August 12, 2023 – Weekly Review

Gold and silver prices fell sharply again, gold for a second week and silver for a fourth straight week, with gold ending the week down by $32 (1.6%) and silver ending lower by 95 cents (4%). Silverâ??s pronounced relative weakness resulted in the silver/gold price ratio widening out by two full points to 85.5 to 1, up nearly nine full points in four weeks. Since I believed silver was bargain-priced to gold back then, todayâ??s relative valuation would appear to be a special gift to those seeking to switch gold positions to silver. Better yet â?? just buy silver.

I wonâ??t try to hide my sense of where we sit at this point in gold and, particularly, in silver â?? as I believe I may be more bullish than ever before â?? and that encompasses too many â??beforeâ??sâ?• than can be recalled. My extreme bullishness is founded (as always) on the quite dramatic positioning changes (even more than expected) in yesterdayâ??s newly-released Commitments of Traders (COT) report, plus a slew of continuing data points pointing to extreme physical tightness (shortage) in wholesale silver (1000 oz bar form) and other new things as well.

Thatâ??s not to say that I donâ??t continue to be appalled by the lack of regulatory involvement (or comment) in what couldnâ??t be a more obvious Â COMEX silver price manipulation in full bloom â?? and, I believe, about to end abruptly. Is it possible that the collusive COMEX commercial crooks could wring out a little more manipulative blood to the downside? Of course, but that would be akin to wringing blood out of a stone at this point and should be welcomed not feared.

Upfront, one of the biggest surprises in yesterdayâ??s COT report was the complete disappearance of the big silver whale I speculated about recently. As it turns out, given the continuing flow of COT data, each new report not only provides important positioning data for the reporting week in question, they also help clarify the cumulative positioning of prior weeks. Iâ??ll get into the details of the silver whaleâ??s disappearance (actually, there was never one big long trader, in hindsight), when I dig apart the quite significant changes in yesterdayâ??s report later â?? but let me assure you it is very definitely bullish, rather than bearish. Whatâ??s that famous quote about changing oneâ??s analysis when the data change?

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouse fell back to just over 4.7 million oz this week, or roughly the average weekly turnover over the past 12 years. While â??onlyâ?• average, this continued physical movement is completely unique to silver of allÂ commodities and Iâ??m still waiting for an explanation (from anyone) away from my explanation that it is due to unprecedented demand for physical silver â?? a key proof of the developing physical shortage. Total COMEX silver holdings slipped by 1.3 million oz this week to 280.6 million oz . Despite some turnover in the JPMorgan COMEX silver warehouse, the totals there ended unchanged at 139.9 million oz.

Holdings in the COMEX gold warehouses fell by 0.1 million oz to 22.1 million oz, the lowest in six-months or so and close to the lows of the past several years â?? although the holdings in the COMEX warehouses are less than 1% of total world bullion inventories (while COMEX silver inventories are close to 15% of total world silver bullion inventories. The holdings in the JPM COMEX gold warehouse were unchanged at 8.34 million oz.

Again, nothing special new to report on the August COMEX gold and silver deliveries and while itâ??s always reasonable to expect that the upcoming September deliveries for silver will prove uneventful, based upon everything that exists in overall wholesale physical silver conditions, we may finally see some surprises â?? although thatâ??s just a hunch on my part.

There were continued outflows of several hundred thousand ounces from the worldâ??s gold ETFs, principally, GLD, this week â?? very much in accord with the continued new price lows in gold. However, in silver, it continued to be â??counterintuitive centralâ?•, as despite consecutive new price lows this week, the holdings in SLV increased by 3.5 million oz. Whether these counterintuitive deposits represented new buying or an effort to cover existing short positions may be learned in the fullness of time, but appears bullish in any regard. By the way, the combined silver holdings in SLV and the COMEX warehouses stuck around 733 million oz, still only a bit below my bedrock bottom level of 750 million oz at the start of this year.

Speaking of the short position in SLV (the only metal ETF that where the short position matters), late Wednesday, the new short report on stocks indicated a fairly substantial increase of 4.2 million shares, to just over 27 million shares Â (24.8 million oz) in SLV, as of July 31. While up by around 13 million shares from the recent low in the SLV short position, the new short position on SLV is still down by more than half from the 60 million-share peak of a year ago, so Iâ??ll not be rattling the S.E.C.â??s or BlackRockâ??s cages at this time.

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

At the same time, however, the increase in the short position on SLV is noteworthy for a couple of reasons. One, the increase, once again, rubs against the grain of corresponding commercial short covering on the COMEX. Two, with persistent and consistent data points confirming a deepening physical shortage in silver, the recent increases in the SLV short position is, in itself, another confirmation of the shortage in that the most plausible explanation for any increase in the short position is as an end around to depositing metal as required by the prospectus. At this point, the desperation of the SLV shorts just adds to the odds of the coming price explosion.

Turning to yesterdayâ??s new COT report, if there was anything remotely bearish in this report, I certainly didnâ??t see it. In fact, it was one of the most bullish silver reports in memory. As a reminder, silver prices fell by a very sharp $1.50 over the reporting week, establishing new lows (salami slices) each day and decisively penetrating all three of its key moving averages â?? a collusive commercial trifecta if there ever was one.

There can be no doubt that the commercial price rigging was intended to induce as much managed money technical fund long liquidation as possible. Accordingly, I had speculated on Wednesday that the managed money long liquidation would be around 10,000 contracts (and hopefully more) and the actual number was just under 12,600 contracts. There was additional good news in other aspects of the report.

I should stop here for a moment to point out that, once again, the crooked and collusive COMEX commercials demonstrated Â their manipulative control over silver prices â?? having pulled off the seemingly impossible again, namely, always being able to buy in size on sharply lower prices â?? never on sharply rising prices. This is at the heart of the 40-year silver manipulation and one of the many things the regulators wonâ??t address. Think about it â?? how the heck do these commercial crooks always succeed in massive buying on sharply lower prices, if not by colluding amongst themselves and Â hoodwinking the hapless managed money technical funds? Â Itâ??s one of the key questions the regulators refuse to address.

In COMEX gold futures (by the way, gold was down about $20 for the reporting week), the commercials reduced their total net short position by a not-insignificant 19,300 contracts, to 167,600 contracts. This is the lowest total commercial short position since March 14 (and just as gold was to begin an upward price journey of $200).

By commercial category, the 4 largest traders bought back 7200 short contracts, reducing their net short position to 151,427 contracts (15.1 million oz), also the lowest since March. The next 5 thru 8 largest gold traders added 1500 new shorts and the big 8 short position fell to 209,174 contracts (20.9 million oz), also the lowest since March. The raptors (the smaller commercials apart from the big 8) added 13,500 longs to a net long position amounting to 41,600 contracts.

Iâ??m not looking to overly-complicate matters, but it is possible that a managed money short trader may have slipped into the ranks of the big 5 thru 8 category, holding a position of around 12,000 contracts or so short, based upon the heavy commercial short covering and increase in the managed money short position (with no change in the number of traders in the managed money short category). Â If this is the case, then the true commercial-only component of the gold big 8 short position is even less than stated above and even more bullish on its face.

On the sell side of gold, the managed money traders were net sellers of 21,403 contracts, consisting of the sale and liquidation of 9217 longs and the new sale of 12,186 short contracts (again, with no increase in the numberÂ of traders, 43, in this short category). The resultant managed money net long position fell to 58,606 contracts (114,585 longs versus 55,979 shorts), the lowest (most bullish) since March. I would imagine that there was continued improvement in the gold (and silver) market structure on the continued price weakness from the Tuesday cutoff.

In COMEX silver futures, the commercials reduced their total net short position by a very hefty 13,700 contracts to 30,300 contracts, thus, resolving completely the massive deterioration over the reporting week of July 18. If you recall, I dubbed the 24,200-contract increase in the net commercial short position as a â??Code Redâ?• condition, in which silver prices would either blast higher, not looking back, or suffer one final price smash before the explosive move higher.

Over the three reporting weeks following the July 18 cutoff, the collusive commercials have purchased 25,700 net silver contracts, more than they sold in the big up week.Â I mentioned that either up or down after July 18, there would be price violence and while the violence was controlled, the commercials did succeed in blasting silver prices below all the key moving averages (the 50-day, 100-day and 200-day maâ??s) from the price being above those averages for a few days after July 18, in about the quickest reversal in memory. For a grade for the commercials for this manipulative achievement, Iâ??d assign nothing less than an â??A+â?•. For a corresponding grade for the regulators, Iâ??d assign nothing more than an â??F-â??.

By commercial category, the big 4 bought back just under 4000 short contracts, reducing their posted Â concentrated short position to 35,371 contracts (177 million oz), not far from where this position was in the week prior to July 18. The next largest 5 thru 8 traders bought back around 4500 shorts, reducing the posted big 8 short position to 54,227 contracts. Complicating things (as usual) is in deciphering Â what the big managed money short did and my best guess (subject to revision in future COT reports) is the big managed money short may have bought back 5000 of its 10,000-contract short position (quite profitably, I might add). If this is the case, the raptors (the smaller commercials) hold about a 19,000-contract net long position.

To say that the sharp reduction in the total commercial net short position in silver this week and over the past three weeks is extremely bullish would be a severe understatement. The only real question is how much more managed money selling (both long liquidation and new short selling), the collusive commercials can achieve? My sense is not much.

On the managed money side of silver, these traders sold a very-heavy 16,439 net contracts, consisting of the sale and liquidation of 12,593 longs, as well as the new sale of 3846 short contracts. Therefore, if Iâ??m correct about the big managed money short buying back around 5000 short contracts, that amount must, effectively, be added to the 3846 short contracts being sold by the managed money traders, making this COT report extremely consequential. The resultant managed money net position flipped to the short side to the tune of 3781 contracts (31,985 longs versus 35,766 shorts), the first time the managed money traders have been net short since March â?? a major bullish achievement for the collusive commercials.

So, what happened to the new big silver whale? He or she went â??poofâ?•. Actually, upon further analysis, not available until this weekâ??s COT report, there wasnâ??t a big managed money short holding 10,000 contracts â?? it was much more likely that two large traders, holding roughly 5000 or so contracts each, one in the managed money category and the other in the other large reporting category, both sold out this reporting week. Thatâ??s the most reasonable conclusion based upon the concentrated long position of the 4 largest traders crashing this reporting week to 19,406 contracts from 29,981 contracts in the prior reporting week. And Iâ??d go further in stating that these two large traders were clearly in the gun sights of the commercials for elimination.

One other strange development in silver this reporting week was a surge in net buying of more than 3800 contracts by the traders in the smaller non-reporting category, to the highest net long position in more than a year and a half. (This assumes, of course, no reporting errors in the report). Usually, a big non-reporting net long position is considered more bearish than bullish, but if the numbers are accurate, the fact that such big buying occurred on a sharp selloff suggests to me the smaller traders may have â??toughened upâ?• in viewing silver as the bargain it is. Letâ??s see what future COT reports indicate.

With even more improvement indicated since the cutoff on Tuesday, itâ??s hard not to be crazy-bullish on silver â?? even allowing for further minor commercial price rigging. With the market structures in silver and gold better than in quite some time and with the drumbeat of the physical silver shortage marching on, if thereâ??s a better reason for fully-committing, Iâ??m not sure what that reason may be (aside from the very short-term). Also, I should mention some remarkably-bullish market structural developments this week and recently in other commodities, such as platinum, palladium and copper.

Finally, a conversation with a close associate struck a real nerve with me. The question involved what, if anything the commissioners and directors on the CFTC (as well as the CEO of the CME Group) might be discussing amongst themselves to my continued pointed allegations. I do send each all my articles, twice a week, a hundred a year and have been doing so for many years. Over time, that amounts to almost too many articles to count and Iâ??ve never had one returned as undeliverable. Now, that doesnâ??t mean they all read my articles, but thereâ??s no good reason for not doing so. Certainly, my allegations are quite specific (like how can the commercials always succeed in selling high and buying low?) and concern the most important mission of the CFTC, namely, rooting out and preventing market manipulation â?? so Iâ??m not raising frivolous matters.

As a result, Jim was fascinated by the lack of any public response and wondered if that also pertained to private conversations among the commissioners, directors and staff.Â I canâ??t see behind closed doors or read othersâ?? minds, but I canâ??t see how the Commission could be completely oblivious and unaware of the issues Iâ??ve raised.

I remember how a few years ago, the late former commissioner, Bart Chilton, right before he passed away, publicly admitted that back in late-2008, after JPMorgan took over Bear Stearns and an official investigation had begun that would last 5 years (and was initiated as a result of my discovery of JPMâ??s short position in the August 2008 Bank Participation Report), that there were hundreds of meetings discussing what to do about JPMâ??s short silver position â?? and not one word of this was revealed until Bart was on his deathbed. Â So, it seems, at a minimum, commissioners and senior staff are capable of keeping matters of import secret, to the point of death â?? not unlike a Mafia pledge of Omerta.

More to the point, however, is the Commissionâ??s knowledge that it cannot answer the allegations I raise without opening a Pandoraâ??s Box that will quickly engulf it. If thereâ??s no possible way to rebut or counter my allegations, then the only alternative is to say nothing and hide your head in the sand, ostrich-like. Except, this is the federal regulator whose commissioners and senior staff swore an oath of office to uphold the law and protect the public – which their silence betrays.

Further convincing me that the Commission knows, but is refusing to do the right thing because it fears any answer will only exacerbate and inflame things, is the fact I have seen no legitimate rebuttal from anyone outside the Commission either. Â We live in an age, complete with the Internet and the basic human condition to prove that â??you are wrong and I am rightâ?• that itâ??s downright remarkable that no one (to my knowledge) has stepped forward with legitimate claims that prove my contentions wrong (emphasis on â??legitimateâ?•). So, itâ??s not just the Commission.

Regardless, all this will soon be proven moot when and as the physical silver crunch hits in earnest and prices erupt higher â?? an event not that far in the future, particularly after the results of this weeks and recent COT reports.

Lastly, as I was sizing up some new kamikaze options that I purchased this week (the SLV Oct 30â??s @3 cents), I couldnâ??t help but notice that a particularly large buyer purchased 60,000 to 65,000 contracts (equating to 6 to 6.5 million shares) and which caused the open interest to rise from 15,000 contracts to near 80,000 contracts. This is not a trade anyone would undertake, unless one was crazy, nutso bullish. Yes, there were willing sellers betting that the buyer would prove wrong in the end and get to keep the buyerâ??s 3 cents (a total of $200,000), but should the price of SLV hit $45 by Oct 20 and the buyer held on until then, the options would be worth around $100 million. No doubt a very long shot, and for sure it wasnâ??t me, as even all the groveling in the world would grant me that permission from my wife, but still a rather wicked risk/reward ratio. And certainly not meant as investment advice.

Ted Butler

Silver – $22.75Â Â Â (200-day ma – $23.21, 50-day ma – $23.81, 100-day ma – $24.16)

Gold – $1946Â Â Â Â Â Â (200-day ma – $1902, 50-day ma – $1958, 100-day ma – $1979)

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