August 19, 2023 – Weekly Review

Gold prices closed lower for a third week running, falling $28 (1.5%) to its lowest weekly close in more than five months. Silver, while hitting fresh five-week price lows intra-week, managed to eek out a weekly gain of 5 cents. Itâ??s not often one sees gold down fairly substantially with silver not leading the way lower.

As a result of silverâ??s relative outperformance, the silver/gold price ratio tightened in by nearly a full point and a half to just over 84 to 1. One day we will no doubt look back and marvel at how cheap silver got to be relative to gold over the past years. Subscribers may marvel at how cheap silver got to be relative to gold, but, hopefully, they wonâ??t wonder about the mechanics causing silverâ??s great undervaluation.

Silverâ??s great undervaluation relative to gold (and everything else), as well as its great absolute undervaluation has been caused by one thing and one thing only â?? the 40-year price manipulation on the COMEX. While I never imagined such a price manipulation could last for such an incredibly-long time, since (fortunately) Iâ??ve lived long enough to witness it, I am more convinced than ever that this has been the case â?? as unbelievable and implausible as it would sound to someone just introduced to silver.

The best news of all is that the 40 long and frustrating years (heck, I wasnâ??t even 40 years old when this journey began for me) appears very much to be â??upâ?•, in that everything I look at tells me the manipulation is about to end. I suppose I should leave myself open to the possibility that the big COMEX commercial crooks could delay things a while longer by shorting aggressively on the next rally, but I would be lying if I said I thought that would be the case (despite it almost always having been the case previously).

Yes, Iâ??m still very much convinced a â??Code Redâ?• market emergency exists in COMEX silver, as I laid out a month or so ago, based upon the extremely large positioning changes for the reporting week ended July 18. That week, there was massive managed money buying and commercial selling to the point where I concluded silver would either explode in price or get smacked down by commercial price rigging and then we would explode. Obviously, since we did experience â??option twoâ?•, let me explain why Iâ??m still convinced of a coming price explosion.

It has to do with the remarkable and readily-documented changes in futures contract positioning in COMEX silver and as verified in official Commitments of Traders (COT)Â report data over the four reporting weeks following the Code Red week of July 18. By the way, there have also been quite-remarkable and bullish positioning changes in other markets, like COMEX gold and copper, as well as NYMEX platinum, so I would also expect sharp price rallies in those commodities, just not to the extent I foresee in silver (due to a wide variety of factors).

The positioning changes in COMEX silver futures over the past four reporting weeks have been extraordinarily extreme and bullish (as in the other metals mentioned) and I see that many other commentators have jumped on the positioning changes â?? as well they should. But I have to confess to being dumbfounded by the near-universal reaction that stops at the actual positioning changes recorded as being ultra-bullish, but no mention made about how the positioning changes came about.

Specifically, what confuses me the most is how no one appears to question how it is that the commercials always end up as big buyers on big down moves. This is the key to the 40-year COMEX silver manipulation, namely, the ability of the commercials to always buy low and sell high. The commercials are able to do this because their principal counterparties, the managed money technical funds (CTAâ??s), blindly follow price movements â?? buying when prices rise and selling (and selling short) when prices fall. Yes, these technical funds are the chumps and enablers, and while the commercials are clearly hoodwinking the technical funds (and not vice versa), it still adds up to a price manipulation that the regulators at the CFTC and CME Group have neglected for decades.

I suppose I shouldnâ??t care so much that so few see the ongoing price manipulation as clearly as it is to me, but had more come to this conclusion, the COMEX silver manipulation would have likely ended much sooner. The bottom line on all this is that, regardless of how long it has taken to this point, the end of the silver manipulation looks nigh. Very nigh, as Iâ??ll explain after the usual weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses was, once again, about the average weekly movement over the past 12 years, as just over 4.4 million oz were physically moved this past week. Total COMEX silver holdings fell by 0.9 million oz to 279.7 million oz, with holdings in the JPMorgan warehouse accounting for much of the total reduction, as holdings there fell by 0.6 million oz to 139.3 million oz.

There was a noteworthy transfer (not a physical movement) of 3.2 million oz of silver from the registered category to the eligible category, and while it wasnâ??t a physical movement, it is significant nonetheless. The most plausible explanation to me is that this metal is most likely planned to be held longer term, because the storage charges on eligible are a bit cheaper than for registered.

Still, the quite low level of registered category silver is notable (27.6 million oz), particularly as we approach a traditionally-large COMEX delivery month (September) in eight trading days. In the old days (whenever the heck they were), metal used to be brought into the COMEX warehouses, particularly of the registered variety upon the approach of first delivery day. Iâ??ve learned not to be an alarmist going into the first delivery days in traditional COMEX silver contracts, based upon high levels of open interest remaining in the current delivery month, but as I mentioned last week (based upon a wide variety of factors), I have a hunch this coming delivery month might prove different.

Holdings in the worldâ??s gold and silver ETFs continued to fall, with holdings in the big gold ETF, GLD, falling 300,000 oz or so this week â?? largely in line with how things usually work, namely, price get rigged lower on the COMEX by the commercials and investors in the ETFs generally sell (as thatâ??s typical collective investor behavior). Itâ??s a little bit different in silver, as holdings in SLV, the big silver ETF, â??onlyâ?• fell by 1.2 million oz (although there was a near-2 million oz redemption in SIVR).

Back in January (I believe), I mentioned that I thought that the combined holdings in SLV and in the

COMEX warehouses were near bedrock levels of 750 million oz and were unlikely to move dramatically lower, due to both depositories representing core long-term investor holdings. While we have slipped lower on these combined inventories, we havenâ??t fallen much below 730 million oz (this week, 731 million oz).

Iâ??m certainly not saying that these combined inventories canâ??t go lower still and while I wouldnâ??t fear further reductions, my reasoning is the same, namely, there is a level of long-term investor holdings we are not likely to go substantially below. In other words, yes, silver can explode in price without further draw downs in these combined holdings.

Turning to yesterdayâ??s COT report, it was everything expected (and hoped-for) in silver and beyond expectations in gold (as well as in copper and platinum). Again, had we not had these positioning improvements (managed money selling and commercial buying), something would have been very wrong, as I canâ??t recall a time when the commercials werenâ??t big buyers and the managed money traders net sellers on big price moves lower. Let me run through the specifics before trying to explain why Iâ??m so bullish on silver (and goldÂ and the other metals mentioned) that I am about to jump out of my skin.

In COMEX gold futures, the commercials bought and reduced their total net short position by a very-hefty 25,600 contracts to 141,900 contracts. This is the lowest (most bullish) level of the total commercial net short position since March 7 and from which directly-led to a $250 gold rally to all-time highs over the next two months. It would appear that the new price lows in gold following the Tuesday cutoff to the reporting week, featured even greater positioning improvements. If here were no such thing as silver, Iâ??d be loading up on gold.

It was even better by the changes in commercial categories, as the 4 biggest gold shorts bought back a massive 14,400 short contracts reducing their net short position to 137,021 contracts (13.7 million oz). On a mathematical calculation, the big 5 thru 8 largest shorts added 3000 shorts contracts and the big 8 short position in gold fell to 197,727 contracts (19.8 million oz) â?? but a closer look indicates that a managed money trader entered into the big 5 thru 8 category, so the true commercial-only component of the big 8 short position is closer to 185,000 contracts or less. The gold raptors (the smaller commercials apart from the big 8) added 14,200 longs to a net long position of 55,800 contracts (less when adjusting for the new managed money short position in the big 5 thru 8 category).

On the sell side of gold, it was heavy managed money selling, particularly in adding new shorts, as these traders sold Â 29,070 net contracts, consisting of the sale and liquidation of â??onlyâ?• 1439 longs and the new short sale of 27,631 contracts. That the collusive COMEX commercials were able to hoodwink the managed money traders into adding that many new shorts was a manipulative work of art, particularly in light of how little long liquidation occurred, suggesting to me that we are getting down to â??coreâ?• managed money gross long positions beyond which even lower prices would not likely cause much additional long liquidation (the same situation exists in silver).

The resultant net managed money long position in gold fell sharply to 29,536 contracts (113,146 longs versus 83,610 shorts), the lowest (and most bullish) since March 7. I donâ??t know how the heck the commercials succeeded in getting the managed money technical funds to sell short such massive quantities, but thereâ??s no reason to doubt the data â?? particularly since the managed money palookas most likely sold even more after the cutoff.

In COMEX silver futures, the commercials reduced their total net short position by a none-too-shabby 7100 contracts to 23,300 contracts, the lowest and most bullish position since late March. On a straight mathematical calculation, the big 4 short position increased by 1900 contracts to 37,318 contracts , but since there was no net commercial selling and there was managed money shorting, the big managed money short (which I pegged last week at 5000 contracts), apparently increased that short position by 2000 contracts to 7000 short contracts and placing it back in the big 4 short category. Likewise, the big 8 short position rose to 55,286 contracts, up 1000 contracts in total, but with the 5 thru 8 traders actually buying back 1000 short contracts. The bottom line is that the commercials didnâ??t sell, they bought â?? as fully-expected.

On Wednesday, I ran through a set of numbers laying out what I thought yesterdayâ??s silver COT report would indicate and how I would update the numbers after the report was published. As it turns out, I donâ??t have to make much of a revision. I had guessed that the raptors would hold around 25,000 net long silver contracts and based upon the calculations above, if there is a commercial-only short component of 48,000 contracts (once the 7000-contract managed money short position is subtracted from the mathematically-derived 55,000-contract big 8 short position), the raptors are, indeed, net long 25,000 contracts. Iâ??m going to comeback to the other calculations I made on Wednesday in a moment.

On the managed money side of silver, these traders sold â??onlyâ?• 2889 net contracts, consisting of the sale and liquidation of 275 longs and the new short sale of 2614 contracts. There had been such a massive improvement in the silver market structure over the previous three reporting weeks due to managed money net selling of 33,470 contracts, that it was reasonable to expect that the pace of managed money selling had to cool off. We do appear to be quite close to core non-technical fund managed money gross long positions (the same in gold), so significant additional such long liquidation appears unlikely.

The resultant managed money net short (not long) position grew to 6670 contracts (31,710 longs versus 38,380 shorts). Any managed money net short position in silver guarantees a rally at some point, but that there exists any such net short position at this particular time (of a physical shortage) is extraordinary in and of itself and is a testimony to the collusive and cunning and highly corrupt COMEX commercials and the flat-out bone-headedness of the managed money technical funds. Surprising to me was that it appears that the big managed money short apparently added to short positions, where I thought there would have been short covering in that particular short position.

Explaining the difference between what the commercials bought and the managed money traders sold was net selling by both the other large reporting traders of 2500Â contracts and 1600 contracts of net selling by the smaller non-reporting traders, which appeared inconsequential to me.

Also on Wednesday, I ran through some calculations trying to pinpoint the amount of potential built-in managed money buying, both in the form of short covering, which I gave as 20,000 contracts and another 10,000 contracts of new buying by those managed money technical funds which would buy as prices crossed over the key moving averages. By the way, the two most important moving averages in silver are the 50-day and the 200-day moving averages and those two moving averages are only 50 cents and 90 cents, respectively, above yesterdayâ??s closing price. This means that it is reasonable to expect substantial managed money buying as and when prices move above those averages.

In particular, the 20,000 contracts of potential managed money short covering is of the type Iâ??ve referred to in the past as â??rocket fuelâ?• type buying, because when prices start to rise and any open profits disappear and losses begin to mount, those managed money traders holding short positions throw caution to the wind and rush to buy back those short positions without delay (as would any trader, except of course, the collusive COMEX commercials). Therefore, should silver prices rise by less than a dollar from yesterdayâ??s closing price (as they will at some point), itâ??s pretty much a given that the managed money traders will buy back 20,000 short contracts without delay â?? otherwise, if they donâ??t cover and end up suffering much greater losses on still-higher prices, they will be sued by the investors whose money is being managed.

More of a question is whether the managed money traders which will add new longs on higher prices, which I estimated as at least 10,000 contracts, will buy that many contracts if prices jump too sharply. To be sure, these traders added more than 22,000 new longs over the reporting week of July 18 (which created the Code Red), so I am being very conservative in suggesting they might buy only 10,000 contracts, making it a total of 30,000 contracts that the managed money traders would buy on higher prices (20,000 contracts in short covering and 10,000 contracts of new longs). Let me try to explain what Iâ??m getting at.

On Wednesday, I explained how a long-term pet premise of mine was that at some point, the big commercial shorts would stand aside from aggressively adding new short positions in silver (even though they always had in the past). So, in the â??speak up now, or forever hold your peaceâ?• department, Iâ??m convinced that time is now. Can I turn out to be wrong? Of course, I could be wrong this time, but not forever, as what Iâ??m suggesting has to occur at some point (although the manipulation could end under what my late mentor, Izzy Friedman, termed the full pants down scenario or the big shorts fully-exposed on the short side).

So, with 20,000 managed money short contracts virtually guaranteed to be bought (and bought aggressively) at certain higher prices not that much above Â current prices and another 10,000 long contracts likely added by these same traders, next we must consider the sell side. I can see the raptors (the smaller commercials apart from the big 8) selling out 20,000 of the 25,000 contracts they are currently long, but not much more than that, based upon historical data. So, raptor long liquidation will satisfy most of the built-in managed money rocket fuel recently created, but only on higher prices. That leaves at least 10,000 contracts and maybe a lot more to be sold by the former big commercial shorts in the form of new short sales. Everything I look at tells me these former big shorts will not add this time around. Whatâ??s everything?

Well, for starters, thereâ??s the not-so-subtle deepening physical silver shortage. These big commercials on the COMEX (as well as the smaller raptors) are every bit the collusive crooks I claim they are, but neither does that make these guys are dumb and only dumb guys would sell short heavily into a physical shortage of anything. And without silver prices climbing sharply from current levels, there is no way in this world that the physical shortage wonâ??t grow progressively worse. Â The big commercials know this.

So, it comes down to them picking the right time to step aside from adding shorts, and there can be no better time than right after they just maneuvered the technical funds out from long positions and into short positions in a major way. That time is now (OK, maybe thereâ??s a bit more to go, but so what?).

Then, thereâ??s the matter of the regulators. Donâ??t get me wrong, Iâ??ll continue to chastise and criticize the CFTC and the CME Group for their gross malfeasance in not dealing with the blatant COMEX silver manipulation, but there is no way either could possibly lift a finger to end or even acknowledge the existence of the manipulation, as too much water has passed under the bridge for them to say or do anything towards that end now.

At the same time, that leaves only one possible alternative for the inevitable termination of the COMEX silver manipulation –Â a market solution. The silver manipulation must end at some point, as all price manipulations must, so if the regulators refuse to end it, that leaves only the market itself. I know most have resigned themselves to the big COMEX shorts always shorting on higher prices to cap and contain all silver rallies and I fully-understand that general resignation â?? itâ??s just that I donâ??t accept it and, certainly, not at this time.

The data show that the highly-deliberate and intentional positioning of the past four reporting weeks has been extreme in COMEX silver (as well as in gold, copper and platinum), which means the commercials have been super-successful in getting the managed money technical funds to aggressively sell and sell short. To what end? To pick up a few dollars in silver and then for the big commercials to, once again, short aggressively? I know that is what most expect to happen, but not me.

On Wednesday, I even outlined how the big commercials might rush to buy to the upside from the raptors before the managed money traders plowed on to the buy side. I know that makes me sensitive to seeing this unfold, but I did think I saw some of that on Thursdayâ??s quick silver pop to the upside (before it retraced the up move).

Be that as it may, there should be no question that if the big commercials donâ??t add aggressively to short positions when (not if) silver upwardly penetrates its now quite-close moving averages, then, mechanically-speaking, there is no way that silver wonâ??t explode in price in a manner none of us has ever witnessed. Adding to this is that if the big commercial shorts donâ??t add aggressively to silver short positions on the next move higher, we may be witness to a final hoodwinking and humiliation of the managed money technical funds â?? something Iâ??ve thought of often over the years, but donâ??t recall spelling out before.

Back in the six-month or so run to $50 in silver into the end of April 2011, Iâ??ve recounted how the price run had almost nothing to do with COMEX futures positioning and everything to do with the buying of 60 million oz in SLV, the big silver ETF. Drilling down further to that time period, it turns out that when silver rose to $25 or so in the fall of 2010, the managed money technical funds made the subjective decision that silver was too high or possessed too much risk of a selloff to warrant big long positions and these traders, essentially, liquidated longs around the $25 level and missed out on what turned out to be a doubling of the price over the next six months. True, silver eventually did come down and down hard and had the technical funds gotten or stayed aboard, they would have gotten smashed on the selloff.

But thatâ??s besides my point, which is that at some undetermined high-price, the managed money funds are quite likely to once againÂ choose to avoid long positions in silver due to the risk of a sharp selloff.Â The thought Iâ??ve harbored for many years is that the big commercials could kill two managed money birds with one stone, when after a particularly effective rearrangement of them getting the managed money traders to sellout longs and add to shorts, the big commercials refused to sell short aggressively on the next silver rally â?? thereby trapping and punishing the managed money shorts and preventing new managed money longs from being created (due to the lack of commercial shorting).

Should this occur, it would be a double whammy against the managed money traders, first, making them pay dearly for having to buy back shorts on much higher-than-expected prices and by denying the managed money traders from getting long at reasonably low prices. Needless to say, the biggest benefit to the crooked and collusive COMEX commercials would be witnessing silver prices exploding without them big on the short side.

Is it possible that I may be too caught up in a vision that Iâ??ve held for a very long time to the point of seeing it unfold before it actually unfolds? Sure, thatâ??s possible because Iâ??m human. At the same time, I think Iâ??m being highly-objective when I observe and document all the factors that accurately describe current conditions. So, what am I supposed to do â?? hide and talk around the sense of bullishness that has me just about jumping out of my skin or share openly just whatâ??s exactly on my mind?

If thereâ??s more to go on the downside in price or time, then so be it, then thereâ??s more to go. It wonâ??t change anything, except to make things even more bullish. If we do erupt soon to the upside (as I expect), at least Iâ??ll have explained something in advance you havenâ??t heard anywhere else.

Ted Butler

August 19, 2023

Silver – $22.80Â Â Â (200-day ma – $23.30, 50-day ma – $23.70, 100-day ma – $24.15)

Gold – $1918Â Â Â Â Â Â (200-day ma – $1909, 50-day ma – $1953, 100-day ma – $1977)

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