

## April 6, 2022 – Black or White

We appear to be right back to a familiar set up that has existed for decades for gold and silver prices, namely, whether the collusive commercials on the COMEX will succeed in rigging prices low enough to trip off an avalanche of managed money and other non-commercial selling. Such a price-rigging success would enable the commercials to buy a significant number of short contracts to lessen their exposure to eventual much higher prices. I'm well-aware that the commercials have always succeeded at such familiar crossroads in the past, so it wouldn't be prudent to rule out the likelihood of a rig job below the key moving averages at this juncture.

That said, each successive COMEX set up becomes more critical than the previous set up, in that the drumbeat for higher prices based upon just about everything else becomes more apparent, particularly for silver. Currently, it's nearly impossible to construct a legitimate bear case for silver based upon actual supply/demand fundamentals or developing world conditions. As has always been true, the sole case for lower prices is whether the collusive commercials on the COMEX succeed or not in inducing wholesale technical managed money selling.

It has been said (paraphrasing) that insanity is defined by expecting a different outcome to an exercise that has always ended the same way previously. But I'm not entirely sure that fully-applies in this case, at least to the extent of previous similar market structure set ups for many reasons. For starters, silver is perhaps the only industrial commodity that hasn't soared in price and no one can name an industrial metal trading at 50% of previous price highs. Plus, no one can deny that silver is experiencing near-record investment demand, as evidenced by record premiums for retail forms of the metal and high demand for wholesale forms of silver.

More importantly, recent observations indicate more observers than ever have become convinced that silver is suppressed in price by activities on the COMEX, precisely at the same time that the regulators have gone into a radio-silence on the matter like never before. While it's true that the silver investment community is not particularly large compared to other investment markets, there does exist a near uniformity that silver's price is manipulated – by a few large banks – that doesn't exist in other markets. The recent revelations by the US Treasury's Office of the Comptroller of the Currency are a case in point that highlights the strange regulator radio-silence to published data.

Over the course of the two years to Dec 31, 2021, the OCC has reported that one US bank, Bank of America, has increased its over-the-counter precious metals position (largely silver) by more than \$19 billion in notional terms. On those same notional terms, that's larger than the notional value of the entire COMEX silver futures market – the largest such exchange in the world. And get this – if you go back two and half years, Bank of America had never even appeared in the precious metals category of the OCC report.

The OCC compiles and publishes specific data on US banks' holdings of OTC derivatives positions for the purpose of monitoring possible excessive risk-taking by the banks to guard against potential financial risk to individual banks and to the financial system itself. Yet, when asked about the highly unusual silver derivatives position undertaken by BofA, the OCC shuts down and refuses to explain. I'm sure some comment by the OCC will be generated in time to my local congressman, but it will probably be evasive and as the slippery as an eel variety that government agencies are well-practiced

at. Of course, that does little to deal with an issue that, most likely, should be dealt with forthwith.

Finally, considering that silver and gold prices have already retreated sharply from the recent highs of the past month, much (although certainly not all) of the sting of lower prices has already occurred of a full-blown commercial downward rigging success. With gold down about \$125 or so from its highs and silver down more than \$2.50, another \$100 or so in gold and \$1.50 in silver should not be the end of the world. Please don't get me wrong – it's absolutely shameful that the collusive COMEX crooks have pulled this scam off more time than I care to count over the years and that the regulators (the CFTC and the CME Group) have allowed it – but it is what it is and we have to deal with the cards that are dealt to us.

The ultimate fact is that should the commercial crooks succeed yet again in flushing out the managed money longs, we will once again be presented with an extremely attractive buy point and, I would suggest, perhaps the best and final attractive buy point ever. Yes, I know I have said this before and while it obviously wasn't the last attractive buy point, all such previous buy points did turn out to be attractive in the fullness of time.

At the same time, I can fully understand the feelings of those who have become discouraged and disgusted by the repetitive and successful efforts of the COMEX commercial traders (banks) to get their way and in keeping the price of silver highly suppressed. Unfortunately, and as with many things we confront in life, there are certain things beyond our control. And while it is true that in looking back, there were plenty of other investment choices that would have been better than silver, unless one owns a time-machine, there's no going back for do-overs.

We have to deal with what we believe is the best opportunity available today and the combination of silver's cheap and obviously suppressed price and the alternatives presently available in other markets, silver still looks, hands down, the best opportunity of all.

If we do experience yet another flush out to the downside, as history suggests, and the commercials are successful in rigging prices below all the key moving averages, I would anticipate a combination of mostly managed money long liquidation and some new managed money shorting on the order of 50,000 to 60,000 contracts in gold and 25,000 contracts in silver (from last week's COT report levels). The wild card is if the managed money traders return to the short side in greater numbers or not. One would think they may have learned the lesson that whenever they get heavily short, they invariably lose, but until now, that lesson has proven elusive.

I also should point out that any price rig lower from here may not occur at all, given both silver's actual fundamentals and recent market and world developments pointing the other way. Plus, since June 2019, the 8 largest COMEX gold and silver shorts have fared particularly poorly, amassing for the first time ever, running losses averaging around \$10 billion or so. Therefore, it would be a mistake to always assume the COMEX commercials are in complete control. Yes, the smaller commercials (the raptors) have cleaned up, but those managed money and other non-commercial traders who have remained long since 2019 are also well ahead – by definition by the same amount the 8 big shorts are out.

Turning to other issues, there seems to be an inordinate level of discussion around Russia's attempt to stabilize its currency and stock market and some type of major currency and gold reset to result in some type of new gold standard. No one has a precise lock on the future, but at this point, I

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am more persuaded by those pointing out that Russia's attempt to drive the ruble higher has all the earmarks of a highly artificial and manipulative effort designed to give a false signal that all is well domestically, when nothing could be further from the truth. (I can't help but point out that, if anything, I believe I've become well-versed on manipulated markets). While I do wish that commentary stating emphatically that the currency and gold reset by Russia means an end to the COMEX gold and silver manipulation, I do remain skeptical — not that the manipulation won't end, but due to that specific remedy.

There is much complaint about false media reporting in the US and the West, but compared to Russia and other countries (China comes to mind), the US looks like the epitome of objective reporting. Continued reports (not from MSM sources) that Russia (Putin) has done everything right in terms of the war in Ukraine militarily and for the benefit of the common man in Russia are a bridge too far. Yes, it's true that Russia is a major energy and natural resource producer and that Europe and the world will have a difficult time replacing in the short term and in that sense, Putin has Europe over a barrel. At the same time, like a spouse who has been unfaithful more than once, Russia will not be trusted again as a reliable partner for quite some time to come. Besides, relatively little of Russia's natural resource bonanza seems to directly benefit the average citizen, instead flowing to the chosen oligarchs of the moment. In time, I believe, deprived of Western technology and investment, the long-term resource production for Russia is on the descent. Here's an insightful interview with Jim O'Neill, who coined the term BRIC (Brazil, Russia, India and China) 20 years ago, on the current state of his brainchild. (Please note that I don't agree with his take on gold).

<https://www.spiegel.de/international/business/economist-jim-o-neill-on-russia-the-west-will-decide-on-putin-s-bankruptcy-a-c03e5016-a6f7-4a92-81cd-4371ba39f627>

In short, gold is the type of asset that one accumulates to preserve and increase future buying power and, in a very real sense, for a rainy day. From everything I see, Russia is now facing that rainy day and the thought that it seeks to dramatically increase its gold holdings or its price through artificial means sounds unlikely. Beyond a COMEX-engineered price smash, I am not at all bearish on gold, just much more bullish on silver.

Likewise, I am confused about continued calls for the almost immediate demise of the dollar. No doubt, just like every other currency in the world, the purchasing power of the dollar and other currencies is eroding — this is what inflation attempts to measure. But what I fail to fully-understand are calls for the dollar to collapse against other currencies or become worthless, except over the very long term.

As far as what the new COT report will indicate on Friday, I don't have strong feelings for a couple of reasons. First, both gold and silver prices were confined to fairly narrow trading ranges on low trading volume and small changes in total open interest (once gold open interest is adjusted for deliveries on the April contract). Also, I'm still a bit concerned about the "hinky" changes in gold in last week's report which featured highly unusual disparate behavior in the two commercial categories, as well as in the other large trader category. If there was misreporting, it should be reflected in Friday's report.

On the slightly lower gold and silver prices since Friday's close, the 8 big gold and silver shorts' total losses on the COMEX were reduced by around \$200 million, to \$11.9 billion.

Ted Butler

April 6, 2022

Silver – \$24.45 (200 day ma – \$24.02, 50 day ma – \$24.43, 100 day ma – \$23.81)

Gold – \$1924 (200 day ma – \$1822, 50 day ma – \$1902, 100 day ma – \$1855)

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