The Silver Squeeze:

Market Manipulation and the Coming Storm

02 feb 2025 Kevin Bambrough @BambroughKevin

The silver market has always fascinated me, particularly because of its dual role as both a precious and industrial metal. What many don't realize is that we're heading into what could be the most significant silver bull market in history - one that could make the 1970s look like a mere preview. Let me tell you why, but first, let me share a revealing story from my time at Sprott that exposed just how fragile the silver market really is.

The Sprott Silver Saga

During my tenure at Sprott (2002-2013), we had accumulated a significant position in silver in the 2005-2007 period. This was done via top tier bullion bank certificates that promised 5-day delivery. These weren't small positions - we're talking about substantial tonnage that was supposedly safely stored and readily available. What unfolded next exposed a troubling reality about the paper silver market and I believe led to the huge run in silver that followed as it ultimately ran to its all-time high in nominal terms.

When we decided to take delivery, what should have been a routine 5-day process turned into a nine-month odyssey of excuses and misdirection. We had strategically contracted to store our silver in Canada's government mint refinery and storage facility - ironically, the same facility that had been emptied when Canada foolishly sold off all its gold and silver reserves. The vaults were empty, waiting for our silver.

At first, our counterparties claimed it was merely a logistical issue. Then the excuses began:

- First, they said the silver would come from New York and weeks went by
- When that didn't materialize, it was supposedly coming from Chicago and months passed
- Then England became the source, with a "couple of more months" shipping estimate assurances
- Finally, they claimed it would come from China, requiring cross-Canada rail transport as a way of explaining a few months of delay

When I demanded bar numbers for our inventory purposes, we were met with weeks of silence and more excuses. Our legal position was frustrating - our lawyers advised that we couldn't effectively sue because what damages could we claim? Missing out on "the enjoyment of looking at our silver bars" wasn't exactly a compelling legal argument. Meanwhile, silver prices kept climbing. The truth became clear: our counterparties had taken our money and likely just bought futures contracts. They never had the physical silver. This situation likely triggered the 2006-2010 silver rally and foretells what will likely occur again soon. The reality is over many decades bullion banks have been caught repeatedly manipulating commodity markets. When squeezes start due to actual physical demand they engage in unethical conduct delaying their deliveries to buy themselves time. They likely get aggressive in outer month futures contracts to cover their asses and probably even ultimately profit from the rise they expect they will be causing as they slow walk their promised deliveries of material. Along the way they rely on margin requirements to be increased and profit taking to occur by speculators that don't have the market insights the banks do. Finally, after they've positioned themselves net long via the futures market they let the price rip.

The Modern Silver Market

Today's silver market is facing unprecedented pressures. Beyond traditional industrial uses, we're seeing explosive growth in:

- Medical applications leveraging silver's antimicrobial properties
- High-tech electronics and semiconductor manufacturing
- Solar panel production
- Electric vehicle infrastructure
- Emerging solid-state battery technology

But here's what makes this time different: we're on the cusp of a robotics revolution. From home cleaning robots to industrial automation and autonomous mining equipment, the coming wave of automation will require massive amounts of silver for solid state batteries and electronics. Add in the growing energy storage needs for wind and solar power, and we're looking at structural demand that dwarfs anything we've seen before.

Historical Perspective

Silver has always been considered "poor man's gold," but history shows its potential for explosive moves. The French learned this lesson the hard way when silver left their country and their currency was no longer backed - leading to economic chaos. The inflation-adjusted highs from the 1970s would equate to over $200/oz today, and I believe we'll not only test but exceed those levels.

Why This Time Is Different

The coming silver bull market will be unprecedented for several reasons:

- Global silver inventories and central bank holdings have been depleted to record levels vs the huge inventories present in the 1970's
- Mining projects face unprecedented permitting challenge and delays
- Industrial demand is structural and growing
- Major exchanges have shown a history of failure to deliver in other commodities
- Physical premiums are expanding
- The monetary system is more fragile than ever

When the market finally breaks, we'll likely see exchanges failing to deliver physical silver, forcing cash settlements. This will drive people to seek physical metal, creating a self-reinforcing cycle. Just like in the 1970s, we'll see panic buying silver coins and bars. But, this cycle people wont be lining up in the streets. We will see the "sold out" signs appear globally on bullion selling websites.
The Perfect Storm
Unlike previous bull markets, today we have:

- Depleted strategic stockpiles
- Higher industrial demand already in a structural deficit
- Greater dependency on silver for new technologies
- A more interconnected global financial system
- Larger money supply relative to available physical silver
- New tech emerging requiring unprecedented amounts of silver

The Bottom Line

The lesson from my Sprott days remains crystal clear - when you really need delivery, paper promises can prove worthless. In a market this tight, physical possession isn't just nine-tenths of the law - it's everything. The coming silver squeeze will likely make our previous delivery issues look minor in comparison. We're heading toward a perfect storm where industrial demand, monetary instability, and physical market tightness converge. When people realize how poor a store of value cash and bonds have become, just as in the 1970s, they'll flood into precious metals. But this time, with silver's critical industrial role and the structural supply deficit, the upside could be truly historic.

The Coming Silver Default

The trigger for the next silver delivery failure could come from anywhere, but history suggests it will likely be a major player - perhaps a sovereign wealth fund or a forward-thinking large investor akin to the Mississippi Bubble era.

When Richard Cantillon converted his paper wealth to silver and moved it out of France, it exposed the fragility of the paper money system and triggered a currency collapse where silver went up ~900% in the decade that followed.

Today, we're seeing similar warning signs: major government mints regularly running out of stock, retail premiums at historic highs, and unprecedented industrial demand.

The London Metal Exchange's recent nickel crisis showed how quickly commodity exchanges can break under pressure. Whether it's a physically-backed ETF failing to source metal, a hedge fund demanding delivery, or a nation-state deciding to secure strategic supplies, the outcome will be the same - a cascading effect of delivery defaults that exposes the paper silver market's hollow promises.

Just as in my Sprott days when our request for delivery revealed the emperor had no clothes, the next major delivery demand could expose that there are dozens of claims on each physical ounce. The difference is that this time, with industrial demand at record highs and mining supply constraints, there won't be nine months to play games - the physical market will break, and break hard. The only question is: will you be positioned in physical metal before or after it happens?