The performance of the silver mining stocks over the past 6 months is staggering, while silver's advance, which was outstanding, pales in comparison. What will the mining stocks do as and when the metal gets uncorked to the upside is anyone's guess. The price of silver is the single most important factor to any miner's bottom line.

HoweStreet.com: What percentage of ETF value is backed by actual Gold and Silver, and are ETFs riskier than physical metal or stocks?

Ted Butler: As far as I know, the ETFs are 100% backed by real metal. The only problem I have with the ETFs is that short sales are allowed and there is no metal backing to the shorted shares. Fortunately, the short interest has been fairly low in percentage terms, but needs to be monitored. Nothing is safer than metal in hand, but sometimes professional storage is required. For instance, someone buying a million dollars' worth of silver would get 50,000 oz. Most investors would find it impossible to hold nearly two tons of metal in his or her own personal possession. Even for much smaller dollar amounts, the quantity of physical silver involved makes professional

storage a necessity. I like to think that reflects silver's low price in that you get too much for your money. There are several ways to safely store physical silver and I believe the publicly traded ETFs offer legitimate storage alternatives.

HoweStreet.com: Are concerns in the Banking Industry good or bad for Silver?

Ted Butler: I would suppose anything that raises concerns about the financial system would cause more people to invest in precious metals than to sell metals, all things considered. My concern with the banks is that they are the big short sellers in COMEX gold and silver and have the most to lose if prices go higher and the most to gain if prices move lower. This just about guarantees the banks will work to cause prices to decline near term and the only question is if they will succeed. Lost in all this is why the banks are so heavily short gold and silver in the first place? None of the short selling has anything to do with legitimate hedging or safe banking practices - the banks are simply speculating on the short side. Bad short bets are what caused Bear Stearns and AIG to fail and the regulators should be ashamed for allowing reckless short selling by the banks to exist again

HoweStreet.com: Looks like we are having a rare Summer rally in the metals. Is a rally like this likely to continue into the Fall and Winter?

Ted Butler: It seems to me, due to the extremely large open long and short positions on the COMEX, that prices could move sharply higher or lower in the very near term, but all the facts suggest silver should move much higher in the long term

HoweStreet.com: Please tell us about your newsletter and where readers can go to find out more about it.

Ted Butler: It's a twice a week commentary on silver and gold, in which I discuss what I feel are the most important price drivers. It's available on a monthly basis at ButlerResearch.com

HoweStreet.com: Thanks for taking time to do this interview.

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