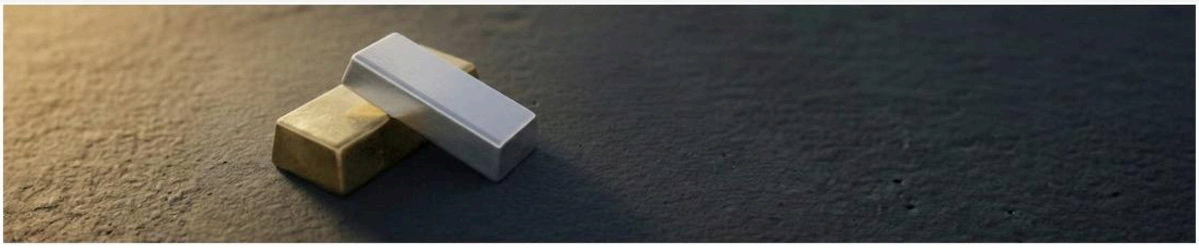


The silver shortage is over

Great news!

NO1
JUL 20

Really, truly, great news for you! ***The silver shortage is over.***

Six years (or eight by some counts) of structural deficit, all that hyperventilating about free float and lease rates and vaults running on fumes. One would be excused to misunderstand this should equal an increasing shortage.

It’s over. Finally over. Note this post! I called it.

COMEX registered inventory up 11% in thirty days. The bleed that ran from October straight through April stopped dead in May, turned around, and has been climbing ever since.

London’s SLV stock is back to 408 million ounces, a level last seen in March.

Lease rates are asleep.

Silver’s back at $56.

Thanks for playing.

- héhé, got ya, didn’t I? -

You want to know how they “fixed” it?

They just banned one of the largest buyers in May.

At midnight on the 13th of May, India’s import duty went up 2.5x on gold and silver, from 6% to 15%. At once. This was the biggest single-day hike since 2013.

A few days before that hike, the Prime Minister had gone on the record ~~begging~~ asking one and a half billion people to pretty pretty please don’t buy gold for a year. *You can already imagine how well that went if you know Indians and their gold appetite?*

And of course because a simple duty rate increase wasn’t enough, 48h after that they also tightened the licensing route: anything over 100kg needs prior authorisation. And your next permit only arrives once you’ve exported half the last lot.

In June they went back and added silver grain and powder to the restricted list.

Humans are pretty inventive. Probably somebody in Mumbai was importing silver powder and a ministry had to write a clarification that that was also covered under the rules.

The stated reason is the rupee, which had fallen to 95.74, and crude, which was over $105. Gold and silver are roughly 11% of India’s import bill. Oil is 22%.

India imports more than 80% of the silver it consumes. It is the largest silver market on earth. Silver imports: 534.3 tonnes in May of last year. 46.8 tonnes this May. June was even lower.

That’s a switch flipped. 47t is a small wedding season. A rounding error for the biggest importer.

Economics 101: Any good has 2 sides: supply & demand.
Supply goes up? Price goes down.
Demand goes up? Price goes up.

You can guess - only once - what happens when you turn off the greatest market demand for silver.

Then, let’s revisit the COMEX turnaround. Look carefully at the dates.

Coinkidink right?

I’ve written before that you can’t print silver, you can’t legislate it into existence.

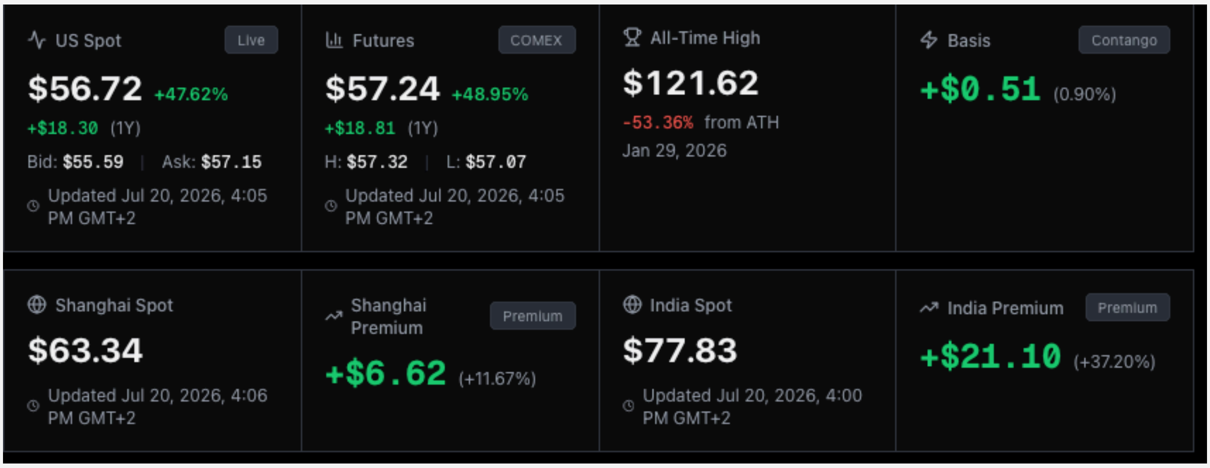
All that is still true - until proven otherwise.

But I’d like to formally amend it here and now.

You can’t legislate the metal into existence.
But you absolutely can legislate the customer out of the metal.

At least this quarter, there ain’t a deficit anymore.

As India is such a huge silver consumer, we’ll have to have a look at what that looks like. Because No1 seems to be doing that in detail in the west.



Indian domestic silver trades at a premium of about $21 an ounce over the western spot price. 37%… Completely normal, I guess.

And before you head to the comment section telling me I’m taking shortcuts with the truth: $21 INCLUDES duty and GST. But that would leave still 16% over the west. Twelve days ago this was $6.5. Now it’s $10.65. Completely normal, I guess.

Before the tap closed, that same market was discounting it by $5.5. Completely normal, I know.

The western tape went down over the past 8 weeks. The premium swung by about $16. Completely normal behaviour… I guess…

That demand didn’t evaporate. They still want their gold (and silver). It just got a huge wall built in front of it.

All to defend the rupee.

And I’m pretty sure that the COMEX/LBMA didn’t have anything to do with it.

But anyone who wants to argue with me that Indian silver demand has structurally collapsed is invited to explain why the people who can’t get it are bidding 37% over for the scraps.

And… As usual, there’s more to it than meets the eye.

Because you know… Silver is only yours if you can hold it. Like physically. Not like imaginary tokens telling you you “own” something.

pmbug
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India's MCX futures exchange is in big trouble. Both gold and silver inventories are at critical levels given the drain rates over the last week: Silver run rate = 2.3M ozt (remaining vault stock) / 140K ozt/day (drain rate over the last five days) = ~17 (working) days left

> **pmbug** @pmbug
>
> As of this morning, India's MCX futures exchange has less than 2 months of both gold and silver vault stock left at the rate of withdrawals over the last five days. Import restrictions have consequences. China is buying the silver dip. SHFE silver vault stock is rising fast

11:57 AM · Jul 18, 2026 · 95.2K Views
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pmbug has meticulously been publishing the MCX depository numbers daily and the arithmetic takes about nine seconds. Roughly 2.3 million ounces of silver was left in the exchange vault. Withdrawals run around 140,000 ounces a day over the last five sessions.

Which means … *<insert drumroll>*… Seventeen working days of silver is left in the vaults.

Three weeks ago that same calculation gave you 32, then down to 24. And now 17.

Gold’s vault clean-out is also ticking down, but it’s a bit higher at 36.

So the government stopped people “*in order to defend the rupee*”.

And is now watching its own futures exchange run out of the thing its own contracts are written on.

THAT is what happens when you stop the inflow of a commodity, and forget to stop the outflow. *(well, not really forget… more like you cannot stop)*

It’s not that they don’t know this movie.

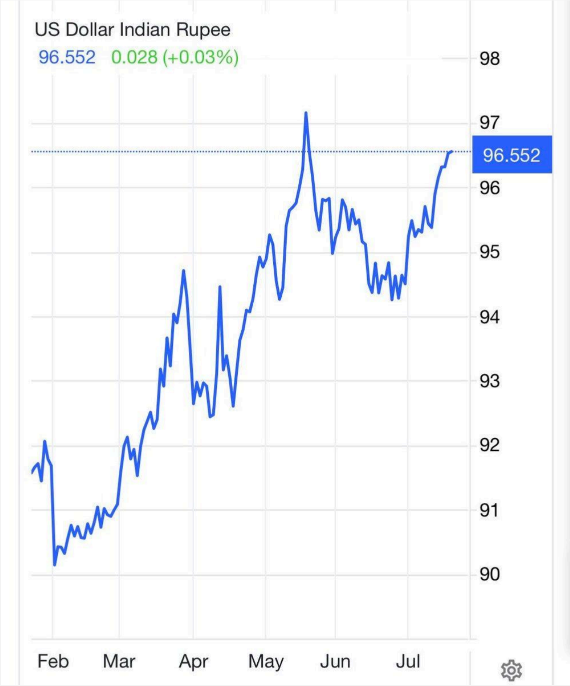
In 2013, they had the same current account panic, they tied imports to exports under the 80:20 scheme, the trade seized up, domestic premiums went to $40 an ounce, smuggling turned professional, and the whole apparatus was quietly scrapped in November 2014 with a shrug and no apology.

The jewellery federation warned about exactly this on the 13th of May.

In writing. Within hours.

Everyone in the room knows how this ends.

They’re doing it anyway, because the alternative is explaining the rupee.



Which brings us to Monday morning in Mumbai, when the RBI went into the market to defend the rupee as it approached a record low.

Gotta admire their persistence. I’m sure Einstein said something about that involving insanity and stuff.

Two months.

They taxed their own savers, restricted nearly every form of the metal, throttled the licences, chased even the powder, watched premiums skyrocket and the metal in their vaults drop...

Two months…

And the currency is back at a record low anyway.

Of course the pressure on the rupee was never really about a housewife in Kerala buying a bangle.

It’s because the metals were the thing the gov could reach for. Because restricting the oil imports was out of the question.

Now in *communistic* China, where everything is always restricted and the gov controls everything, you know? The one that everyone remembers from 20 years ago. Well, nobody switched anything off over there and nobody asked anyone politely to stop buying.

And where, last week, something moved.

China SGE/SHFE Daily Report July 20, 2026

Market/Contract	Close RMB	Change	Closed=USD/oz
Ag(T+D)-kg/SGE	13,714	+1.74%	63.01
Au(T+D)-g/SGE	872.90	+0.25%	4010.36
Silver-kg/SHFE	13,753	+1.22%	63.19
Gold-g/SHFE	874.24	+0.27%	4016.52
Pd-g/GFE	293.10	-1.79%	1346.59
Pt-g/GFE	392.75	-1.02%	1804.41
today SHFE silver vaults	977,865 kg		Change -12,174 kg
SGE silver vaults (week) July 13 — July 15	925,695 kg		Change -122,520 kg
Description			

SGE silver vault stock had been building steadily and boringly for months: +36 tonnes, +22, +22.

But something happened last week as it dropped 122.52 tonnes.

Out of one exchange, in one week. Roughly a quarter of what the entire planet digs out of the ground in that time, and about 11.7% of everything SGE had in the building.

So yes, it's a **lot**.

But before anyone starts heading for the comment section writing "China dumps silver", look at where it went.

Over the same stretch, SHFE stock went from 829,858 kilos to 930,039. Plus 100 tonnes. The reporting windows don't line up perfectly, so don't take this too literally, but roughly 122 walked out of the storage venue (SGE) and walked into the delivery venue (SHFE).

I guess someone needs to deliver? We'll know it in due time.

Meanwhile the Shanghai premium persists at around 11% over London. Which deserves its own article digging into possible reasons why.

And while stocks are wobbling all over the world - think Japan, Korea or the US - silver starts to get its footing.

My reading? Somebody is rotating out of the AI/tech trade and into the periodic table.

Then on Friday there's ICBC, Postal Savings, Ping An and Guangfa that will ALL stop acting as agent for individual precious metals trading on the Shanghai Gold Exchange once the 24th settles.

They all announced it inside the same 48 hours.

Previously, Bank of China and CITIC had already shoved margin on some of these products to 140%, which is a polite way of saying close it yourself or we'll do it for you.

In 2020 Bank of China sold retail punters a crude oil product that went negative and left them owing money they never had, and the regulator has been quietly strangling leveraged retail commodity exposure ever since.

New SGE-linked retail accounts have been closed since late 2020. Gold went from $5,600 in January to under $4,000 in June.

You don't need a grand monetary theory to explain why somebody in Beijing would like that particular door shut before the next one.

What does matter is that it isn't gold-only.

It's precious metals, plural.

Retail bank access to Ag(T+D) ends Friday as well.

So the premium series I've been quoting throughout this piece comes with an asterisk for the next fortnight.

Forced closure of leveraged retail longs into Friday pushes Shanghai silver down for reasons that has **nothing** to do with metal.

And from the following Monday, the retail money that still wants silver and used to get it on margin through a bank has to choose between an ETF and a bar.

I know which one that country will pick.

And right on cue, the bear case arrived, and it's a good one, so let's take it seriously.

LONGi, the largest solar manufacturer on the planet, has started production on a 21GW back-contact cell line in Shaanxi using their Alloy Contact Matrix process, which replaces most of the silver metallisation with copper.

The claim is a 70 to 90% reduction in silver **per cell**.

Photovoltaics eat something like 18-20% of global silver supply.

If that technology scales across the industry, hundreds of millions of ounces of annual demand walk out.

So don't dismiss it.

Though … Two things about it.

The first came from a Chinese commentator on the same thread I read: no technology alters the physical properties of the elements. Silver conducts better than copper. Simple as that.

You *can* substitute, and you can save by sacrificing the efficiency, which is why the Chinese market already sells panels at different silver loadings, different efficiencies and different prices.

Cheap goods aren't good goods, as the saying goes.

The second however is the suspicious timing.

LONGi is engineering silver out of its cells because silver got expensive.

That's the entire commercial rationale.

A substitution programme is not a refutation of scarcity, it's the **acknowledgement** of it.

No1 is going to spend years in a lab and redesign the fab just to escape an abundant input.

EXCHANGE: COMEX
CONTRACT: JULY 2026 COMEX 5000 SILVER FUTURES

INTENT DATE	DAILY TOTAL	CUMULATIVE
06/30/2026	301	5,076
07/01/2026	100	5,176
07/02/2026	10	5,186
07/06/2026	273	5,459
07/07/2026	99	5,558
07/08/2026	140	5,698
07/09/2026	115	5,813
07/10/2026	135	5,948
07/13/2026	141	6,089
07/14/2026	81	6,170
07/15/2026	92	6,262
07/16/2026	1,163	7,425
07/17/2026	11	7,436

Which brings us back to the delivery month.

7,436 delivery notices on the July COMEX contract. 37.1 million ounces. 1,155 tonnes, one of the heaviest months anyone's seen in years, with JP Morgan, Macquarie, BNP and Deutsche among the names stopping.

Open interest's around 108,000 contracts, which is 540 million ounces of claims against registered metal in the mid-nineties. Coverage about eighteen percent. Last notice day is the 29th.

And withdrawals as a share of those delivery requests have been running between three and six percent.

Three percent. In the biggest delivery month in living memory. The metal gets claimed… and then just... stays?? Sits on the shelf with a new name on it??

Which, if you think about it, is what you would expect. The people that normally claims this, load it up and fly it to Mumbai. But currently have nowhere to fly it to.

The COMEX vault looks healthy. Just like a warehouse looks fully stocked during a dock strike.

""death of the deficit narrative"".

On the 15th, JP Morgan ran a curious little mid-month 3 million ounce swap between SLV's New York and London vaults a day early, and SLV then swallowed another 3.3 million on top. Roughly 196 tonnes of London free float into an ETF in a single session, while the price was going *down*.

Two straight weeks of SLV stock growth against a falling tape, which is normally the inverse of how that vehicle behaves.

And the correlation between London vault stock and the one-month lease rate, which held for years, snapped in the same week as the Indian duty hike and hasn't reconnected since.

Maybe that's shorts covering into weakness?

Several people I read closely think so and they may be right.

Maybe it's the Western system restocking quietly?

Also, US silver exports to the UK fell from about 285 tonnes in April to roughly 11 tonnes in May. The LBMA reported gaining 157 tonnes in May.

Just noting this down because I'm still not sure how to make that math work.

None of this will resolve through a policy change.

It will resolve when a number in a depository report hits zero.

Like in Nov 2014, India will have to reopen the tap.

Or if it doesn’t, the metal will walk back in through the Gulf the way it did in 2014, priced to include a risk premium for the gentleman carrying it.

Wedding season starts in October.

Hindustan Zinc cannot supply a subcontinent by itself no matter how nicely the investor powerpoint is presented.

Reuters is already quoting dealers saying demand has begun to recover and premiums are heading higher from here.

Then a bid that has been suppressed for two months will come back, and I’m sure it won’t come back gently, because it includes all the delayed buying.

Meanwhile the structural deficit carried on the whole time, indifferent, the way arithmetic tends to be.

The recovery in the Western vaults was supported by a customs officer in New Delhi. That support has about seventeen working days left on it.

Place your bets.

Rien ne va plus.