April 24, 2021 – Weekly Review

Gold and silver prices finished virtually unchanged for the week, despite a fairly sharp up move midweek, quickly reversed. Accordingly, the silver/gold price ratio also finished unchanged for the week at 68.2 to 1.

However, in the face of the weekly flat line in price, there sure seemed to be much occurring beneath the surface, particularly in silver, perhaps giving new meaning to the phrase of still waters running deep. Iâ??ll try to touch on the things that were visible and speculate on those hidden from view.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses accelerated yet again, as this week some 10.7 million oz were moved by warehousemen and trucks, at an annualized rate of 556 million oz. According to the new annual review by the Silver Institute, this weekâ??s COMEX annualized silver warehouse movement was 71% of what the Institute calculated as world annual mine production for 2020 (784 million oz).

https://www.silverinstitute.org/global-pandemic-fueled-renewed-investor-interest-silver-2020/

I know that not every week involves this much silver being physically moved in and out from the COMEX warehouses, but over the past year the average weekly movement has been more than 6 million oz or more than 300 million oz annualized or close to 40% of world silver mine-production. And as regular readers are aware, this has been occurring for the past decade, yet for some strange reason is hardly mentioned away from these pages. I guess no one finds it curious that so much physical silver is constantly moving in and out of a handful of warehouses in and around New York City and that nothing of the sort has occurred in any other commodity. And itâ??s not as if this hard data is not available for free on a daily basis. Go Figure.

Total COMEX silver warehouse inventories fell again, this week by 2.9 million oz to 363.4 million oz, while holdings in the JPMorgan COMEX silver warehouse rose by 1.1 million oz to 188.5 million oz. Before anyone accuses JPM of bogarting all the silver on the COMEX (and in the world), please keep in mind that I believe this crooked bank holds or controls another 100 million oz of silver in other COMEX warehouses, as extreme as that may sound.

It almost goes without saying that this and previous recent weekly declines in COMEX silver warehouse inventories are unusual considering the approach of next weekâ??s first notice day for deliveries on the traditional COMEX delivery month of May, when one would typically expect warehouse inventories to increase. But that pattern in not written in stone. However, I would be remiss not to comment on the overall decline in COMEX silver inventories since earlier in the New Year.

Over the past three months, total COMEX silver inventories have fallen by more than 35 million oz, the largest and quickest such decline in ten years. There have been bigger reductions in COMEX silver warehouse inventories in the past, such as when Warren Buffett caused a more than 100 million oz drop in his epic purchase of silver in 1997-98. And there was a sharp drop in COMEX silver warehouse inventories when the SLV was introduced in 2006 (ironically taking the silver Buffett had purchased and which he subsequently put back into the COMEX).

More recently, there was a 20 million oz or so reduction in COMEX silver warehouse inventories in

2016, but that withdrawal took nearly a year. Therefore, the 35 million oz reduction in COMEX silver warehouse inventories in less than three months is noteworthy. Also noteworthy is the even bigger and faster reduction in the holdings in SLV over the past two months, following the sharp three day increase of early February. The COMEX silver warehouse inventory and the holdings in SLV (at 570 million oz) are the two largest stockpiles of silver in the world, encompassing more than half of all the visible the silver in the world (in 1000 oz bar form).

While I still maintain that the reduction of 100 million oz in SLV is mostly due to large holders converting shares to direct metal ownership, that explanation doesnâ??t fit with the reduction in COMEX holdings. As I have previously contended, since the COMEX is a great place for an investor to hold metal, it makes little sense for such an investor to ship metal out of the COMEX to store someplace else â?? other than in the PSLV, which is less than a dayâ??s drive from any of the COMEX warehouses.

Previously, I had concluded that user demand was most likely the reason for the recent reductions in COMEX silver inventories, but now I am more persuaded the COMEX warehouse decline is due to the increase in holdings of PSLV. All reasonable conclusions are dictated by the continued flow of verifiable data.

Certainly, the amounts coming out of the COMEX and going into the PSLV are a close match, so that makes the most sense as an explanation for why 35 million oz has come out of the COMEX.Â And if that isnâ??t the explanation for the reduction in silver inventories on the COMEX, then the next best explanation is still user demand.Â Regardless, it does raise concerns that if metal is departing the COMEX for the reasons I outlined and, in addition, other potential unusual demand exists for May deliveries, itâ??s hard not to see this as bullish. I plan on a broader take on all this on Wednesday.

Total holdings in the COMEX gold warehouses also fell fairly sharply this week to 35 million oz, a decline of 0.7 million oz, a new low going back to last July. Holdings in the two JPMorgan COMEX gold warehouses fell by 0.17 million oz to 12.63 million oz, also a low going back to last July. As to why gold is departing the COMEX, Iâ??m not sure, except to know itâ??s likely for different reasons than for silver and not, I sense, as critical. Certainly, it would appear not to be due to gold user demand or for deposit in any gold ETFs.

There was a sharp 3.7 million oz one-day redemption in SLV this week that looked to be anything but a plain-vanilla investor liquidation, but overall visible world silver ETF holdings remained intact.

Turning to yesterdayâ??s Commitments of Traders (COT) report, it was a bit of a repeat of the previous weekâ??s report in silver, in which the total commercial net short position rose (this week as expected), with the great relief that most of the commercial selling was by the raptors and not the 4 big shorts.

As a reminder, I did expect commercial selling and managed money buying in silver quite close to the reported amounts, but was bracing for much greater big 4 shorting than was reported (said with great relief). After all, silver prices had risen by a dollar over the reporting week, so it was almost guaranteed to be managed money buying and commercial selling â?? it was just a question of how much and by which commercials. A bonus was that there was only about a third as much managed money buying and commercial selling in gold than I expected, even though gold had risen by $40 in the reporting week and had decisively penetrated its 50-day moving average for the first time in months.

In COMEX gold futures, the commercials increased their total net short position by 4400 contracts to 213,200 contracts. By commercial categories, the big 4 added 2200 new shorts to 153,315 contracts (15.3 million oz), while the next largest 5 thru 8 shorts bought back around 400 short contracts, which had the effect of increasing the big 8 short position in gold to 214,641 contracts (21.5 million oz). The raptors (the smaller commercials) sold roughly 2700 long contracts, reducing their net long position to 1400 contracts.

On the buy side of gold, the managed money traders bought a mere 2617 net contracts, consisting of the purchase of 4773 new longs, as well the new sale of 2156 short contracts. Rounding off the action on the non-commercial side of gold, the other large reporting traders were also net sellers of nearly 2000 contracts, but did it by adding 1699 new longs while selling 3692 new shorts, which was fine by me. The smaller non-reporting traders bought nearly 3800 net gold contracts.

I was surprised that there wasnâ??t more managed money net buying in gold, seeing as we did rally and penetrate the 50-day moving average, but then again, gold prices remained below its other two key moving averages (the 100 and 200-day maâ??s) and the results indicated are not shocking in any way. And please keep in mind that the new concentrated short position of the 8 largest traders in gold (21.5 million oz), in addition to being 6 million oz less than it was in late December, is just not that big of short position in the real world of gold, where 21.5 million oz is less than one percent of all the gold bullion in the world (3 billion oz).

Iâ??m not minimizing in any way the manipulative effect and still-large financial damage to the 8 big shorts in COMEX gold futures, just pointing out the concentrated short position in gold must not be thought of in equal terms to the 365 million oz short position of the 8 largest shorts in COMEX silver futures, which is more than 18% of all the silver bullion in the world (2 billion oz). I do combine the 8 big gold and silver shorts in my tracking of their financial performance, but it stops there as far as the manipulative effect of each.

In COMEX silver futures, the commercials increased their net total short position by 5600 contracts to 61,100 contracts. This was the highest commercial total net short position in 8 weeks and similar to my feelings last week, I was greatly relieved after perusing the all-important category breakdowns. There was some new shorting by the 4 biggest shorts, 1100 net contracts to be precise, but that was more an offset to the prior weekâ??s reduction than anything else.

You may recall that I was girding for a sharp increase in big 4 short selling and it just didnâ??t come â?? or come yet. Â Let me not beat around the bush â?? I have contended, in fact, for decades, that this is the most important issue in silver and the silver manipulation â?? the 4 and 8 largest shorts holding a short position in silver far beyond that of any other commodity in real world terms and the fact that the big silver shorts have never bought back short positions on higher prices â?? only on lower prices. I canâ??t be more specific â?? nothing else matters. It is the subject of my recent letter (March 5) to the CFTC, on which a response is said to be forthcoming.

https://silverseek.com/article/time-act

Further, Iâ??ve stated that I doubted that the 4 big shorts will aggressively add to their silver short positions, while admitting that I could be as wrong about that as I have consistently been in the past. This lack of aggressive short selling would allow the price of silver to explode, since the one thing that has always capped all silver rallies in the past has been new concentrated short selling. Put it this way, I know concentrated short selling has capped and manipulated silver prices all along and I also know that if there isnâ??t aggressive new concentrated short selling on the next rally, then silver prices will fly.

Even knowing that is the exact price formula, I canâ??t know for sure what the concentrated short crooks will do until they do or donâ??t do it. So far, I am encouraged by the lack of more aggressive new short selling by the 4 biggest shorts, although I am prepared to be disappointed (after all, I donâ??t control what the big shorts do).

Over the past two reporting weeks (from April 6 thru April 20), silver rallied close to $2.50 and moved from being below all three key moving averages to trading above those same moving averages and the 4 big shorts have added less than 200 new short contracts. Most of the selling has come from the smaller raptors who have liquidated long positions to the tune of 9500 contracts. It could very well turn out that this is a false dawn and that bitter disappointment lies ahead, but who wants to dwell on possible bad news ahead? It will be disappointing enough if the 4 big shorts add aggressively to shorts without assuming they will. Let me get back to this weekâ??s review.

In adding 1100 new shorts this reporting week (but only 200 contracts over the past two weeks combined), the 4 big shorts are now short 55,231 net contracts (276 million oz). The 5 thru 8 next largest traders added 600 new short contracts and the big 8 are now (as of Tuesday) short 73,359 contracts (367 million oz). The raptors sold off 3900 long contracts and now hold 12,300 net long contracts. JPMorgan didnâ??t do anything again either in silver or gold and remain flat in silver and net long by 6000 contracts or so in gold.

Best I can tell, JPM is trying its level best to remain disengaged from the dominant and controlling positioning force on the COMEX it has been until up to a year ago â?? much like the worst kid in the classroom suddenly behaving like the model student when he senses the teacher coming. Accordingly, and to be consistent, I would have to peg the silver raptors as being behind the sharp price gyrations this week, and not the big shorts (and certainly not JPM).

On the buy side of silver, it was, essentially, a managed money affair as these traders bought 5420 net silver contracts, comprised of the new purchase of 6069 longs and the new sale of 649 short contracts. Therefore, recent price moves have been a case of commercial raptor selling and managed money buying, which we can live with (unlike aggressive new big 4 short selling). Â The other large reporting traders and smaller non-reporting traders didnâ??t do much worth mentioning this week.

Overall, the market structure set up in both gold and silver is highly supportive of a major priceadvance to come; while at the same time and as mentioned last week, short term selloffs are also nowlikely given the obvious desire of the silver raptors to churn and burn the managed money traders.

Itâ??s now going on seven weeks that the CFTC has been working on a response to my letter of March 5, so weâ??re getting to the â??long in the toothâ?• stage for these things. Iâ??ve been reluctant to bug the staff at my congressman (and senators) as they are not delaying anything â?? the Commission is. I would imagine most of the Commissionâ??s time has centered on how best to evade or minimize the role of the 4 big COMEX shorts in silver, despite all my efforts to show that this is the only issue that matters. In no way am I underestimating the power of a federal agency to come up with a legitimate-sounding explanation for why what I allege is not material, but at the same time, if such an explanation is truly legitimate, then why allow it to go unanswered for so long and when it would have been a heck of a lot easier to offer the explanation long ago?

And more to the point (as I hope to delve into on Wednesday), what good will it be for the Commission to come up with a legitimate-sounding brushoff of my concerns about the big 4 concentrated short position for the purpose of buying some time in light of the growing evidence of a real physical crunch coming in silver? If we do hit the physical wall, as I strongly sense is possible or even probable, any denial by the Commission that anything is wrong is silver could turn out to be highly destructive to the agency. That is not something Iâ??m rooting for, as Iâ??d much prefer the Commission finally doing the right thing in silver and see the public come to respect its role and mission, something definitely missing currently. Â Yeah, I know that Iâ??m a (hopeless) idealist and optimist.

Although gold and silver prices retreated from Wednesdayâ??s highs, the unchanged finish for the week still left the 8 big shorts underwater to the tune of $10.3 billion.

Ted Butler

April 24, 2021

Silver – $26.04Â Â (200 day ma – $25.33, 50 day ma – $26.04, 100 day ma – $25.89)

God – $1777Â Â Â Â Â Â (200 day ma – $1858, 50 day ma – $1747, 100 day ma – $1802)

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