April 8, 2023 – Weekly Review

On a holiday (Good Friday) shortened trading week, both gold and silver ended the week higher; gold by $39 (2%) and silver by 90 cents (3.7%). Silverâ??s relative outperformance resulted in another tightening of the silver/gold price ratio, this week by another full point, to 80.7 to 1 â?? the most fully-valued silver has been to gold in nearly three months. However, thatâ??s not saying much considering silverâ??s still deep historical undervaluation relative to gold.

Over the past four weeks, gold has gained a sharp $200 (11%) and is also close to that amount higher year-to-date and knocking on the door of all-time price highs. Over the past four weeks, silver has gained nearly $5 (25%), but is only higher by less than a dollar (4%) YTD and still down a whopping 50% from its non-inflation adjusted price highs of 43 and 12 years ago.

I still maintain that the only conceivable explanation for such an extreme price disparity between two of the most comparable assets over a world history dating back thousands of years has to be something so blatant and stand-alone so as to rule out any other possible explanation. Clearly, that obvious explanation for how silver can still be so cheap relative to gold (and everything else) is none other than an easy-to-prove price manipulation emanating from the worldâ??s major precious metals derivatives exchange, the COMEX.

However, the now more than 40-year COMEX silver price manipulation has succeeded in so distorting the critical free law of supply and demand that for the first time in recorded history, an actual physical shortage has resulted in silver that can now only be extended should the largest physical silver holder in the world (interests related to JPMorgan) agrees to dispose of its accumulated stockpile of some billion oz for the purpose of continuing to manipulate silver prices â?? and if the regulators at the US Department of Justice and CFTC agree to look away should JPMorgan do so. More on this in a bit, along with other important developments, including another shockingly bullish Commitments of Traders (COT) report in silver.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses amounted to 4.3 million oz on the holiday shortened work week. As has been the case of late, it was mostly of the â??removed fromâ?• variety, as total COMEX silver holdings fell to 275.2 million oz, down 3.1 million oz for the week and a fresh 5-year low. Holdings in the JPMorgan COMEX silver warehouse fell by 2.1 million oz, to 142.1 million oz, also a five-year low.

COMEX silver warehouse stocks are now down close to 24 million oz YTD and close to 20 million oz from the low-water mark in November, falling further (no complaint) from what I considered the bottom of the barrel some months back. Combined with holdings in the big silver ETF, SLV, holdings in the two largest stockpiles of silver in the world come to 743 million oz, or 7 million oz below the combined 750 million oz of my combined bottom of the barrel premise. No matter how one slices or dices it, silver demand appears to be pinching supply.

The drama surrounding JPMorganâ??s manipulative large deliveries of gold on the April COMEX contracts appears to have abated, as only 1200 or so contracts remain open.

Holdings in the gold and silver ETFs grew for the week, as they should have, considering the price strength of late. Holdings in GLD, the big gold ETF, rose close to 0.9 million oz and holdings in the big silver ETF, SLV, rose by more than 4.5 million oz.

Yesterdayâ??s new COT report generally fit with expectations, yet contained, once again, a bit of a bullish shocker in silver, in that there was no increase in the short position of the 4 largest silver shorts â?? now appearing to be a â??man bites dogâ?• story. As a reminder, both gold and silver prices were quite strong through the reporting week ended Tuesday, with gold up by close to $70 and setting one-year price highs and with silver up by more than $1.70, also at close to one-year highs. Accordingly, it was reasonable to expect fairly significant deterioration (managed money buying and commercial selling). While I didnâ??t post expectations by contract numbers, I would characterize the actual levels of deterioration as being significant, but nowhere near as significant as I feared, particularly in silver.

In COMEX gold futures, the commercials increased their total net short position by 16,700 contracts to 218,300 contracts. This is the largest commercial short position in gold since last May, so while itâ??s not excessively large (and bearish) in longer historical terms, it canâ??t be considered bullish in any regard. By commercial categories, the 4 big shorts added another 7900 short contracts and held a short position amounting to 165,377 contracts (16.5 million oz) on Tuesday. This is also, unsurprisingly, the largest big 4 gold short position since May.

The next 5 thru 8 largest shorts swam against the commercial selling tide and bought back around 2300 shorts, pushing the big 8 short position to 223,045 contracts (22.3 million oz). While this is the largest big 8 short position since May, as well, it is notable that the big 5 thru 8â??s share is the lowest in nearly 4 years, which I can only interpret as an unwillingness to add to previously held short positions. The raptors (the smaller commercials apart from the big 8) sold off 11,100 longs, leaving them with a net long position of just 4700 contracts, their lowest net long position since last April.

On the buy side of gold, the managed money traders bought 10,971 net contracts, comprised of the purchase of 11,818 new long contracts and the new sale of 847 short contracts. The net managed money long position grew to 110,131 contracts (142,348 longs versus 32,217 shorts), the largest net and gross long position in a year. Explaining the difference between what the commercials sold and the managed money traders bought was close to 6000 contracts of net buying, fairly evenly split between the other large reporting traders and smaller non-reporting traders. Let me move on to this weekâ??s results in silver, before circling back to what transpired over the past monthâ??s sharp rally.

In COMEX silver futures, the commercials increased their total net short position by 9600 contracts to 31,400 contracts. I donâ??t point it out often enough, but increases in the total commercial net short positions in silver and gold are usually not the result of actual new commercial shorting, but include the selling out of long positions by the raptors â?? which mathematically increases the total commercial short position. Over the past month, the vast majority of the increases in the total commercial short positions in both gold and silver were the result of raptor long liquidation.

This is an important distinction because there is a very big difference between the sale and liquidation of a long position and a new short sale â?? although no such distinction is made in the calculation of the total commercial short position. A sale of a long position closes out a derivatives contract; whereas the sale of a short position is the opening of a contract that must be closed out by a repurchase of the shorted contract or closed out by actual delivery.

By commercial categories in silver this week, I was astounded and delighted to discover that the 4 big shorts, once again, did not increase their concentrated short position, instead buying back 365 short contracts and reducing their short position for a second week, to 33,327 contracts (166.6 million oz) as of Tuesday. The big 5 thru 8 did add a rather hefty 2700 new shorts and the big 8 short position amounted to 53,665 contracts (268 million oz) as of Tuesday. Iâ??ll dig into the big 4 short position in a moment. The raptors (the smaller commercials) did most of the selling, in liquidating 7100 long contracts, reducing their net long position to 22,300 contracts, their lowest long position in nearly three months.

The managed money traders werenâ??t as heavy buyers in silver (as I feared) and bought 8164 net contracts, consisting of the new purchase of 6672 new longs and the buyback and liquidation of 1492 short contracts. I say not as heavy buyers as feared because total open interest did increase by nearly 14,000 contracts and about 4000 contracts of the increase was due to phony spread creation, as hoped for. The net managed money long position in silver grew to 18,445 contracts (38,599 longs versus 20,154 shorts). All in all, I uttered sigh of relief upon examining the latest silver COT report and confess to repeating the calculations for the big 4 several times to make sure I was doing it right â?? since Iâ??ve made such a big darn deal of it for 25 years.

Over the past 4 reporting weeks, on the more than $200 gold price rally from March 7 to April 4, the commercial have sold (in round numbers) 100,000 net contracts Â or 10 million oz, while the managed money traders have bought 96,000 net contracts. There should be no question that this specific positioning drove gold prices higher, as there was no greater positioning (that Iâ??m aware of) in gold over the past month. Of the 100,000 contracts of net commercial selling, 79,000 contracts represented long liquidation by the raptors (at what I would estimate was a billion dollars in profits) and 31,000 contracts of new short selling by the big 4. Â The big 5 thru 8 gold traders actually bought back 10,000 short gold contracts.

Over the same past 4 reporting weeks in silver and on the roughly $5 increase in price, the commercials sold 26,000 net contracts (130 million oz), while the managed money traders bought 36,000 contracts (180 million oz). Explaining the difference between what the commercials sold and what the managed money traders bought, was net selling of 10,000 contracts by the other large reporting traders and smaller non-reporting traders in silver.

Of the net selling of 26,000 silver contracts by the commercials over the past 4 reporting weeks, the raptors accounted for 23,000 contracts of the selling or 88% of the total commercial selling, not much different from what occurred in gold, where the gold raptors accounted for 80% of all the commercials selling. The biggest difference was in the selling by the 4 largest silver shorts, who accounted for only 1500 contracts of new short selling, or barely 6% of the total commercial selling (compared to 31% in gold) over the past four weeks. In silver, the big 5 thru 8 shorts accounted for 1000 contracts of the 26,000 total contracts of commercial selling (whereas the big 5 thru 8 were buyers in gold).

Never, on a rally of $5 in such a short period of time (4 weeks), have the big 4 or big 8 sold short as few a number of contracts in silver as they sold short over the past 4 weeks. That, to me, is the standout of standouts. Now, I cannot guarantee nor certify that the big 4 and big 8 short traders in COMEX silver futures will continue to refrain from piling on shorts in the time ahead (Iâ??m not a prophet), but I can certify they havenâ??t added aggressively to shorts over the past 4 weeks â?? basically, for the first time ever. Thatâ??s a big reason why the rally over the past 4 weeks has been as strong as it has been, in my opinion.

As most readers hopefully know, whether the 4 and 8 big silver shorts add aggressively or not to their short positions on the next silver rally is, essentially, all that matters to price. That these traders have always added aggressively to short positions on every silver rally over the past 40 years is the sole explanation for why silver hasnâ??t been allowed to move higher as its actual supply/demand fundamentals would have dictated.

It has been so long that I have focused on the concentrated short position in COMEX silver, that I have forgotten exactly when it dawned on me Â that this was the key to the silver manipulation. Hereâ??s an article from almost 23 years ago on the issue – https://www.silver-phoenix500.com/article/comex-silver-cartel – but it was an issue Iâ??ve pressed the CFTC for just as long, resulting in two separate 15-page public responses from the agency in 2004 and 2008.

While the CFTC always denied anything was wrong with the concentrated short position in COMEX silver futures up to and including its last public response in 2008, that changed in 2021, upon the occasion of me raising the issue anew through my local congressman. For the first time in the 35 years that I had been petitioning the CFTC about the COMEX silver manipulation, they didnâ??t argue on this occasion and instead said they would refer the matter to its divisions of Market Oversight and Enforcement â??

https://silverseek.com/article/cftcs-response

Before you reach any conclusions about the CFTC finally taking measures to crack down on the blatant price manipulation and the concentrated short position of the 4 and 8 largest traders in COMEX silver, as a result of my long-term efforts to persuade it to do so, let me assure you thatâ??s only a slim possibility, at best. Yes, itâ??s quite true that for the first time, well, forever, the big shorts havenâ??t added shorts aggressively on a silver rally (the exception being the rally to $50 in 2011), as much as I tried to push the Commission into action, I donâ??t see that as the reason for no aggressive shorting at this time.

After all, I wrote to the Commission in early 2021 and it stood by and ignored a large increase in big 4 shorting into the price high of March 2022, so if it was tuned into the real story, it wouldnâ??t and shouldnâ??t have allowed that aggressive and manipulative short selling. Iâ??m not diminishing my efforts and Iâ??d do everything all over again (particularly if I could turn back the clock 25 or 35 years), but I donâ??t think the big 4 have refrained from adding aggressively to shorts due to actions by the CFTC. OK, then what has prompted the rather remarkable change in behavior by the big silver shorts over the four-week rally?

The most plausible explanation for the big 4 and 8 shorts refraining from adding new shorts aggressively where they have always added before is due to the developing physical silver shortage.

Itâ??s a given that the largest commercial shorts in COMEX silver have a basic understanding and appreciation of current conditions in the wholesale physical silver market. After all, this is, presumably, their core business and one would think they would be aware of what I claim to be the first widespread physical silver shortage in history. It goes without saying that anyone aware of such an unprecedented physical shortage developing would avoid aggressively shorting into such a shortage.

As it stands, despite refraining from adding aggressively to new shorts over theÂ $5 rally in silver over the past four weeks, a simple calculation indicates that the 4 big shorts in silver have incurred a mark-to-market loss of roughly $850 million so far, with the next 5 thru 8 shorts racking up a loss of another $500 million, or a total loss of $1.35 billion over the past 4 weeks for the 8 big shorts. I know, I know, apologists for the big shorts will rush forward claiming all the shorts are miraculously â??hedgedâ?• in some manner, so the losses donâ??t matter. All I will say is that if the short part of the â??hedgeâ?• didnâ??t exist, then these 8 big shorts would be ahead by $1.35 billion (and counting).

As simple as it sounds, should these 4 and 8 big shorts in COMEX silver continue to refrain from adding new short positions aggressively, it is hard to imagine how raptor selling of long positions alone could succeed in capping and containing silver prices for long. And, at some point, should higher prices continue, raptor long liquidation selling in silver should exhaust itself, as it already has in gold. A big difference between gold and silver is that while the gold raptors have shown a propensity to hold fairly large short positions in the past, the silver raptors have not shown a willingness to get heavily short â?? further making more critical the question of whether the big 4 and big 8 shorts in silver add aggressively or not.

So, if there is no aggressive shorting ahead by the big 4 and 8 shorts in silver, itâ??s hard to imagine how silver prices can be capped or contained. Even if JPMorgan moves to aggressively donate physical quantities of silver from its accumulated hoard â?? as flagrantly manipulative an action as that would be â?? without aggressive new shorting on the COMEX, there would still appear to be an upward shock to the system in place by the missing new concentrated short selling.

And it seems to me that JPMorgan may be playing with fire should it embark on a mission to cap and contain silver prices by the illegal dumping of metal for that precise purpose. Letâ??s not forget that JPMorgan still stands â?? head and shoulders â?? above any entity, not only for how much it is already ahead on silver (and gold) and how much it stands to gain on further price increases. Of course, in addition to its billion-ounce physical silver hoard, it picked up another billion oz in long silver derivatives courtesy of the dummies at Bank of America. The thing you have to ask yourself when you put this on fast forward, is even if JPMorgan dumps all billion ounces of physical silver, depressing prices as it does, how does that do anything but kick the can down the road.

Silver prices need to move sharply higher to resolve the growing imbalance between demand and supply; continued artificially-suppressed prices will just continue to discourage new production and encourage more demand. Everyone should know that, certainly including JPMorgan and the taxpayer-funded regulators at the CFTC and the Justice Dept. Â But just in case they donâ??t, I plan to remind them of same, if and as warranted.

Best of the Holy Holidays to all.

Ted Butler

April 8, 2023

Silver – $25.10Â Â (200-day ma – $21.10, 50-day ma – $22.39, 100-day ma – $22.74)

Gold – $2026Â Â Â Â Â (200-day ma – $1795, 50-day ma – $1908, 100-day ma – $1866)

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