

Seriously Underpriced Silver

By [The Mogambo Guru](#)

07/07/10 Tampa, Florida – At breakfast I told the kids that I was instituting some new austerity measures around here, and they became so insistent that I heard all about how this was going to “ruin” them and their stupid social lives that I did not have to tell them that I was going to use the money to buy silver, which would have sent them ballistic.

The impetus for my New Mogambo Crusade (NMC) to acquire more silver came as a result of reading in Ed Steer’s *Gold & Silver Daily* where he noticed in the Comptroller of the Currency’s “Q1/2010 Report on Bank Trading and Derivatives Activities” that “the bottom-line numbers show that two US banks... JPMorgan and HSBC, USA hold between 97% and 99% of all the gold and silver derivatives held by all US banks.” Yow!

This is a result of naked short selling. Normally, to short something, you would have to borrow it from somebody, and then sell that. Now, to short gold or silver is as simple as getting somebody to pay money for a piece of paper that says it represents gold or silver. Easy! There is nothing behind it!

Of course, there are the slimy apologists who insist that while it is true, the shorts can simply buy back the paper gold or silver with cash, so everybody is happy.

It was this ridiculous comment that was the start of the now-infamous Mogambo Food Supply Program (MFSP) where I sold pieces of paper that promised “One complete, 5-course, home-cooked steak dinner,” and I only charged them one dollar! I took the dollar and invested the money in no-risk Treasuries.

Of course, business boomed, and any time anyone wanted to “cash in” their paper dinners, I would pay them with another piece of paper promising a complete, 5-course, home cooked steak dinner. Or, when they got tired of that scam, I would offer to pay them back their original dollar, while I keep the interest their money generated.

Of course, this Fabulous Mogambo Plan (FMP) was soon shut down, and my defense was that this is essentially the same scam that is going on – right now! – in the gold and silver futures markets!

This is not, of course, about how I am a soulless, greedy vulture who wants to make a lot of money in a hurry without actually working and using the actual workings of the futures markets and the stock markets and the bond markets as my business model, but about how JPMorgan and HSBC hold almost all the derivatives of gold and silver and, even worse, how this may actually be understating it.

Mr. Steer goes on “I want to qualify those percentages a bit, by saying that if a bank has a holding company [like Goldman Sachs does], any gold or silver derivatives held by them do not

have to be reported to the OCC...and will not show up in this report. Right now the OCC reports that GS holds no derivatives in either gold or silver... but their bank holding company might... and there's no way of finding that out."

In fact, he goes on, "The other bottom-line number of interest is that the six largest US banks report holding 99.5% of all the precious metals derivatives in the US banking system."

Now you know why silver, in serious short supply and evermore vitally needed, is selling for less than \$19 an ounce right now, when gold is over \$1,200! Using the last 4,500 years as evidence of their average correspondence, a gold-to-silver ratio of 15:1 means that silver should be \$81 dollars an ounce! Right now! 426% higher!

And with the roaring inflation that is guaranteed because of all the money that the Federal Reserve is creating so that the federal government can borrow it and spend it, both silver and gold will be much, much, MUCH higher from here!

And if you have to cut the allowances of your own kids to get the money to buy silver, then trust me that the aggravation of them glaring at you all the time, and telling you how much they hate you, is a small price to pay to get more silver at such a low price, perhaps the Biggest Freaking Bargain (BFB) of the century!

And the best part is that it is so easy that I squeal in delight, like a hot pig in fresh mud, "Whee! This investing stuff is easy!"