InvestmentResearchDynamics.com
MINING STOCK JOURNAL
Powered by: KRANZLER RESEARCH

The Sell-Off In Gold & Silver Is Strictly In The Paper Markets

DAVE KRANZLER
APR 04, 2025

I get irritated when I see social media and Wall St "experts," along with the MSM, refer to price plunges in the precious metals sector - like that which occurred over yesterday (April 3rd) and today (April 4th) - as if actual gold and silver are being dumped by investors. A colleague sent me today's market commentary from one of the Wall St banks: "the safe-haven metals are seeing more profit-taking pressure and weak long liquidation."

Let's be clear about this: no large holder is dumping physical gold and silver bars. The sell-off is the product of managed money - hedge funds, CTAs and other institutional pools of capital - puking their egregiously big long positions in Comex futures while the banks sit back and ring the cash register as they cover their egregiously large short positions. In a market environment like the last two days, hedge funds dump everything they are long to avoid big margin calls while CTAs unload longs into the downward momentum and go short.

If anything, the price-slam triggered in the futures market will likely stimulate an enormous amount of buying from the east, particularly the Indians who tend to step aside when the price is running higher like it has since mid-March. But they soon will return to the trough and start feeding hungrily on the lower prices.

I don’t know when this plunge in prices will subside. In part it will depend on when the stock market sell-off subsides, which may not happen for a while. On the other hand, I believe that what is developing in the markets is similar to 2008. Without question a credit crisis is unfolding, though it’s been covered-up by the Fed, which has been pumping M2 up to the previous all-time high since the beginning of 2024. With the “strong economy” narrative in effect, the Fed/Treasury needs a cover-story in order to fire up the printing press to prevent the balance sheets of the big banks from melting down. A severe sell-off in the stock market was the recipe in 2008 and 2020. If this unfolds similar to 2008, at some point the precious metals sector will diverge positively from the stock market:

The chart above shows gold vs the SPX from 2007 to 2010. As the stock market started its final leg lower in late October 2008, the precious metals sector began to diverge positively. This divergence lasted until March 2009, when the stock market began to recover. The mining stocks outperformed everything. GDX more than doubled between October 2008 and year-end.

I don’t know how this plays out short term but the precious metals sector is getting technically oversold, particularly silver which plunged below its 200 dma today. I’m guessing there’s some more short-term pain ahead. But, at some point, the big physical buyers will begin buying *physical* gold and silver with a vengeance, which in turn will push the prices of gold and silver higher, followed by the miners.