

Redditors Coming for Silver

Stockholm (HedgeNordic) – The price of silver had its biggest one-day advance in more than a decade after retail traders turned their focus to the white metal after successfully pushing up the share prices of games retailer GameStop and other stocks. The spot silver price reached as high as \$30.03 an ounce on Monday from \$25 last Thursday morning, as users on Reddit's WallStreetBets forum posted about executing a short squeeze of the short positions that central banks are allegedly carrying through bullion banks.

"Silver is probably the most (naked) shorted commodity on earth. The bullion banks are doing their best to short this thing into oblivion," wrote one user on Reddit's WallStreetBets forum last week, further encouraging followers to "crash JP Morgan, buy Silver!" One popular story says that the Federal Reserve relies on bullion banks – investment banks involved in a range of activities such as clearing, hedging, vaulting, and trading in precious metals markets – as its agents to put on naked silver shorts to drive down or manipulate the price of silver to protect the value of the U.S. dollar and simultaneously enable the banks to repurchase silver at lower prices.

"There's also always been this theory that bullion banks have a massive net-short position in silver in the New York futures market," Ross Norman, CEO at precious metals news site Metal Daily, tells Bloomberg. "That's true, but it is because they also hold a corresponding long position in the London market. But one side of this trade is visible and the other is not. And that's how this theory has grown and gathered momentum over the years."

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Mattias Gromark (*pictured*), who manages precious metals-focused fund **Altant Precious**, corroborates Norman's views. "One can have different views on how prices are determined in the market, but I do not believe the silver market is rigged by the banks," Gromark tells HedgeNordic. "As in all markets, actors are playing that market, but not to the extent that it is manipulated," he continues. "The shorts that some refer to across social media is mainly connected to the banks' normal lending activity that is backed by physical holdings, so no big short squeeze opportunity."

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The Bull-Case for Silver

Even so, Gromark does not consider that the surging price action in silver markets is not sustainable in the longer term. "My view is that silver is a good long-term investment on its own," says Gromark. "As always with metals, the price of silver will fluctuate, but I believe in a long-term bull market," he adds. "Since we are entering an era where we will transform the global energy and transportation system, silver and other metals are crucial for that transformation and we need a large quantity of metals for the transformation."

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"It is easy to build a case for a long-term bull market in both precious metals and some industrial metals," emphasizes Gromark. "It is a no-brainer to be long metals for new energy systems for the coming ten years," he continues. With the United States back inside the Paris Agreement, the recent rise in silver prices does not seem exaggerated just yet, considers Gromark. "It is very important that Joe Biden's administration will join the global efforts to tackle climate change." Gromark also views gold as an attractive long-term investment due to the debt situation in many economies and expected gradual normalization in inflation. "Central banks have clearly stated the desire to allow inflation to overshoot to catch up."

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Atlant Precious, which "aims to offer diversified exposure to gold and precious metals over the whole spectrum," currently maintains an exposure of about 30 percent to silver. "We increased our exposure in December when Joe Biden narrowed in on Donald Trump for the presidency," says Gromark. The multi-strategy fund provides exposure to the price development of precious metals such as gold, silver, palladium, and platinum. "Our investment focus is twofold: gold as a store of value and as a low correlated asset class," points out Gromark. "The second is the focus on precious metals for the energy transformation, such as silver and platinum but also other industrial metals as copper and nickel."