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Silver Gates Have Closed

A Geostrategic Analysis of the Impact on Inflation

by Jay Morse

Reality does not negotiate. There are decisive geostrategic consequences of the two Gates of Silver closing at the same time.

The **first Gate of Silver** that closed is that the world's silver price is now the price of physical silver, which is fixed largely in Shanghai and in Chinese Yuan (CNY), not US Dollars (USD).

The **second Gate of Silver** that closed is that as of January 1st. China not only dominates the world's silver refining capacity no matter where silver is mined, it requires a permit to export silver, so Beijing decides to whom silver can be exported. For example, Mexico leads the global mining of silver but bans export of silver, except of ore to China for processing, so China decides who can buy silver refined from ore mined in Mexico. Fully 70% of globally traded refined silver ultimately comes from China (World Population Review, 2025; Marketwatch, 2026). The, US in contrast, produces as little as 20% of its total silver need (MoneyMetalsExchange, 2025; Birch Gold Group, 2025).

The salient consequence of both Silver Gates closing is that China decides who gets silver and why, and when Beijing does permit the export of silver it decides the currency of payment. Since January 1 when silver export permitting took effect, Beijing has canceled the loading of scheduled shipments which until now had been paid for with US Treasury Notes.

Washington's ability to fund itself depends on the demand for Treasury Notes not only to settle trade but to serve as the leading global reserve asset. The demand for Treasury Notes ultimately relies on the credibility of the US military to support the buyers. The US military in turn, relies on silver. Modern military hardware turns to brick without it. You see where this is going.

China's dominance of global silver supply thereby challenges America's military power and the demand for US Treasury Notes in two ways.

First, with foreign demand hobbled, the Fed must buy debt ever faster with mouse clicked money, further inflating the money supply to keep the military and Washington running.

Second, the growing displacement of US Treasuries in global reserves and trade settlement, including for precious and rare earth metals, means reduced confidence in the USD because its collateral is US Treasury Notes. Recall from the December 19, 2025 commentary that vulnerability to hyperinflation depends in part on the credibility of a currency's collateral. The partial loss of credibility of a currency's collateral opens the door to Type 1 hyperinflation in which prices double every other year.

The complete loss of the collateral's credibility opens the door to Type 2 hyperinflation in which the currency cracks without warning followed by the economy. Iran's riots started when the currency lost value so fast that wholesalers and bazar merchants who sold goods in the morning found their profit and ability to restock gone by the end of the day. They closed shops and hit the streets. Most seriously for the regime, hyperinflation hit not only the livelihoods of the people but also of the Basiji paramilitia, the Revolutionary Guard Corp and the professional military. The clock ticks on a regime that does not reliably pay its muscle or its military.

Meanwhile, the US has about $3T of Treasury Notes to sell early in 2026.

China has the US over a barrel. Only China has reserves large enough to buy the largest part of that $3T tranche. This is China's moment to exact subtle but unmistakable conditions in return for selling the US silver and buying large amounts of US Treasury Notes, in which the US implicitly accommodates China's version of the Monroe Doctrine over both the South China Sea (which China considers its territorial waters) and the coastal seas between China and America's post-WWII defensive perimeter. China calls the American Pacific defense perimeter, which runs from South Korea to Borneo, the "first island chain." The prize in the first island chain, of course, is control of Taiwan, which is both existential to Beijing and the lynchpin of the Pacific defense perimeter.

If the US and China quietly reach agreement on security accommodations a funding crisis will have been postponed but the credibility of US defense commitments and with it the credibility of the US Dollar's Treasury Note collateral will have been compromised. This is the scenario of hyperinflation through capitulation. Over time, the lost credibility of American security guarantees will speed the global selling of Treasuries as Washington's need to sell even more of them explodes. The hyperinflation tsunami which has already detonated select cryptocurrencies and is now reaching precious metals, will in time likely barrel through to other asset classes, commodities and finally consumer prices.

If the US does not accommodate China's interests, however, tensions will build toward conflict while the Fed monetizes even more federal debt either in the open, ballooning its balance sheet, or via swap lines with foreign central banks, possibly on condition that the US commit to supporting Europe in the event of war with Russia. This is the scenario of hyperinflation with rising risk of war. The United States, however, lacks the silver supply and the industrial capacity to defend both European and Asian allies at the same time. You can see where this is going too. Unless China buys US Treasuries, and licenses silver exports to the US including for military purposes, without requiring strategic accommodation in return, hyperinflation of the global dollar supply will repeat and hyperinflation of consumer prices become more likely.

Therefore, **a consequence** to watch for in 2026 of the Two Silver Gates closing is the US quietly but unmistakably accommodating China's interests in the Western Pacific in return for China selling silver to the US and buying US debt. The alternative is even more rapid inflation of the global dollar supply. Either way, the conclusion is that China's control of silver and other strategic resources makes hyperinflation ever more likely than before unless the US collateralizes the Dollar with something more substantial than Treasury Notes. As discussed in the December 19 ShadowStats Commentary, this is unlikely because the requisite austerity would not be tolerated.

A **second consequence** to watch for in 2026 is the formation of a "Silver OPEC," a global silver cartel led by China to control the supply and price of silver.

A **third possible consequence** to watch for in 2026 is consumer price inflation as computed by ShadowStats reaching double digits as Treasury collateral erodes and the past and present hyperinflation of money supply barrels through precious metals to commodities and finally to consumer prices.

Americans play poker while Chinese play Go. Go is a long game of strategic positioning, of fencing out your opponent. There is no bluffing in Go, no playing the odds, only patience and hard choices. The US is at a geostrategic fork in a long game that it did not know it was playing.

Both forks boost the likelihood that past and present hyperinflations of the money supply will ultimately reach consumer prices.

An updated consumer price index special report is planned for next week.

John Williams and Jay Morse

ShadowStats.com

(707) 763-5786
