December 22, 2021 – Tastes Great, No Less Filling

Hard as it is for me to believe, itâ??s been nearly 50 years since the introduction of that tongue-in-cheek advertising campaign for Miller Light beer, which featured a variety of skits in which characters argued what was better about the beer â?? the fact that it tasted great or was less filling calorie-wise. It was a clever ad campaign, but truth be told, I found it repetitive and somewhat annoying.

Still, Iâ??m reminded of the old ad campaign whenever I digest the different reasons for why investors choose to buy and hold silver. Some choose silver because they feel itâ??s a good hedge against inflation and the loss of purchasing power and I can certainly sympathize with that. Others choose silver as insurance against a systemic financial collapse or extreme distress in financial markets, also something hard for me to argue with. Still others choose silver because it has been considered money for thousands of years.

My own reason for continuing to buy and hold silver is because it is a vital industrial metal destined to soar in price due both to an inevitable physical shortage, compounded by a wave of investment buying â?? plus the fact that its price has been artificially suppressed on the COMEX for decades. Accordingly, I study these aspects of the silver market closely. As always, we all form our own beliefs and convictions based upon our own particular backgrounds and life experiences.

Whatever the reasons may be for why someone chooses to buy and hold silver, the net result is the same, namely, the purchase of silver contributes mightily to the ultimate outcome of sharply higher prices. While it does appear that what I am convinced has been a collusive effort on the part of a few large paper traders on the COMEX to keep prices from soaring may appear successful to this point, a closer examination reveals some real financial distress suggesting their price control is weakening. After all, silver prices are nearly five times higher than they were when I first began pounding on the table for its purchase and the recognition that silver prices have been manipulated is more widespread than ever before. Efforts by those to deny a silver price manipulation exist are increasingly falling on deaf ears.

The most persuasive evidence of all that we may be quite close to soaring silver prices are the actions of what was the former ringleader of the COMEX silver shorts, JPMorgan. Since stepping in and taking over the massive Bear Stearnsâ?? short positions in silver and gold in 2008, JPMorgan had an epiphany in the run up in silver prices to $50 in 2011 and decided then and there to buy as much physical silver (and gold) as it and its affiliates could. It put its plan into action and for the next near-10 years did just that, acquiring more than a billion ounces of physical silver in a variety of ways I have described since 2013.

Now that JPMorgan is fully-positioned with no short positions, loaded to the gills with physical silver and gold and has put its legal house in order with the Justice Dept and the CFTC, it is in perfect position to reap the rewards of its physical metalsâ?? accumulation. While I believe that JPMorgan undertook highly illegal means to acquire its physical metal stockpile and I have faced absolutely no blowback from it to my highly public allegations of same, that matters little at this time.

What matters most is that JPMorgan is the absolute master of the financial world and it has put its stamp of approval on what has been my mantra for decades and has bought all the physical silver it is capable of buying â?? simply because there is so little left to buy. This should be evident in the persistently high premiums on just about all forms of silver â?? a sure sign of impending shortage. Iâ??m convinced JPMorgan would buy even greater quantities of physical silver if it were available for purchase. Quite literally, JPM has too much buying power to attempt further significant silver purchases.Â This is one instance of having too much buying power being impractical, something not typically applicable to other investors. Â Â JPMorgan has topped off its silver tank â?? have you?

The most ironic aspect to the many reasons why investors have been buying and holding silver is that it doesnâ??t really matter what the reasons are â?? in a very real sense, there are no invalid reasons. The only bad choice is not to buy at all. Yes, itâ??s quite true that the price can sit like a lump or decline for what seem like interminably extended periods of time â?? but thatâ??s a function of the ongoing price suppression.

It has now been a year and a half since silver ran up to what was an eight-year high last August against a continuous backdrop of nothing but bullish developments. But thatâ??s just the nature of manipulation and artificial price suppression â?? silver sits for incredibly long periods of time and then suddenly erupts upward in words (not mine) I remember reading in 1987 on such an occasion, like a â??wild bull on the Pampasâ?•. This latest year and a half of price stagnation and suppression seems interminable, except when compared to earlier periods which lasted, quite literally, at clips of a decade or longer.

I will admit that the reason this latest year and half period of price stagnation seems so long is that prior periods of silver price suppression didnâ??t feature the level of recognition of the manipulation, as well as the amount of unending bullish developments as this time around. Â It has actually gotten to the point where more observers and investors than ever know the price is manipulated and it is that collective knowledge that has increased the impatience with the current stagnation. But considering this objectively only leads to the conclusion that we are much closer to the completion of the inevitable resolution than we ever were.

No one would argue that it wouldnâ??t be infinitely better to be on board with silver before the manipulation ends and prices explode than afterwards. The fact that we are much closer to the manipulationâ??s end makes this time the best time ever to be fully onboard â?? and the fact that silver price is close to the lowest level it has been over the last year and a half only sweetens the opportunity.

Turning to other developments, there was an interesting article in the Wall Street Journal this week on a study done by two finance professors from MIT and the London School of Economics which indicated that 0.01 percent of the worldâ??s 114 million holders of Bitcoin held 27% of the total amount of all Bitcoins or more than 5 million coins worth upwards of $232 billion.

https://www.wsj.com/articles/bitcoins-one-percent-controls-lions-share-of-the-cryptocurrencys-wealth-11639996204

By way of comparison, much is made (and rightly so, in my opinion) of the growing wealth inequality in the US, where the richest one percent hold close to 27% of total wealth. Therefore, the degree of concentrated ownership in Bitcoin is ten times greater than in the total wealth percentages. The authors of the article conclude that in addition to the obvious fact that most of the gains in Bitcoin are going to the largest holders, the extreme degree of concentrated ownership raises concerns of systemic risk to the Bitcoin network.

As I believe you know, concentration is my main concern when it comes to the silver manipulation, where the concentrated holdings of the 4 largest short holders on the COMEX hold a disproportionately larger short position than in any other commodity on a real-world production and consumption basis. Â Worse, there is very little, if any evidence indicating the excessively large short silver position is held for any legitimate economic purpose, other than the highly illegitimate purpose of suppressing prices.

Therefore, I was encouraged to see the finance professors focus in on the concentrated long position in Bitcoin, as it is the polar opposite position in silver. In Bitcoin, the extremely concentrated long position enables an upside price manipulation, whereas in silver, the concentrated short position points to a downside price manipulation. What, if anything, the regulators ever do about either is debatable (not so much in silver, where the answer is nothing), but the main takeaway for me is the concern over systemic risk. Simply put, concentration infers price manipulation and any time there is price manipulation the issue then becomes systemic risk.

In the case of silver, the systemic risk involves what happens when (not if) the big COMEX short manipulators lose control. Yes, I know that silver prices will then explode, but at what cost to the manipulators and the system? What makes me concerned that the regulators and the system are not fully-prepared for the end of the manipulation is the extreme degree of â??radio-silenceâ?• exhibited by them in the face of ever-increasing public calls to end, or at least explain why the concentrated short position in silver isnâ??t what it appears to be.

Finally, in the outside reading department, there was an interesting take on current financial market considerations, which included crypto-currencies, in the form of an interview with a venture capitalist who weathered past stock market crashes in 2000 and 2007.

https://www.vice.com/en/article/7kbx9b/the-to-the-moon-crash-is-coming

Here, too, I am struck by what appears to be a polar opposite comparison between overvaluations in stocks, cryptoâ??s and other assets and the extreme undervaluation in silver. Certainly, no one has been plowing into silver simply because it went up sharply in price, a common feature with just about everything else. One can call silver many things, I suppose, but being in a bubble isnâ??t one of those things.

Getting back to silver-specific developments, due to holidays and a delay in the next two COT reports until Mondays instead of Fridays, plus the fact that this Saturday in Christmas Day, I wonâ??t publish the weekly review that day, but on Monday. I havenâ??t decided if Iâ??ll follow that timetable for the next week for the New Yearâ??s holiday, but will announce that next week. Also, no trading on this Friday (Christmas Eve), but there will be regular trading on the following Friday, New Yearâ??s Eve.

As for what to expect in next Mondayâ??s COT report for positions held as of yesterdayâ??s cutoff, I think there were plenty of positioning changes over the course of the reporting week, but it may have been one of those weeks where the positioning changes largely evened out. Last Wednesday featured a sharp selloff in both silver and gold, in which silver fell to price lows not seen in a year and a half and gold to two-month lows. Based upon positioning changes up through the day before and indicated in last weekâ??s COT report, I would imagine a fair amount of new managed money shorting took place last Wednesday. Later that day and into Thursday, gold and silver prices rallied (coinciding with Fed announcements) and I would imagine the rallies involved manage money short covering in both markets.

Therefore, the COT report to be published next Monday is hard to call since I sense the managed money short selling on Wednesday was subsequently offset, making net position change predictions too difficult to quantify – at least for me. However, not much overall change would be bullish since the market structure going into this reporting week was quite bullish to begin with.

It has now been a full month since I wrote on Nov 23 â??From Bear to Bullâ?•, in which I opined that the sharp selloff over two days had largely eliminated the bulk of a further downside selloff (silver closed at $23.50 and gold at $1789 that day). I was off quite a bit in silver, as prices went on to fall two dollars more, before recovering to be down less than a dollar today. I was closer on gold, as prices fell much less and are a bit higher today than they were on Nov 23.

Of course, itâ??s still too early to definitively conclude that the price lows are in, but I am still of that mind. It will likely take new price lows for additional managed money shorting to occur, although with silver still below its key moving averages, it is possible for such new shorting to take place on slightly higher prices as well. As always, existing managed money short positions should be considered as future buying power akin to rocket fuel.

The most remarkable feature to this year has been the fact that for a year with more bullish developments than I could have imagined at the start of the year, including the formation of a grassroots movement dedicated to the purchase of physical silver that has accounted for many tens of millions of ounces being bought than could reasonably be conceived, that the price fell by more than $5 (18%) at the extreme lows. I tentatively plan on a review of the year next week, but how any reasonable person could look at this and not conclude that something or someone wasnâ??t deliberately messing with the price is beyond me.

At the time of publishing this article, and with gold and silver up a bit since Fridayâ??s close, the 8 big shortsâ?? total loss increased by around $200 million to $8.7 billion.

As a reminder, no report on Saturday, Christmas Day, with the weekly review and new COT report analysis due late Monday, Dec 27, around 6 PM, EST.

Best wishes to all for a very Merry Christmas and the best of the holidays.

Ted Butler

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Silver – $22.75Â Â Â (200 day ma – $24.93, 50 day ma – $23.53, 100 day ma – $23.49)

Gold – $1803 Â Â Â Â Â Â Â (200 day ma – $1795, 50 day ma – $1800, 100 day ma – $1790)

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