Historical Precedents in Silver & Gold

Banks Go Long Silver on Comex Futures For First Time in 24-Years !

Plus AISC of Metal Production

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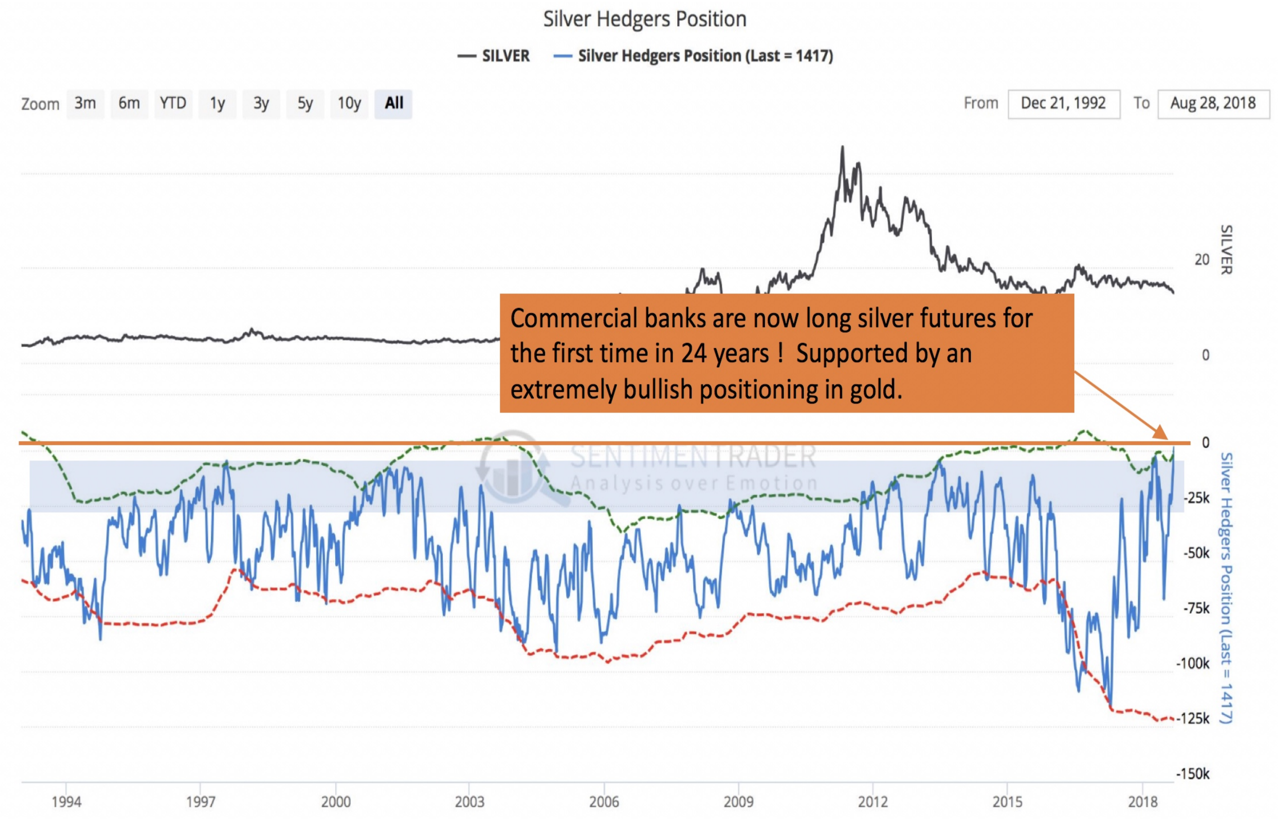
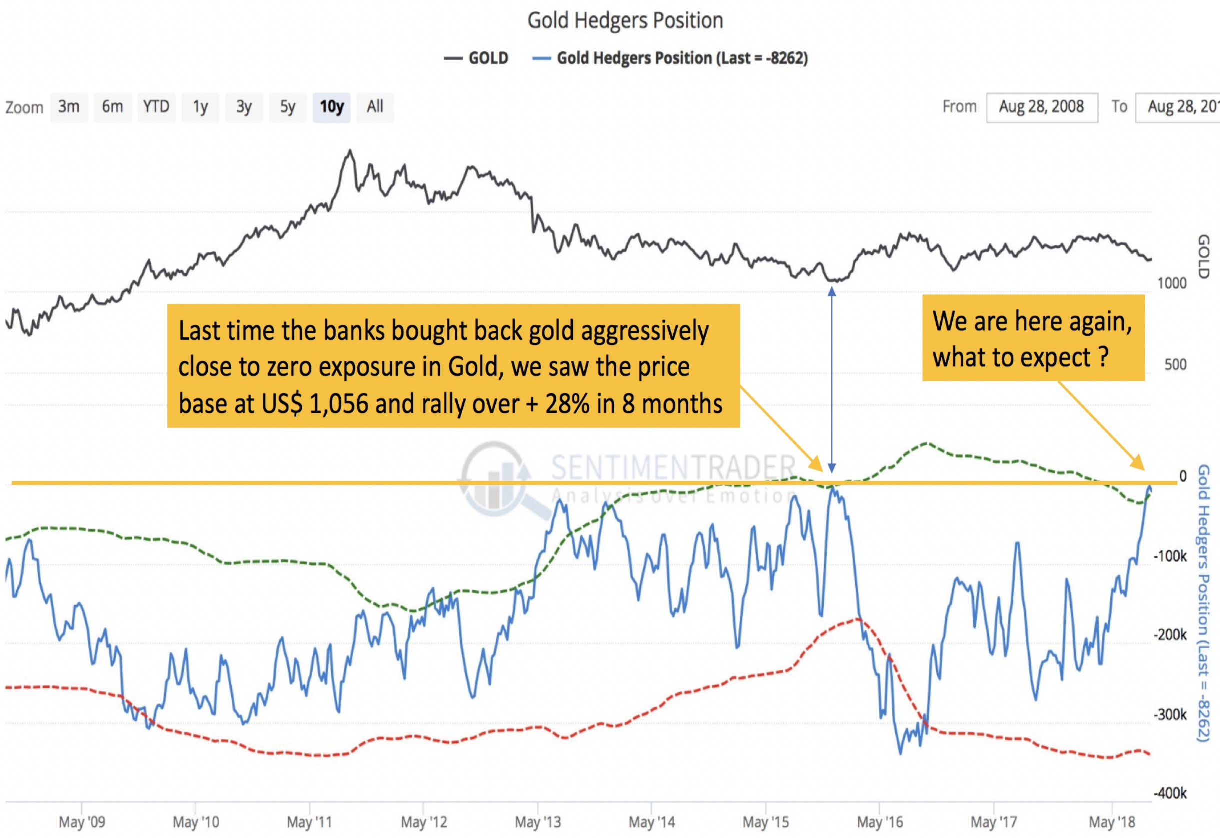
The deformities of our present global system are driving markets into breaking historical precedents on a regular basis these days, for example the US stock markets are now in the longest recorded bull market in recorded history (beating the 1990 to 2000 bubble), or the largest global debt bubble ever recorded seems to be setting new records day in day out.

But one of the most dramatic turns is the fact that the bullion banks are now long the silver market for the very first time in the past 24 years on Comex futures markets. They are also in one of the most bullish trading positions in the gold market of the past decade.
Hedge funds and speculators have lead the charge on shorting silver and gold and are recording historical short positions. This simply never ends well historically for the speculators; the banks are in the stronger position with enormous power to leverage into positions (extreme low margin requirements) to simply overwhelm the speculators.
It seems they are now preparing for an historic short squeeze (higher) in gold and silver.

This coincides with reported falls in mine production and peak gold and silver mining, alongside all-in-sustaining-cost (AISC) production of silver at much higher levels that today's prices.



The positioning in the Silver futures market is supported by an enormously bullish gold set-up.



I am not stating the price cannot go a little lower from these levels, but this elastic band is being stretched to breaking point, at some point there is going to be an enormous price resolution to the upside.

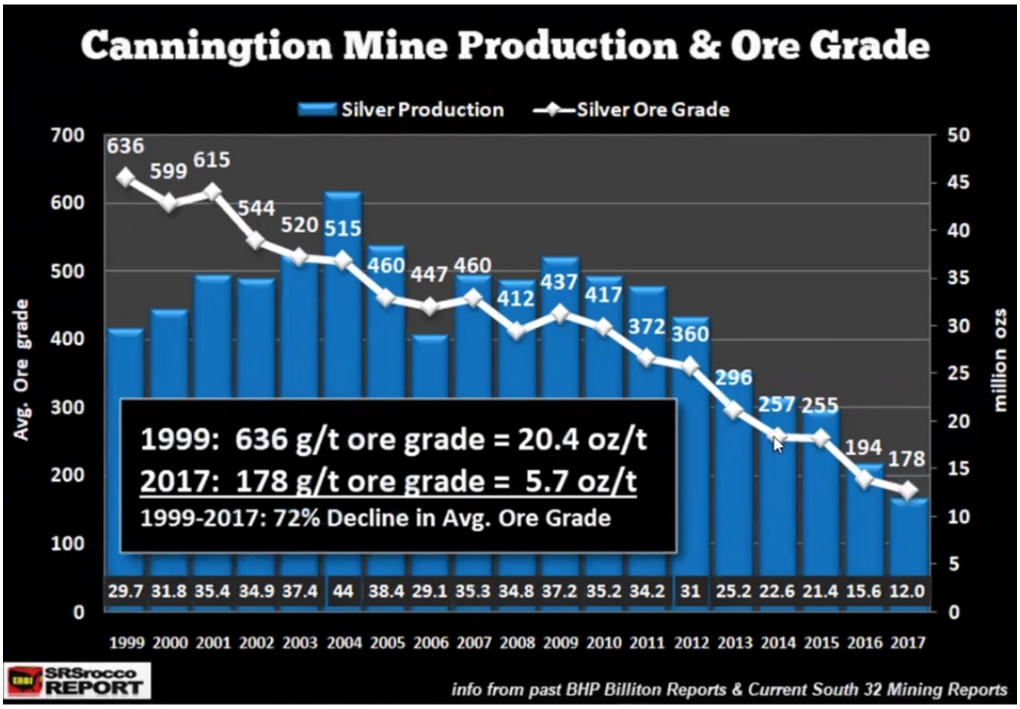
Silver AISC - 'All-In-Sustaining-Cost' Production Metric Is All Important

The market generally has a rather large misconception surrounding the production costs of gold and silver. Of course silver is produced as a by-product of gold, copper, lead and zinc mining, but more importantly approximately 30% of global production of silver is by primary mines solely developing and producing silver and hence AISC is all important.

If the cost of production was close to common misconceptions of US$ 5 to US$ 8 globally as generally perceived then where are the massive wind fall profits of these mining groups ?

In fact at the lows in silver of last Qtr 2015 the AISC (all-in-sustaining-cost) for major silver producers was widely recognised close to US$ 14 globally (using analysis of balance sheet returns). This has only risen since that date, especially driven by energy costs, in December 2015 WTI Crude Oil prices was trading at US$ 35, today its trading at close to 70 US$.

Metal mine producers are pure energy intensive businesses, ore grades globally have fallen dramatically and hence a greater amount of tonnage of rock has to be extracted and processed, mix this with higher energy prices **does not** equal lower AISC !! …



Mine production is shrinking due to unsustainable ore grade falls, limited new discoveries and more importantly the fact that they cannot make positive cash flow returns due to present prices.

So you can effectively purchase investment grade physical silver cheaper than the global producers can get it out of the ground, alongside a shrinking mine supply.

How do you envision this will eventually resolve itself ?

Chart Source:
https://srsroccoreport.com

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