

The Silver Squeeze Ignites: \$100/oz and Trading Frozen in China

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Global Silver Shock: China's \$100/oz Freeze Unleashes a Supply Deficit Tsunami—Silver's Historic Mispricing Sets the Stage for a Super Spike



China's silver market has erupted, with spot prices surging past \$100 per ounce—prompted by a sudden freeze on all on-the-spot trades and fund subscriptions. With mining deliveries lagging 30 to 120 days behind, physical silver simply cannot be sourced fast enough to meet this parabolic demand. China's abrupt freeze of silver futures and on-the-spot trading is a stunning admission: in a physical-only market like China, this halt signals that real metal simply isn't available to meet demand. Unlike paper-based Western trading, China's system hinges on tangible delivery. By suspending trades, regulators are conceding that physical silver

cannot be sourced fast enough—revealing a critical shortage right as prices surge past \$100 per ounce. The supply-demand disconnect has never been more exposed.

Silver's Supply-Demand Picture: A Brewing Storm

Industrial demand for silver is experiencing a historic boom, especially with China's dominance across solar manufacturing, AI deployment, and auto production (including EV giants like BYD). Whether it's advanced solid-state or sodium-ion batteries, both rapidly-expanding industries depend critically on silver's unrivaled electrical properties.

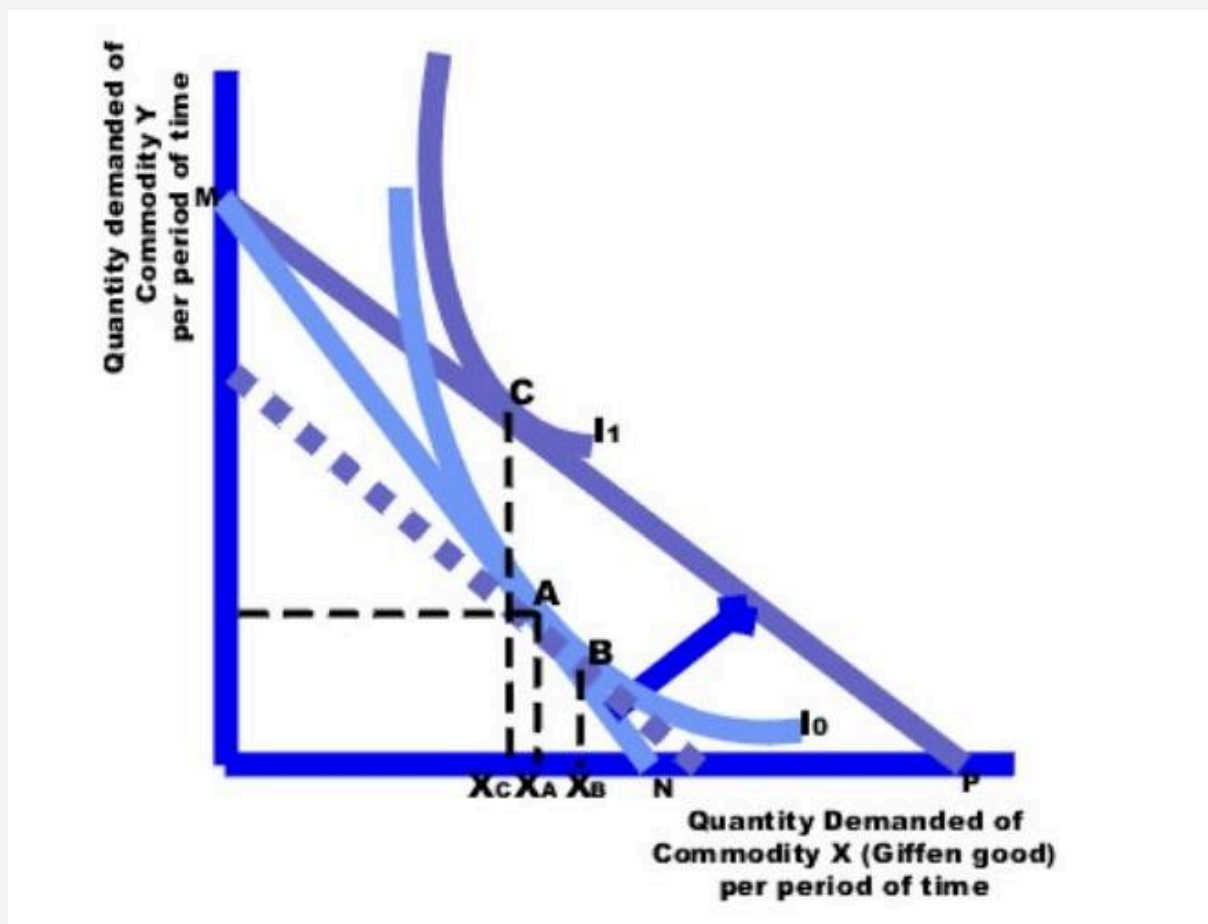
This sharp demand spike comes as the market faces its fifth consecutive year of structural deficit—117 million ounces short in 2025 alone, with no realistic hope of an immediate supply response. Approximately 70% of mined silver is only produced as a byproduct during copper and zinc mining, leaving true silver production relatively inelastic even as prices spike. Ore grades are declining, new mines are rare, and environmental restrictions keep supply growth on a tight leash.

The Mining Ratio Trap: An Extreme Mispricing

Here's the shocking math: right now, for each ounce of gold extracted, only 7 ounces of silver are mined—yet the market is trading at a gold-to-silver price ratio near 85:1. Historically this ratio averaged closer to 50-60, and it plummeted to 14 during the 1980 peak, when silver's limited above-ground supply and industrial use forced a repricing.

Yet for every 7 new ounces dug up, two-thirds are consumed by industry and never recycled. Compare this to gold, where 95% remains above ground, simply stored or traded. The structural deficit is intensifying, shrinking available inventories worldwide—while hundreds of billions in cash, bonds, and stocks could be redirected to silver with even minor portfolio allocation change

Silver Defies Economics: The Giffen Good Phenomenon—Soaring Prices Ignite Even Hotter Demand as Shortages Loom



A giffen good is an economic anomaly—a rare type of product for which demand rises as its price increases, defying the basic law of supply and demand. Typically, as

the price of something goes up, people buy less of it. But with giffen goods, higher prices fuel even more consumer frenzy, often due to panic, necessity, or an anticipated shortage. Historically, food staples in crises—like bread during a famine—were considered classic giffen goods, as people scrambled to buy more despite soaring prices.

Today, silver seems primed to become a textbook example of this phenomenon. In normal times, technical analysis and reason may dominate trading decisions. But during market panics, especially currency crises, these old rules break down. As the price screams higher—\$50, \$80, \$100, and beyond—the very surge in price attracts even more desperate buyers, not fewer. The silver market's structure, historic shortages, and global asset flows are aligning to transform silver into a true giffen good, where the fear of missing out and the threat of "failure to deliver" create irresistible buying pressure.

Silver Mania: Demand Rises as Prices Explode

Forget what economics textbooks taught about supply and demand—the silver market is entering the realm of the giffen good. Normally, rising prices put off buyers, but right now, every dollar higher brings a new wave of desperate investors storming the gates. Silver's bull run isn't just strong—it's rewriting the rules.

Giffen Goods: When Frenzy Defies Logic

A giffen good is a rare beast—a commodity that becomes even more desirable as its price climbs. Instead of cooling demand, higher prices stoke the flames, often because consumers fear a future shortage. This turns the market into a stampede, squeezing supply tighter as people scramble to secure their share.

Is Silver the New Giffen Good?

For decades, silver has been traded like any other commodity, obeying the usual rules of technical analysis and market cycles. No more. Record-setting momentum is now paired with mounting panic over delivery failures, dollar weakness, and historic debt ratios. Investors aren't afraid of rising prices—they're terrified of being locked out of the market entirely. This is classic giffen good behavior: demand soars precisely because prices do.

Failure to Deliver: The Shockwave Silver Investors Fear

Renowned analyst Bill Holter put it bluntly: "Silver is going to fail to deliver." As futures and ETF contracts pile up, there simply isn't enough real metal in the vaults. When silver gaps past \$50, then \$80, and \$100 overnight, those caught holding paper are at risk of waking up with worthless IOUs—and no chance to get in before it's too late.

A Global Panic, Not a Local Bubble

The last super-spikes in silver—1980 and 2011—were brief, local dramas fueled by narrow participation. But in 2025, the whole globe is racing in. There's 80 times more currency sloshing around compared to the 1980s, and global debt-to-GDP ratios are catastrophic. The fever is not just American; it's worldwide. Even a tiny shift of liquid capital—just 1%—equals hundreds of billions chasing a tiny, illiquid market.

Silver Sets Records as Panic Builds

Silver has closed above \$40 for 20 days and counting—more than any previous bull market. This isn't speculation; it's a sustained siege. If panic erupts and delivery fails, price jumps will come with no warning and no chance for buyers to catch up. Fundamentals don't matter in a true market panic. Silver's unique market structure means it could gap straight to triple digits in one violent lurch.

October: Month of Financial Hell?

October's reputation for market crashes looms over the silver market. All ingredients are in place—records, momentum, fundamental dollar weakness, and surging global debt. The next “failure to deliver” could pop off at any moment, capturing headlines across the financial world. Those still counting on paper claims may never get their chance to convert them into real metal.

Buy Now or Get Shut Out

This is more than a bull run—it's the dawn of silver's new era as a giffen good. When panic hits, there isn't enough metal for everyone. Buy physical now, or risk a rude awakening: gapping prices, empty shelves, and one of history's greatest asset shortages. The silver market's days of logic and restraint are over—this is the era of frenzy, fear, and fortune.