

December 24, 2022 – Weekly Review

In a trading week featuring both fairly sharp ups and downs, prices managed to close higher; with gold ending up by \$3 (0.2%) and with silver finishing higher by 52 cents (2.2%).

As a result of silver's relative outperformance, the silver/gold price ratio tightened in by a point and a half to 75.5 to 1; by a hair, the strongest silver has been relative to gold in about nine months back to when the absolute price of each was at the highs for the year. In a world that appears to make less sense daily in many ways, it's nice to see something that does make sense, namely, silver showing signs that it might be starting to throw off the shackles of the COMEX price manipulation it has been bound by for decades.

There were a good number of developments this week, some of which I'll touch on, away from the continuing drama in silver physical dealings and paper positioning on the COMEX, so let me dig right in.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued to amaze, as this week's movement surged to 10.2 million oz, the highest in 11 weeks. Total COMEX silver inventories rose by 0.9 million oz to 298.7 million oz, meaning that the actual movement exceeded the net change by more than 11 times. The holdings in the JPMorgan COMEX silver warehouse fell by 1.1 million oz to 148.6 million oz.

I know I beat this physical turnover issue to death, but the truth is that I don't do so strongly enough so let me take another whack at it. Yes, a 10.2 million oz physical movement (no paper shuffling included) comes to 530 million oz when annualized and that is the equivalent of more the 60% of annual world mine production. And yes, a 10.2 million oz weekly turnover, when annualized is a 175% turnover rate for the roughly 300 million total oz in the COMEX warehouses an unheard-of rate for any commodity. And yes, no other commodity on the face of the earth has anywhere close to the same physical turnover rate as does silver in the COMEX warehouses and this has been true for more than a decade and the turnover rate in COMEX silver is actually accelerating over the past several months. But what does this all mean?

First, it means we're running out of silver in wholesale quantities (1000 oz bar form). Most attention is placed on the level of total inventories on the COMEX, or of registered silver and I understand this. In fact, the attention paid to the actual levels of silver remaining or the turnover (in my case) are both aimed at getting to the answer to the real underlying question how much actual silver is available on the COMEX (or in the silver ETFs) until we run completely out of stock?

What everyone is looking for (myself included) is the statistical report that dictates definitively the actual remaining amount of silver available for delivery the level at which there is no more and prices have to explode. That would sure make things nice and easy. Of course, such a data report is an impossible dream and I doubt the statistical keepers at the COMEX could ever know, no less would ever publish such data.

Because the report we would all love to see doesn't and cannot exist, we are forced to uncover related data in the hopes that will tell us what we seek to know. Looking at declining total and registered levels is very logical. But even more so is looking at the turnover for the simple reason that, because so much investment silver is held in the COMEX warehouses, that investment silver must be

subtracted from the total or registered/eligible categories to get down to the elusive answer to the question of when do we hit zero in available silver supplies. Same goes for the silver ETFs, principally SLV.

Of the 300 million oz in total COMEX warehouse silver holdings, long-term investment holdings, in my opinion, are at least 250 million oz and, perhaps a lot more — meaning a lot less than 50 million oz — perhaps as little as a few million oz remains available at current prices. So, here's the real shocker — if truly available silver on the COMEX is less than 50, 10 or less than 5 million oz, as I believe to be the case, what the heck does that do to the physical turnover rate I just wrote about?

This week's actual physical turnover of more than 10 million oz is a 175% annualized rate on the 300 million oz total level of COMEX inventories, but doing the same calculation on what may be a 50, 10 or 5 million oz actual level of remaining — working — inventories (minus investment holdings) sends the turnover rate so high as to be almost incomprehensible — kind of like trying to imagine how hot the surface of the sun is in degrees Fahrenheit or Celsius.

What I'm saying is that the actual rate of the physical silver turnover on the COMEX is so much greater than I have represented so as to defy comprehension. The next question must be — how can silver prices be so contained in the face of this easily confirmed public data? What else could it possibly be other than a decades-long price manipulation?

Along with the incredible physical turnover, we are at the end of the what has to be the tightest delivery process in the December silver COMEX contract I have ever witnessed. It certainly wasn't that the number of contracts delivered to date was large, as less than 4700 total deliveries (23.5 million oz), definitely on the low side historically, have been issued. It was more the — stickiness — of the delivery process — akin to pulling teeth, and there looks to be 200 contracts (one million oz) still to go.

The last 1000 contracts or more contracts — issued have come, grudgingly, from BMO Capital Markets (Bank of Montreal), not a typical silver issuer and, therefore, a pretty good candidate as a replacement for the former big bank shorts which still appear to have fled the coop on the short side. — Taken together with the intensifying physical turnover in the COMEX warehouses, BMO's emergence as a short and issuer of silver deliveries implies to me it was somehow snookered into its current role.

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

The flow of physical metal in the gold and silver ETFs stabilized this week, with the standout feature being a 4 million oz turnover, but no big net change in the silver holdings in SLV, the big silver ETF, very much in line with my recent take that the physical silver turnover — madness — in the COMEX warehouses has definitely spread to SLV and other silver ETFs. A big exception is the PSLV, where there were notable inflows this week, confirming net investor buying and meaning to me that any silver removed from SLV or other silver ETFs did not reflect net investor selling, but a greater urgency for silver elsewhere. If silver investors are buying consistently in one silver ETF, it is most likely they are buying, not selling in other silver ETFs. (In the interest of full disclosure, I did add some PSLV to my wife's retirement account as a result of a yearend contribution with no sales of anything else, like SLV).

Yesterday's new Commitments of Traders (COT) report looked a little disappointing at first in silver, but after considering things more fully, my sense of disappointment waned. This was a tough reporting

week to call, in that after chopping around, mostly lower over the first four trading days, gold and silver prices surged higher on the Tuesday cutoff.

That there was much more managed money buying in silver than there was in gold is understandable in hindsight, given that the price rise in silver over the past few weeks has been stronger than in gold, to the point where on the cutoff day silver's price was close to \$3 above its 200-day moving average, whereas gold penetrated its 200-day moving average much less decisively.

In COMEX gold futures, the commercials increased their total net short position by 4000 contracts to 142,500 contracts. This is the largest commercial net short position since August (when prices were close to where we are now), but all things considered, doesn't strike me as bearish, particularly on a historical basis. The 4 big shorts did add around 4300 new shorts (more than the total increase) and are now short 128,813 contracts (12.9 million oz), while the next 5 thru 8 largest shorts added another 1200 new shorts (after buying back 3200 shorts last week). The big 8 short position rose by 5500 contracts to 209,157 contracts (20.9 million oz).

Quite notably, the gold raptors, the smaller commercials (but not that small) apart from the big 8, added 1500 new longs to a net long position amounting to 66,700 contracts. Never (except very recently) have the gold raptors been this large net long with this large of a big 8 short position pointing to some rather strange developments in the commercial community. Combined with the stunning change in the composition of the 4 and 8 big shorts, as revealed in the Bank Participation report a few weeks back and I see nothing that has changed those revelations to date and rather strange is an extreme understatement.

On the managed money side of gold, these traders bought only 1646 net contracts, consisting of the new purchase of 1076 longs and the buyback and covering of 570 short contracts. Therefore, there was little change in the managed money net long position, now at 39,095 contracts (104,813 longs versus 65,718 shorts). This is well up from the net short position of 40,000 contracts at the price lows of early-November, but on a longer-term basis, still leaves much greater room for further managed money buying. Explaining the difference between what the commercial sold and the managed money traders bought was net buying by the other large reporting traders and the smaller non-reporting traders.

In COMEX silver futures, the commercials increased their total net short position by 4500 contracts, to 40,300 contracts. All three commercial categories (according to how I break them down) were sellers, with the big 4 the lightest of all, as these traders added just 500 shorts to a net short position amounting to 43,308 contracts (217 million oz). The next 5 thru 8 largest shorts added another 1500 new shorts and the big 8 short position rose to 64,898 contracts (325 million oz). The raptors were the biggest sellers of all, in liquidating 2500 longs and reducing their net long position to 24,600 contracts.

All in all, the commercial selling wasn't that excessive, in light of the dollar+ price move higher on the cutoff date, which also set new multi-months highs. And as was the case in gold, I see nothing in this COT report or the ones issued since the Dec 6 Bank Participation report that undermines the premise that the composition of the big commercial shorts has changed and that the former biggest shorts are not the same ones as are short now.

The managed money traders were very large buyers in silver, as they bought 8233 net contracts, consisting of the purchase of 4779 new longs and the buyback and covering of 3454 short contracts.

That's a cool 41 million oz equivalent silver. The resultant managed money net long position increased by that amount and now stands at 27,931 contracts (45,659 longs versus 17,728 shorts). Since the price lows of late Oct- early Nov in which silver prices rose more than \$5, the managed money traders bought close to 35,000 net silver contracts or the equivalent of 175 million oz. Even more remarkable is that this level of buying was fully expected and preordained.

Explaining the difference between what the commercials sold and the near-doubling of that in what the managed money traders bought, was notable selling by the other large reporting traders of nearly 1300 net contracts (mostly in the form of new shorting) and net selling by the smaller non-reporting traders of more than 2400 contracts (also mostly new shorting). This selling is what allowed the commercials to sell close to only half of what the managed money traders bought.

I find it interesting and instructive that the other large reporting traders in silver now hold their smallest gross long position in seven years, and that the smaller non-reporting traders are as little net long (11,000 contracts) as they are, in light of the strong silver rally over the past six or seven weeks. What this means to me is that many speculative silver traders on the COMEX do not trust or believe in the silver move of late. From a contrarian sentiment perspective, I find that bullish. That's not to say the collusive and crooked commercials on the COMEX can't rig sharp selloffs and temporarily reward the speculative traders which are quite light on the long side, but it's very doubtful it will be the speculative traders arranging any rigged selloff.

Since the COT and Bank Participation reports of Dec 6, in which I detected a "sea change" in the composition of the biggest shorts, in that the former big bank shorts weren't participating as they had previously on the short side, I've looked for evidence those former big shorts had resumed heavy short selling. Through this COT report, the third since Dec 6, no such evidence seems apparent. Since Dec 6 through this past Tuesday, silver has risen by more than \$2 and gold by \$50, while the total net commercial short position in silver rose by 8000 contracts and the total net commercial short position in gold rose by 12,400 contracts, not especially large amounts in relation to the price moves.

More importantly, of the 8000-contract increase in the total commercial net short silver position, the raptors accounted for 6500 contracts, as they sold that many longs, while the 8 biggest silver shorts accounted for the balance, in adding 1500 new shorts (with the big 4 actually buying back 200 short contracts over this time).

In gold, of the 12,400-contract increase in the total commercial net short position since Dec 6, the raptors accounted for 8800 contracts of the total increase in liquidating longs (raptor long liquidation results in an increase in total commercial shorts). Therefore, the 8 big shorts in gold only added 3600 new shorts on the \$50 price rally over the past three weeks -- not at all close to the aggressive new short selling that has always doomed all past gold and silver rallies over the decades. So, in addition to the stark change in the composition of the commercial traders on the short side of COMEX gold and silver from previous times, these new commercial traders aren't anywhere near as aggressive in adding shorts as they have been in the past.

Of course, this is a dynamic situation and could change dramatically, but to this point looks like, walks like and quacks a lot like the key feature I've served up for too many years as the sole determinant to the termination of the ongoing COMEX manipulation. I certainly can't guarantee this will continue to play out as it has to this point, but it's sure putting in a darned good imitation to this point. Adding in the remarkable developments on the physical side of silver and it's hard not to be excited.

There were some other notable developments worthy of mention. First, a judge in London, dismissed a lawsuit brought by investment firm AQR against the London Metals Exchange for losses related to the emergency rule changes enacted in the nickel market in early March. However, there are still pending lawsuits against the LME from other investment firms, including Eliot Management and Jane Street Trading. Certainly, I can't see how the dismissal would encourage anyone to continue to trade on the LME.

There were also strong indications that Elon Musk, CEO of Tesla and Twitter, had made gestures of developing an interest in silver, by adding the #WallStreetSilver Twitter account to his small (155) list of "Follows". It certainly seems that Musk has good reason to consider buying silver in some form (metal of mining company) based upon Tesla and his solar power business needing it, and any such announcement could result in new-found interest in silver by others.

In the "giving credit where credit is due" department, a special nod of approval goes out to the CFTC (you heard me right) for its just-announced settlement with Monex, the California precious metals dealer, which engaged in shady leveraged dealings for decades, and which, essentially, cheated innocent investors out of hundreds of millions of dollars. While the monetary damages assigned the company (\$38 million) mostly in the form of restitution for customers damaged is a far cry from what was deserved (being drawn and quartered would have been more appropriate in my opinion), the CFTC did succeed in shutting down future leveraged dealings by Monex, something that should have happened decades ago. A special nod for the perseverance by the agency, as Monex's lawyers were as clever as they come and fought tough and nail, nearly succeeding in getting the case tossed on multiple occasions.

<https://www.cftc.gov/PressRoom/PressReleases/8643-22>

There are not many occasions where I've seen fit to compliment the CFTC and while I'm not expecting it to ever acknowledge the ongoing COMEX silver price manipulation, I do still hold out some hope it may have taken some behind the scenes activity to get the former big bank manipulators to knock it off strictly by signs that may be happening (as described above and recently). It's completely unrealistic to expect that the agency would ever acknowledge how it missed cracking down on the COMEX silver manipulation for the 40 years it has existed, as such an admission would likely doom the agency as it currently exists. That simply can't happen.

Finally, I would draw your attention to an interview this week of Eric Sprott, most likely the premier silver investor of our time (full disclosure, and a long-time subscriber to this service). It's been too long since Eric has shared his thoughts publicly. I'd be lying if I said I wasn't gratified and humbled by his multiple references to me in my very long slog to undo the decades-long silver manipulation. My sense is that the real meaning of his choosing to speak out at this time is that he is nearly bursting at the seams with the bullishness he feels for silver and couldn't contain it any longer. That's a feeling with which I can certainly relate.

<https://www.youtube.com/watch?v=cvnuep4YiD8>

Merry Christmas and Happy Hannukah

Ted Butler

December 24, 2022

Silver – \$23.92 (200 day ma – \$21.29, 50 day ma – \$21.36, 100 day ma – \$20.36)

Gold – \$1806 (200 day ma – \$1792, 50 day ma – \$1737, 100 day ma – \$1732)

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