December 11, 2021 – Weekly Review

For the fourth straight week, gold and silver prices finished lower in the same manner of the recent decline, namely, with gold down marginally by $1 and with silver ending down a much sharper 35 cents (1.6%). Â Not coincidentally, the relative weakness in silver caused the silver/gold price ratio to further widen out, this week by more than a full point to 80.3 to 1.

This puts the ratio back to the extremes of September and for a full year. Interestingly, the extreme undervaluation of silver relative to gold back in September coincided with a rally in silver prices of $4 and based upon COMEX market structure considerations and everything that is going on in the world, it appears near-certain to me that we are on the cusp of a similar rally that will be disappointing if it is limited to $4 this time around.

The price action in gold and silver this week seemed other-worldly when considering developments in the real world. Who among us would have expected that a year ago, exploding inflation rates not seen in 40 years and with asset prices of all stripes at all-time record highs and for gold and silver to be down for the year? Certainly, this is not the precious metals market following any script Iâ??ve seen laid out over the years â?? of course, except one â?? the script that holds that silver and gold prices are set on the COMEX based upon paper positioning between the commercials and the managed money technical funds.

Among the major developments this week in that regard was a surprisingly bullish COT report in both silver and gold, which went a long way to explaining the budding mystery of whether the managed money technical funds would sell short and return to being the enablers in the ongoing COMEX price manipulation/scam. The quick answer is that the technical funds reverted to being the patsies in silver, but not in gold.

For the prior two COT reports, the absence of technical fund shorting stood out like a sore thumb, prompting me to tentatively detect a potential shift in the destructive (to themselves) behavior of the technical funds for short selling into sharp price declines. Heavy new technical fund shorting in silver in this weekâ??s COT report went a long way to suggesting these palookas havenâ??t learned much. Iâ??ll go over the details in a moment, but I would like to make a point I donâ??t think Iâ??ve made before.

While itâ??s abundantly clear to any objective observer that paper contract positioning on the COMEX is the main price driver for silver and gold, the exquisitely detailed facts in the COT reports go a long way to explaining the positioning contest between the commercials and the managed money technical funds in a way that continues to amaze me.

For instance, while it is (or should be) well-known that the technical funds have never collectively done anything but lose whenever they have put on heavy short positions (like they are doing now in silver), the matter of which commercials are administering the punishment to the tech funds is lessunderstood. The technical funds are homogenous in that they all operate under the same faultyplaybook of selling short deep into a price hole and moving average penetrations. However, it is amistake to assume that the commercials which rig prices lower to buy from the technical funds goingshort are also innocently homogenous.

Simply put, it has been the raptors (the smaller commercials apart from the big 4 and 8 commercial shorts) which have been kicking the snot out of the technical funds at every turn â?? and not the 8 big commercial shorts. The proof of this lies in the COT data, which indicate that on the $3.5 drop in silver prices over the last four COT reporting weeks, the raptors have taken the technical funds to the woodshed as they have accounted for 100% of the 22,000 net contracts (110 million oz) of the total commercial buying since Nov 16. Over this time, the 8 big silver shorts havenâ??t reduced (or increased) their short positions in any notable manner. What does this mean?

What it means to me is that the smaller commercials have been running the COMEX price scam of late and not the big 8. Please donâ??t misunderstand what I am saying â?? of course, it is outrageous and manipulative to price that the 8 big shorts in COMEX silver hold the largest concentrated short position of any commodity in real world production terms and without this position no manipulation would be possible. But if youâ??re looking for who rigged silver prices lower over the past month, then look at the raptors, as they were the sole buyers to the technical funds and other speculative selling.

As far as whatâ??s in it for the raptors, the answer is dough, re, mi. I would estimate (based upon past performance) that the raptors will likely make around $1 an oz or more on the 20,000+ contracts of silver that have just bought or at least $100 million and maybe a lot more. Divvied up by the 20 or so raptors running this short-term trading scam, thatâ??s a decent payday, especially since it gets repeated over and over. In other words, silver dropped by three and half dollars because the raptors tricked the technical funds and other speculators into selling â?? while the big 8 stood aside.

A couple of points. While this raptor-led price drop did benefit the 8 big shorts in terms of temporarily reducing their overall total loss, the big 8 silver shorts werenâ??t able to buy back a single short contract, again according to COT data. So, the idea that the big 8 silver shorts are reducing their concentrated short position is not borne out in the data.

More importantly, hereâ??s where the CFTC and the CME Group are particularly negligent and culpable for allowing this market travesty to continue. For heavens sake, Iâ??m basing all this on data from the CFTC (and CME). If I can see it â?? how can they not see it? (Yes, I know the answer is not wishing to see it). Itâ??s not possible that the raptors â?? who pull this off repeatedly – are not acting in collusion, which is against every tenet of commodity law. I challenge anyone to try and come up with an explanation for the data which doesnâ??t include collusion.

While some of the details are off a bit (in my opinion) in the growing Internet clamor against a COMEX silver manipulation, the groundswell is spot on, as nothing else comes remotely close to explaining the ridiculously cheap price of silver away from artificial and uneconomic paper positioning on the COMEX. The news this week that another commissioner will be resigning from the CFTC (leaving only one member on what is supposed to be a five-member body) may not be related to the growing scandal of the COMEX silver manipulation, but stepping into what looks to be a genuine mess at some point for the regulator isnâ??t exactly an attractive prospect for new members either.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to 4.4 million oz this, quite close to the weekly average over the past decade, despite no movement at all yesterday. Total COMEX silver inventories remained unchanged at 354.6 million oz, while holdings in the JPMorgan COMEX silver warehouse increased by 0.6 million oz (one standard truckload) to 181.8 million oz.

Total holdings in the COMEX gold warehouses grew by 0.3 million oz to 34.2 million oz, with the JPMorgan gold warehouse accounting for about half the total increase and now holding 13.08 million oz.

Total deliveries on the expiring December COMEX gold and silver contracts are now at the second highest delivery totals in both gold (33,196 contracts or 3.32 million oz) and silver (8450 contracts or 42.3 million oz). Not much change in the big issuers/stoppers, with Bank of America still the largest issuer of gold and silver deliveries form its house account and with JPMorgan the biggest stopper of each, mostly for customers. I still consider it a plus that JPM hasnâ??t issued many gold contracts from its house account and none for silver.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

There were some marginal net deposits in world gold and silver ETFs this week, along with some decent daily changes in SLV (although I am hesitant to use the word â??movementâ?• in the same sense I use the word when describing COMEX silver warehouse movement). A counterintuitive 3 million oz deposit in SLV mid-week was likely due to a move to reduce the short position or the purchase by a big player â?? both of which I would consider bullish.

Speaking of the short position in SLV, the new short report for positions held as of Nov 30, revealed a slight reduction of 1.1 million shares to 26.9 million shares (ounces). Reductions are always better than increases and weâ??re now down about 11 million shares from the recent top of 38 million shares. I would still consider the short position in SLV to be too high and manipulative to price. That said, I canâ??t help but continue to believe that the short position is fundamentally bullish for future prices as I believe the short position exists because physical silver is not readily available.

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

Turning to yesterdayâ??s COT report, there is no question that it was quite bullish for both gold and silver, more so than I was expecting (always said with great relief). I did have an expectation of managed money selling and commercial buying, since both gold and silver prices remaining below all three key moving averages, but the actual amounts were more than encouraging. I donâ??t know how to feel about my budding expectations that the technical funds might be wising up in silver, because clearly, they havenâ??t.

In COMEX gold futures, the commercials reduced their total net short position by 13,000 contracts to 245,600 contracts, the third straight week of notable commercial buying. By commercials categories, the big 4 bought back 3800 shorts and now hold a short position of 140,305 contracts (14.3 million oz). The next 5 thru 8 largest commercials shorts bought back around 500 shorts and the big 8 are now net short 237,670 contracts (23.8 million oz). The raptors, the smaller commercials, once again did the heavy lifting in buying back 8700 short contracts, reducing their net short position to 7900 contracts.

As I described earlier in silver, the gold raptors have been the outstanding buyers on the $100 price drop since Nov 16, accounting for 30,000 contracts of the 42,000 commercial short contracts bought back and covered over this time. I canâ??t even conceive how this could be accomplished without collusion among the raptors

On the managed money side of gold, these traders sold 11,344 net contracts, consisting of the sale and liquidation of 12,402 longs and the buyback and covering of 1058 short contracts (I guess the technical funds didnâ??t get the office memo to add shorts that was circulated in silver). Â I would note that on the $100 price drop since Nov 16 and on which the commercials bought 42,000 short contracts back, the managed money traders were even bigger sellers, in selling 60,000 net contracts.

There was an increase of about 2600 contracts in the concentrated long position of the 4 largest gold longs, prompting me to increase the long position of the gold whale up to 40,000 contracts (4 million oz). I would note tht the slight increase did come with the lowest gold prices in a month, suggesting the gold whale is sitting tight and appears to be in it for the long haul. However, Iâ??m still of a mind that the gold whaleâ??s position will not increase substantially from here, to avoid regulatory backlash.

In COMEX silver futures, the commercials reduced their total net short position by a hefty 8900 contracts to 43,100 contracts. Actually, there was little real commercial short covering per se, as the big 4 added just under 500 new shorts and now hold 47,390 contracts short (237 million oz). The next 5 thru 8 largest shorts bought back around 400 shorts and the big 8 short position amounted to 64,189 contracts (321 million oz). The raptors did all the buying in adding 8800 new longs to a net long position amounting to 21,000 net contracts as of Tuesday.

On the managed money side of things in silver, these traders sold a very hefty 9859 net contracts (49+ million oz), comprised of by 1458 contracts of long liquidation and the remarkably large sale of 8401 short contracts. The sale in one week of close to 50 million oz by a small number of traders classified as speculators, should answer any questions as to why silver prices fell when everything in the real world indicated that prices should have risen.

Also, make no mistake, the market structures in gold and silver are now resoundingly bullish, as result of the price drops and positioning changes. Can the positioning changes get even better amid further price declines? I suppose, but not to some great degree.

Please know that there are few laws and regulations that can protect against traders doing stupid things (such as consistently shorting and always losing when shorting into silver price holes) and if it was strictly a case of just simple bone-headed stupidity (doing the same thing with never a positive result) then perhaps the regulators should continue to stand aside.

But this is very different because the stupid repetitive actions of the technical funds shorting silver into a price hole is responsible for prices being manipulated lower. The clear fact that a few commercials (the raptors) which are inducing the nitwit technical funds into shorting are doing so in a collusive manner just raises the regulatory stakes.

Look, if the collusive raptors and nitwit technical funds were engaged in a crooked contest that involved them alone, then perhaps, no big deal. But the fact is that this crooked game on the COMEX is holding everyone in the world of silver, producers and consumers and investors hostage. There are no adequate words to fully describe just how wrong this is or how complicit are the regulators for allowing this to continue for as long as it has â?? nearly 4 decades by my reckoning. Hereâ??s an easy prediction â?? the growing wrath of collective opinion against the COMEX and the CFTC will do nothing but increase until this long-running scam is terminated.

Of course, thereâ??s a very positive side to this hoodwinking of the technical funds into shorting silver by the raptors in that it virtually guarantees a rally whenever the technical funds exhaust their capacity to add shorts. When, not if that point comes, then all the added shorts are converted into buying of a type Iâ??ve often referred to as rocket fuel, because the technical fund shorts are bought back with greater urgency than they were originally sold. Then itâ??s a matter of how much the raptors choose to extract from the short-covering technical funds.

Considering there was likely additional technical fund shorting on Thursday and into Friday, we are much closer to exhausting the capacity of the technical funds to add silver shorts, but in truth, this is something known for sure only after the upturn in price has begun.

Once again, with the developing physical shortage in silver (along with many other commodities), the continued artificially-suppressed price is exactly the absolute wrong prescription under the law of supply and demand and will only aggravate the developing shortage. The stuff is going to hit the fan at some point and the mess will be greater the longer this price scam continues. By â??hitting the fan,â?• I mean silver prices exploding upward.

The near-unchanged gold price this week, coupled with the decline in silver prices reduced the total loss to the 8 big shorts by about $150 million since last Friday, to just over $8.1 billion. Again, the raptors have been running the show of late, with the big 8 forced to sit pat for the time being.

Ted Butler

December 11, 2021

Silver – $22.21Â Â Â (200 day ma – $25.06, 50 day ma – $23.57, 100 day ma – $23.70)

Gold – $1783Â Â Â Â Â Â (200 day ma – $1792, 50 day ma – $1796, 100 day ma – $1791)

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