August 5, 2023 – Weekly Review

Gold prices fell by $20 (1%) this week for the first time following 4 weeks of gain, while silver prices fell 75 cents (3.1%) for a third week. Silverâ??s greater relative weakness pushed the silver/gold price ratio out to 83.5 to 1, not coincidentally the most undervalued silver has been to gold in four weeks. As is the case most always, silverâ??s greater price volatility sets the tone for changes in the silver/gold price ratio.

Some might say thatâ??s due to silver being a much smaller market and that consideration canâ??t be dismissed offhand, since in terms of total market capitalization, or the total value of each metalâ??s above ground bullion inventories ($6 trillion for gold and $50 billion for silver), silverâ??s total value is less than one percent of goldâ??s total value â?? a fact that never ceases to amaze me. But to stop the comparison at that point would leave out even greater remarkable observations.

Perhaps the most remarkable comparison is that after decades of what is becoming a near-indisputable price suppression on the COMEX, the wholesale physical silver market is in a clear shortage situation, whereas that is virtually impossible in gold (since so little gold is industrially-consumed), making the extreme relative undervaluation of silver to gold downright shocking, and demanding of some alternative explanation to the manipulation I allege in COMEX paper positioning.

Yet, here is where it gets most interesting, in that those actually responsible for making sure no price manipulation exists in any regulated commodity, namely, the federal commodities regulator, the Commodity Futures Trading Commission, as well as the designated industry self-regulator, the CME Group, Inc. (owner/operator of the COMEX), wonâ??t offer a word on the growing blatancy Â that silver is manipulated in price. What makes this even stranger is that preventing price manipulation is both regulatorsâ?? number one responsibility. More on this later.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to a slightly higher weekly average as seen over the past 12 years, as just under 5.8 million oz were physically moved this week and total inventories rose to 281.9 million oz, up by 3.4 million oz. As it turned out, most of the movement was due to a 4.5 million oz (eight truckloads) turnover at the start of the week, as was that dayâ??s deposit of 3 million oz. Three days featured hardly any movement. Holdings in the JPMorgan COMEX silver warehouse grew by 0.6 million oz to 139.9 million oz.

Total COMEX gold warehouse holdings fell by 0.1 million oz to 22.2 million oz, with holdings in the JPM warehouse increasing by a fraction of the slim total increase to 8.34 million oz.

It is when you compare the typically tiny turnover in the COMEX gold warehouse inventories (and in all other commodities as well) to the frantic and unprecedented physical turnover in silver, that the bolt of recognition that something is happening in silver different from all other commodities, particularly gold. Or at least, that was the sentiment of one long-term subscriber this week in a private email exchange.

My explanation, as it has been all along (12 years), is that the voracious demand for silver (requiring rapid replacement) is responsible for the turnover â?? entirely compatible with the growing physical shortage. Certainly, and also as always, I solicit alternative explanations for the unprecedentedphysical turnover in the COMEX silver warehouses.

Not much new to report on or definitive conclusions to be reached concerning the ongoing deliveries in the COMEX August gold (a traditionally large delivery month) where deliveries are on the light side this month. Same for silver.

Holdings in the worldâ??s gold and silver ETFs slipped this week, mostly in line with weaker price action, but not excessively so. While there have been notable and mostly counterintuitive withdrawals of some 16 million oz from SLV, the big silver ETF, over the past month, the combined holdings in this ETF and the COMEX silver warehouses are still slightly above the recent lows of 730 million oz â?? but also still down slightly from my 750 million oz bedrock low level premise at the start of the year.

Turning to yesterdayâ??s new Commitments of Traders (COT) report, while I took a pass on predicting changes in contract number terms, the results certainly met my hoped-for outcome of market structure improvement (managed money selling and commercial buying). Other results indicated that the big managed money short appeared to have stood pat on its 10,000-contract short position and that the big new long in the other reporting trader category also appeared to have stood pat with a long position of that same amount.

I hope I have been clear in that I have no way of anticipating what the big managed money short will do â?? other than buyback and cover this short position at some point, either profitably again or not, because this is a short-term speculation at its core. On the other hand, it is possible that the big new long in the other large reporting category (a non-managed money trader, if you will) might have latched-on to what might be a long-term position, as I discussed last week. However, thereâ??s simply no way of predicting what the new potential silver whale might do at this point â?? other than to try and track his or her movements in future COT reports.

In COMEX gold futures, the commercials reduced their total net short position by 11,400 contracts to 186,800 contracts, not all that far from previous low-water marks since the end of March and more bullish than bearish on its face. Also encouraging was that the 4 big gold shorts bought back 6900 short contracts and held 158,617 contracts short (15.9 million oz) as of Tuesday, their lowest level since March 28. The 5 thru 8 largest commercial shorts added around 800 new shorts, while the big 8 short position fell to 214,858 contracts (21.5 million oz), the lowest since March 21. The raptors (the smaller commercials apart from the big 8) added 5300 longs, increasing their net long position to 28,100 contracts.

On the sell side of gold, the managed money traders sold 15,278 net contracts, consisting of the sale and liquidation of 8801 longs and the new sale of 6477 short contracts. The resultant net managed money long position fell to 80,009 contracts (123,802 longs versus 43,793 shorts), on the lower side of what these traders have held over the past six months and down by 35,000 contracts from the peak in managed money net longs of two weeks ago. While the improvement in the gold market structure is bullish over the past two weeks and I would never rule out a rally, my sense is that the commercialsare not finished with rigging gold prices lower (mainly as a means of helping to rig silver prices lowerâ?? their main objective).

In COMEX silver futures, the commercials reduced their total net short position by 5700 contracts to 44,000 contracts. By commercial categories, the 4 largest shorts bought back 1500 contracts and held 39,350 contracts short (197 million oz) as of Tuesday. The next 5 thru 8 shorts added 200 shorts and the big 8 short position fell to 62,700 contracts. The raptors (the smaller commercials apart from the big 8) added 4400 contracts to a net long position amounting to 8700 contracts â?? still relatively small and apparently not large enough to contain any meaningful rally as of Tuesday.

Of course, imbedded in the above calculations is the matter of a big managed money trader, holding around 10,000 contracts short, which, effectively reduces the commercial-only component of the big 4 and big 8 short positions by that same amount and rendering the concentrated commercial-only component to be very much on the low-side historically â?? although that does not negate the heavy big 4 and 8 new short selling of two weeks ago as being anything but in-your-face manipulative price capping.

On the sell side of silver, the managed money traders sold 6943 net contracts, consisting of the fairly evenly divided sale and liquidation of 3553 longs and the new short sale of 3390 contracts. Due to a fairly large increase in the number of managed money shorts for the week (from 22 to 27), Iâ??m not inclined to conclude that the big managed money short increased its 10,000-contract short position, but please understand future COT reports may convince me to change my opinion today (the cumulative effect of running reports).

I am a bit concerned with the increase in managed money silver shorting this week, as it may suggest more such selling on lower prices, even though the managed money technical funds (as opposed to the big non-technical fund managed money short) have never collectively profited when getting heavily short, although they do very much cause prices to move lower as they establish short positions and before the creation of rocket fuel type buying gets ignited on higher prices. Therefore, if the brain-dead managed money technical funds do plow onto the short side, thereâ??s no denying that will pressure silver price lower before reverting to buying fuel to the upside. I just thought these clowns would have wised up by now, since theyâ??ve never collectively profited when being heavily short.

The resultant managed money net long position fell to 12,658 contracts (44,578 longs versus 31,920 shorts) down by a significant 17,031 contracts from two weeks ago, and no doubt even lower following the price weakness since the Tuesday cut-off. Of the massive one-week managed money technical fund buying of 22,259 new silver longs as of July 18, some 9203 contracts have been sold and liquidated over the next two reporting weeks or just over 41% of what had been added. I suspect even greater technical fund long liquidation of 6000 or 7000 contracts since the Tuesday cutoff or as much or more than 70% of the 22,259 longs added on the week of July 18.

While that certainly leaves open the possibility that the managed money technical fund long liquidation is near-completion and that we could rally from here, my â??Spidey senseâ?• is that enough downward price momentum has been created by the collusive COMEX commercials that it may continue a bit longer â?? particularly if the managed money technical funds are further inclined to add new short positions that they will undoubtedly lose on in the end. That, plus the proximity of the 200-day moving average, now only 60 cents below Fridayâ??s closing price, may present just too tempting of a target for the crooked commercials. I do hope Iâ??m wrong, but fear thatâ??s the way it will play out. Iâ??m not disturbing long-term silver holdings and will seek to add short-term holdings of kamikaze call options should silver prices drop further.

Even though there was some small long liquidation (770 contracts) in the other large reporting trader category, a well as a similar drop in the concentrated holdings of the 4 largest silver longs to 29,981 contracts, thatâ??s still up by more than 9700 contracts from July 3, and combined with the slight reduction (by one trader) in this long category, Iâ??m still inclined to think the new silver whale held tight this week (perhaps following my advice not to increase the position to avoid regulatory reaction). Again, I canâ??t predict what this trader may do and will try my best to objectively report on this and all things as future COT reports are published.

I received a heart-felt email from a long-term, salt of the earth, subscriber this week, lamenting the continued violation of the rule of law and the oaths that the regulators at the CFTC swore to uphold. So genuine and hard-hitting was Wilfredâ??s note that I asked for his permission to forward it to all the commissioners and appropriate directors on my standard mailing list. His permission was given (even though he doubted it would do any good) and I sent it off to all the regulators, commenting to them that they were most guilty of undermining the faith and trust of regular citizens in the rule of law and the governmentâ??s role in matters related to silver.

This, of course, was the theme of my â??A Universal Truthâ?• article on Wednesday in which I pointed out the lopsided nature of the COMEX silver manipulation being run by only 8 big shorts, plus another 30 or so commercial traders acting collusively with the 8 big shorts, against the quite literal tens and hundreds of millions of silver investors worldwide, along with every one of the countless silver miners in the world. That the federal regulators at the CFTC have thrown in with and protect the few engaged in prolonging the silver manipulation is both shameful and infuriating.

Worse still, of course, is the refusal of the federal regulator, as well as by the self-regulator, the CME Group, to offer the slightest rebuttal to allegations of manipulation or of any other explanation, despite the prevention of price manipulation being both regulatorsâ?? number one mission. The reason that price manipulation is the most serious market crime of all is that it distorts the free law of supply and demand and damages every one in the end â?? even the industrial users, which may be enjoying the temporary benefit of artificially-suppressed silver prices. When the physical shortage overcomes the artificial price control of paper positioning on the COMEX, the current beneficiaries, the silver users, will be the most proportionately damaged.

As was reflected in Wilfredâ??s comments to me and in my comments to the CFTC, the loss of faith by regular citizens for the agencyâ??s failure to uphold the rule of law and abide by the oaths all swore to is far worse than the incalculable economic and emotional damage to silver investors and silver miners over the decades. The biggest problem facing the US and many other countries is the loss of faith in government, mostly due to the great and growing political divide.

What makes the silver manipulation far worse is that there is no political divide â?? from my vantage point, I detect absolutely no political divide in how silver investors view the ongoing COMEX pricing fraud and scam. This is strictly a case of a federal regulator siding with and protecting the criminal few and rejecting the rights of a lopsided and innocent majority. Further infuriating is the ongoing and absolute refusal to even comment in the face of the substantive allegations.

The behavior of the regulators does nothing but further convince me that this COMEX silver manipulation is way beyond being very serious, to the point of confirming the Code Red emergency I see in place. Some claim to see this in other commodities as well, but it looks remarkably-unique to silver as far as I can tell. Unfortunately, we are experiencing the price take down before the explosion version of the two possible outcomes (the other being the explode straightaway version) but one out of two isnâ??t bad.

All the while, the drumbeat of the physical silver shortage grows louder daily and there is no way in this world that a physical shortage created by an artificially- suppressed price can be resolved by continued suppressed prices. My main conviction all along is that when silver makes its real move higher, it will not and cannot be in the typical free market pattern of two steps up and one step back on the way to $50 or $100 or beyond â?? it must be of the Bing-bam boom variety. Recognizing that is far more important than trying to predict the precise timing â?? which is close enough in the total scope of things.

Ted Butler

August 5, 2023

Silver – $23.70Â Â Â Â (200-day ma – $23.11, 50-day ma – $23.85, 100-day ma – $24.12)

Gold – $1978Â Â Â Â Â Â Â (200-day ma – $1894, 50-day ma – $1959, 100-day ma – $1979)

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