April 26, 2023 – The S.E.C. and BlackRock Blink on SLV

The big news is last nightâ??s release of the new short report on stocks, which indicated a massive 25 million share reduction in the short position on SLV, the big silver ETF, as of the close of business April 14. The short position on SLV fell from 41.5 million shares to 16.3 million shares, the largest by-monthly drop (60%) in history, to the lowest short position on SLV in more than two years â?? back to the time in Feb 2021 when BlackRock (the trustâ??s sponsor) amended the trustâ??s prospectus to include new risk factors warning short sellers to beware of shorting shares due to serious concerns of the availability of physical silver bullion.

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

https://fintel.io/ss/us/slv

So, the immediate issue is what was behind the sudden large reduction in the short position on SLV (after all, 20 to 25 million ounces of silver is a big deal) and why would I conclude it involved any â??blinkingâ?• by the Securities & Exchange Commission (the nationâ??s securities regulator) and BlackRock (the largest asset manager in the world)?

As subscribers know, I have dealt with the issue of the short position on SLV extensively over the years, particularly since the short position rose to record levels (60 million shares) last summer and with special emphasis starting in January of this year upon the occasion of a sudden and counterintuitive deposit of more than 20 million ounces of silver into the trust (which I linked to the short position). I have always considered the short position in SLV to be fraudulent and manipulative, due to the unique nature of this security which promises an ounce of silver standing behind each outstanding share.

Iâ??m convinced short sellers on SLV short the shares for the precise purpose of evading depositing the required metal to avoid putting upward price pressure on silver and the shares of SLV. Thatâ??s why I have never hesitated in lodging formal complaints with the S.E.C. and BlackRock whenever the short position on SLV rose aggressively. Between August and November of last year, I complained five times to the S.E.C. as the short position grew to record levels. Since the short position subsided thereafter, I suspended my complaints. I complained for a sixth time on March 27, making my letter to S.E.C. chair Gary Gensler public for the first time, when the short position on SLV suddenly surged again to 47.5 million shares.

https://silverseek.com/article/jpm-again

Back on January 25th, upon the sudden two-day deposit of more than 20 million ounces of silver into the SLV, I wrote an article titled, â??Big Doings in SLVâ?•, in which I speculated that the reason for the big deposit was in order to reduce the short position. I fully expected the next short report would reflect the big deposit and indicate a sharp reduction. Just prior to the release of that short report, perhaps fearing my expectations for a sharp reduction of 20 to 25 million shares being proven wrong (this short report is a bear to predict â?? at least for me), I wrote in â??Recent Patternsâ?• on Feb 8, how there was a technique, â??shorting against the boxâ?•, which might prevent my expected big reduction in the short position, due to be released the next day.

Sure enough, in the Weekly Review of Feb 11, I discussed how the new short report only declined by 3.5 million shares and not the near-25 million share reduction I expected and once again, doubled down on my â??short against the boxâ?• premise, suggesting that the real short position on SLV was closer to 16 million shares (eerily close to last nightâ??s figure).

Subsequently, of course, the short position on SLV grew again, from 36.3 million shares on Feb 28, to 47.5 million shares as of March 15, which prompted my renewed complaint to the S.E.C. and BlackRock on March 27 when the new short report was published. At this point, it couldnâ??t be clearer that the big metal deposit back at the end of January was intended to reduce the short position on SLV, as I suggested at the time and there was use of a â??short against the boxâ?• transaction that delayed the big reduction in the short position until last nightâ??s report. This is beyond looking, walking and quacking like a duck â?? it includes the ducks carrying signs declaring that they are, indeed, ducks. It actually unnerves me a bit how close all this has played out according to my script.

But whatâ??s with my contention that this means that the S.E.C. and BlackRock blinked? Please think this through. My complaints were as far from ambiguous as it gets and couldnâ??t have been more serious and substantive â?? involving fraud and price manipulation and BlackRockâ??s most basic fiduciary responsibilities to shareholders in SLV. Were there ever to be any type of â??problemâ?• with the excessively large short position on SLV, there was absolutely no question that both the S.E.C. and BlackRock could not deny that they were unaware of the problem in any way.

This meant that each had to rebut and deny (prove) my allegations were unfounded or fix the darn problem â?? in other words, make the short position disappear. Itâ??s been my strong conviction all along that my allegations of the short position in SLV being fraudulent and manipulative were unassailable and I can certify no such legitimate challenge has been forthcoming from the S.E.C. or BlackRock â?? or, for that matter, from anyone else. That left only one alternative for the S.E.C. and BlackRock, namely, make sure the short position was radically reduced pronto. The short report released last night is the very first opportunity that the S.E.C. or BlackRock could have acted to get the short position on SLV reduced following my last complaint on March 27. To think this was coincidental in any way is absurd.

It is also absurd to think there could have been a 25 million share reduction in the short position on SLV based upon metal flows, price action or trading volume in the two-week period ending April 14, due to plain-vanilla short covering. Â It was almost literally impossible for the short position to have dropped that much due to any other reason than what Iâ??ve outlined.

Having said all this (and, as always, if you have any questions, please let me hear from you), Iâ??d like to segue into something a bit broader and deeper. If I have just recounted accurately what has transpired in this SLV short position saga (as I believe I have), I donâ??t mind saying that Iâ??m a bit miffed that neither the S.E.C. nor BlackRock had the decency to reach out to me privately and confidentially, thanking me for alerting them to what would have been a major problem and help them nip it in the bud. They should have picked it up on their own and not only after repeated complaints from me, the last being made March 27.

And this leads to an even deeper observation. While the discussion today concerns the short position on SLV, an issue I believe I am the only one in the world to have pursued as fraudulent and manipulative, it only scratches the surface for the much-deeper issue of the ongoing COMEX silver manipulation in place now for 40 years, of which I have been singularly involved in from the beginning. Whereas the S.E.C. and BlackRock appear to have reacted to my complaints (even if no acknowledgement was forthcoming), when it comes to the CFTC and my just-as-substantive allegations of manipulation over the decades, this agency has done nothing but circle the wagons and resist doing anything constructive.

I understand the CFTCâ??s resistance to openly moving against the COMEX silver manipulation after failing to do so for 40 years, as how the heck could anyone ever admit to failing at their primary mission for so long? I also understand how the CFTC has been required to adopt the position that every single thing I allege must be ignored, so as not to give me the slightest credit for knowing what Iâ??m talking about. The agency used to challenge whatever I alleged, but that ceased 15 years ago, largely because I was relying on its data as the basis for my allegations.

I also understand how the CFTC and the Justice Dept canâ??t move against the main perpetrator of the silver (and gold) manipulation, JPMorgan, because it is the most systemically important financial institution. Even when things are generally good in the banking world, the thought of truly cracking down on the crooks at JPMorgan seems farfetched based upon how it would negatively impact the rest of us; at times like now, impossible. So, Iâ??m not expecting any heroics from the CFTC or the DOJ for ending the silver manipulation, but considering the long-term damage the continued distortion of the law of supply and demand in silver will have on us all, is it too much to expect the CFTC and DOJ to quietly do the right thing behind the scenes, as appears the S.E.C. and BlackRock have done with the short position on SLV?

I have always thought the main reason the CFTC could never acknowledge anything Iâ??ve ever alleged about silver as being correct as that would be akin to â??letting the camel getting its nose under the tentâ?• and the next thing you know the entire camel is in the tent or, in my case, any single agreement by the CFTC for anything Iâ??ve said would raise questions about the legitimacy of everything Iâ??ve said. All or nothing, so to speak.

Finishing up on the short position on SLV, the near-8 million oz deposit reported on Monday smacks me as intended to further reduce the short position and may become visible in the next short report, scheduled to be released Tuesday, May 9. The bottom line on all this is that the reductions, both realized and pending, in the short position on SLV, are better the lower they go and itâ??s more than encouraging that the S.E.C. and BlackRock are taking this issue as the serious matter that it is. That would seem to strongly suggest that the overall issue of excessive shorting in SLV may be a thing of the past. Whatâ??s most remarkable is how long it has been used by the price manipulators as just another dirty trick in the manipulatorsâ?? crooked tool box.

Turning to other matters, the second potentially big event this week (last nightâ??s short report being the first) is Fridayâ??s first notice of delivery day for the May COMEX silver contract. No predictions on what to expect in terms of the numbers of deliveries and who the issuers and stoppers might be, just that Iâ??m hoping that the master criminal JPMorgan doesnâ??t show up as a major issuer, particularly in its proprietary house account (as it did this month in gold).

On second thought, maybe it wouldnâ??t be so bad if JPM was the big issuer in the May silver delivery, as that should make it obvious to the three blind mice at the CFTC, DOJ and CME Group just what a crook JPMorgan is and how it is violating the basic terms of its deferred criminal prosecution agreement. Certainly, in that case, Iâ??ll try to convince the Justice Department, once again, of just how crooked JPM is and how, very quietly, the DOJ needs to threaten to send some top officials at JPMorgan to jail, since the bank is too systemically important to threaten in any other way.

As far as what to expect in Fridayâ??s new COT report as of yesterdayâ??s cutoff, the price action in both gold and silver was choppy with a downside bias. Gold price sold off as much as $40 over the reporting week, but finished only $15 lower. Silver prices had been down by as much as 70 cents, finishing lower by a bit over 30 cents. On a subjective basis, it â??feltâ?• like the commercials were trying to induce a more serious selloff than was seen, but I sense they had some success in inducing managed money selling. Therefore, I would expect some positioning improvement (managed money selling and commercial buying).

Of key concern will be how the commercial buying in silver is distributed, specifically, how much big 4 commercial short covering there might be (if any), as well as how much (if any) new managed money shorting there might be in silver, as well as managed money long liquidation. So many hopes, so few actual firm predictions.

While only partially successful to this point, I sense the collusive COMEX commercials seems determined to induce as many managed money traders to liquidate as many longs and initiate as many new shorts as possible â?? all under the full view of the CFTC. Thanks a lot for the sound regulation. Certainly, the only possible reason why we may go lower is if the collusive commercials succeed in deliberately rigging prices lower –Â a truly sad reflection on the regulators.

Ted Butler

April 26, 2023

Silver – $24.83Â Â Â (200-day ma – $21.40, 50-day ma $22.94, 100-day ma – $23.21)

Gold – $1996Â Â Â Â Â Â (200-day ma – $1808, 50-day ma – $1933, 100-day ma – $1896)

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