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## April 17, 2021 – Weekly Review

Gold and silver prices ended higher for the second week running, with gold ending \$33 (1.9%) higher and silver finishing the week 70 cents (2.8%) higher. As a result of silver's relative outperformance, the silver/gold price ratio tightened in by more than half a point to 68.3 to 1, still stuck in a three-month trading range bounded by 70 to 1 and 65 to 1, but down from the remarkable (and never to be seen again) level of 125 to 1 set just over a year ago.

For gold, it was the highest weekly close in 8 weeks, while it was the highest weekly close for silver in 4 weeks. All things considered, while the up move was certainly expected based upon the COMEX market structures in each metal and the flow of news (including reports of China clearing the way for more gold imports), the higher prices to this point are still somewhat tentative.

Putting on my amateur technical analyst's hat, gold is now up by a hundred dollars from what looks like to be an important double-bottom of the past two months and did manage to penetrate its 50-day moving average for the first time in months, but still has another \$30 and \$80 to go before upwardly penetrating its key 100-day and 200-day moving averages, respectively. Still, every journey begins with a single step.

Silver prices are now more than two dollars above the lows of a couple of weeks ago and above two of its three key moving averages and did trade for a while above the remaining key 50-day moving average early yesterday before closing around ten cents below that level. The difference between the gold and silver moving average configurations is that the deeper price correction in gold has resulted in a much wider (\$100) range in gold's three key moving averages, while the range in silver is only a dollar.

Sticking with the technical analysis theme, the price move-up over the past few days has undoubtedly resulted in market structure deterioration, aka commercial selling, as must be expected. But the good news is that important deterioration -evidenced by a marked increase in concentrated short selling – was not present as of Tuesday as indicated in yesterday's new COT report. In fact, there was an actual overall improvement in gold and while there was commercial net selling in silver, it was not (yet) of the dreaded type of sharply increased short selling by the 4 largest commercial crooks on the COMEX.

However, sharp increases in total open interest since Tuesday's cutoff does bring the fear and expectation that the 4 big shorts, particularly in silver, have reverted to their evil ways of adding shorts to cap and contain prices, but let's not succumb to the fear of what may or may not be, as we won't know for sure until next week's COT report. And while total open interest is up sharply since the Tuesday cutoff, particularly in gold, I was somewhat relieved to see only a moderate increase in gold for yesterday's trading and an actual decline in total silver open interest for the day.

I am girding for evidence in coming COT reports that the 4 big silver shorts have added aggressively to their existing short positions, clear proof that these market criminals are continuing to suppress and manipulate prices, and I will admit to being wrong (again) about my expectations as and when that occurs, but, mercifully, there was no indication of that in yesterday's report. Having been married for most of my adult life, I am quite accustomed to being wrong.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses remained elevated as 8.4 million oz were moved this week. Annualized, that's more than half of total world silver mine production, a staggering and, heretofore, largely ignored sum for some inexplicable (at least to me) reason. Why would so much physical silver be moved in and out from a handful of warehouses in and around the NY metropolitan area for what is now a full decade (if not for insatiable user demand)?

Total COMEX silver warehouse holdings fell another 1 million oz (still small relative to total movement) to 366.3 million oz, another 6 months+ low, while holdings in the JPMorgan COMEX warehouse were up a bit to 187.4 million oz, as a result of a truckload moved both in and out.

Total COMEX gold warehouse inventories also fell again, this week by 0.9 million oz to 35.7 million oz, with holdings in the JPMorgan COMEX gold warehouses falling by a bit over 0.2 million oz to 12.8 million oz. Total COMEX gold warehouse holdings are still within the range of the past 10 months or so, but in the few months before last July, the total COMEX gold warehouse total rose by a spectacular 30 million oz, which still has me scratching my head.

Total gold holdings in the world's ETFs, led by GLD, have continued to slip, although that should change if gold prices continue to firm as has occurred over the past couple of days. There was a slight decline in the holdings of the big silver ETF, SLV, of a million oz or so, following last week's flat movement, but total physical inflows into the world's silver ETFs, led by PSLV, continue to climb.

I missed reporting on the changes in the short position on SLV earlier in the week and there was an increase of a bit over two million shares, to 23.7 million shares/ounces, as of March 31. The total short position now represents 3.8% of total shares outstanding. While up a percent from recent lows, clearly, the short position in SLV is not the main price suppressor, as the total short position in SLV equates to less than 5000 COMEX silver contracts.

<https://www.wsj.com/market-data/quotes/etf/SLV>

Nor am I forgetting that I had predicted a decline in the SLV short position and my promise to give up trying to handicap this notoriously impossible-to-predict report (he said gladly). However, since silver prices had declined fairly sharply into the quarter's end and with that decline came a fairly sharp reduction in the commercial (and big 4) short position in COMEX futures, I couldn't help but ponder the reasons behind the opposite direction taken by the shorts in SLV. Best I can surmise, the only reason the short position increased where I was expecting a decrease was something other than pure technical positioning. And the only thing that comes to my mind to explain this would be that the shorts were selling for some other reason than price alone — with that only other reason being they didn't have the physical metal in hand or readily-available for deposit. Obviously, this would certainly be in keeping with widespread evidence of physical silver tightness. Therefore, I'm inclined to view the increase in the short position on SLV as bullish.

Turning to yesterday's Commitments of Traders (COT) report, I must confess to a sinking feeling in the pit of my stomach when first perusing the commercial headline number in silver in the legacy report, as is my custom. After all, the headline total commercial net short position showed a fairly sharp increase of nearly 5000 contracts in silver, where I was expecting and hoping for no increase.

It wasn't until I next reviewed the changes in the various categories and in the concentrated short positions of the big 4 and 8 largest shorts, did the sinking feeling dissipate. All the commercial selling and then some was by the smaller raptors which sold off 5600 long positions. Again, this may be just a one-week reprieve that will be rendered temporary based upon what has occurred since the Tuesday cutoff, but that is unknown at this point.

In COMEX gold futures, the commercials bought and reduced their total commercial net short position by 6000 contracts to 208,800 contracts, partially offsetting last week's much larger (21,100 net contract deterioration). By commercial categories, the big 4 bought back around 850 short contracts, reducing their concentrated net short position to 151,120 contracts (15.1 million oz), while the big 8 short position fell around 1700 contracts to 212,859 contracts (21.3 million oz). The raptors (the smaller commercials) did the lion's share of the commercial buying in buying 4400 net contracts and flipping their net position back to 4100 long contracts. As has been the case for many months, it appears that JPMorgan has abandoned its formerly dominant role in COMEX positioning and appears to be long 6000 gold contracts, maybe a bit more.

Even better news came on the managed money sell side, as these traders sold more than twice what the commercials bought in selling 12,665 net contracts, consisting of the sale and liquidation of 9493 long contracts, as well as the new sale of 3172 short contracts. Interestingly, this week's net sale by the managed money traders was more than half of the large number of contracts they bought in the previous week's report. Rounding out the report, the other large reporting traders bought just over 4000 net gold contracts, and the smaller non-reporting traders an additional 2600 net gold contracts.

As of Tuesday, the market structure in gold was still decidedly very bullish and more configured for higher prices than lower prices and even with expected deterioration since the cutoff, the structure is not bearish in any way — although any deterioration increases the odds of short-term selloffs.

In COMEX silver futures, the total commercial net short position did increase by a hefty and initially very alarming 4900 contracts to 55,500 contracts, but the commercial category breakdown alleviated all of the initial alarm. The 4 big shorts actually bought back just under 900 short contracts and reduced

their concentrated short position to 54,142 contracts (270.7 million oz). The 5 thru 8 next largest traders added a few hundred shorts but the big 8 short position overall fell to 71,697 contracts (358 million oz).

The smaller commercials, the raptors, sold off 5600 longs, in reducing their net long position to 16,200 contracts, the lowest level since March 2. Thus, and as somewhat predicted by past behavior, the raptors were quite quick to take profits on the fairly sharp silver rally over the past couple of weeks. I don't know if I'd go so far as concluding that the 4 big shorts used the raptor selling as an opportunity to buy back shorts, as I previously suggested, but they did buy back a small number of shorts into raptor selling. I'm hesitant to make too much out of this at this point, as I do fear that the 4 big shorts added to short positions since the cutoff (although I sure hope that wasn't the case).

One other thing that came to fruition was my expectation (hope) that the big increase in total open interest (9500 contracts) over the reporting week ended Tuesday was due to spread creation and that largely turned out to be the case as more than 7000 silver spreads were created. I have similar hopes that the 6000 contract increase in total silver open interest since the cutoff is also related to new spread creation, but fear I may be pushing my luck.

The buy side of silver was mostly a managed money affair as these traders bought 4129 net contracts, fairly evenly divided by new longs of 2033 contracts and new shorts of 2096 contracts. The other large reporting traders did nothing on a net basis and the smaller non-reporting traders bought close to 800 net contracts.

The big question, of course, is how many commercial gold and silver contracts were sold since the Tuesday cutoff and how many of those contracts sold were by the big 4, particularly in silver. Obviously, the smaller the number, the better, but it's hard not to imagine a decent number being sold.

On the other hand, there are some unusual and potentially quite bullish factors in play not typically present, including demonstrated physical tightness in silver and the Internet grassroots movement in silver. Then there is the recent revelation of the likely lending and borrowing of 300 million oz of silver in the most recent OCC quarterly derivatives report. If the transaction reflects, as I believe it does, the lending of this amount of silver by interests related to JPMorgan and its borrowing by Bank America, it needs to be put into proper perspective.

300 million oz is the equivalent of 60,000 COMEX silver contracts. If, as I strongly suspect, this is the amount of silver borrowed by BofA and now held short, the first comparison is with the current concentrated short position of the 4 largest traders on the COMEX — the heart of the silver price suppression. As I just indicated, the short position held by the 4 largest traders as of Tuesday was just over 54,000 contracts or 270 million oz. Four traders holding 270 million oz short. If what I allege to be true about Bank America is accurate (as I believe it to be) that means BofA is short, by itself, more than the 4 largest shorts on the COMEX are short on a combined basis.

Hey, a hundred million ounces of silver short here and short there and pretty soon you're talking about really meaningful amounts of silver being held short. And if Bank America borrowed the silver at \$18 or so (actually, I think the average price was even lower), then BofA is already out \$2.4 billion — and counting. Here's some advice intended to be constructive for those times when the lack of price appreciation in silver starts to wear on you — try thinking how much worse off you would be if you

were short 300 million oz. You got to put things in perspective.

I know I sound like a broken record, but we are that much closer to the CFTC's response to my letter of March 5 concerning the concentrated short position in silver. I stipulate that the Commission's response will, most likely, try to sidestep and evade the specifics of the concentrated short position, given all its previous responses on this issue. But it seems that familiar avenue for the Commission will be more difficult this time and it could backfire on the agency if it is too evasive.

One new thought that I'd like to share. Although I have been closely observing the silver market for more than 35 years, it took me less than a half-hour to compose my letter of March 5 and only took that long because I type like a chicken – pecking while looking at the keyboard – and not as a skilled typist. I can't help but find it interesting that what took me less than a half-hour to bang out is taking a full federal agency more than a month (and counting) to muster up a legitimate-sounding response. Imagine if I took a full hour? I'd be waiting until the twelfth of never for a response.

The price gains in gold and silver this week added to the total losses of the 8 largest COMEX gold and silver shorts (but exclude the losses held by those who borrowed and sold short physical metal, like BofA and others). As of yesterday's close, the total loss of the big 8 grew by \$950 million from last Friday, to more than \$10.3 billion.

Ted Butler

April 17, 2021

Silver – \$26.02 (200 day-ma – \$25.14, 50 day-ma – \$26.13, 100 day-ma – \$25.76)

Gold – \$1777 (200 day-ma – \$1858, 50 day-ma – \$1752, 100 day-ma – \$1804)

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