December 30, 2023 – Weekly Review

In a fitting end to the year as a whole, gold finished higher for the third week running, ending up by $8 (0.4%), while silver ended the week lower by 44 cents (1.8%). It was the second highest weekly close in gold and the highest yearly close in a history that dates backâ?¦.wellâ?¦.to the origins of civilization, some 5000 years ago.

For the year, gold ended $244 (13.3%) higher for the year, while silver ended lower by 27 cents (1.1%). For the week, the silver/gold price ratio widened out by nearly two full points to 86.3 to 1, while for the year the price ratio widened out by 11 full points to just about the highest yearly close ever –Â meaning that at yearend, silver was more undervalued relative to gold than at any year end in history. Iâ??d hate to think how much more undervalued silver could get if it werenâ??t already in widely-documented physical shortage Â – the first ever such physical silver shortage.

If you feel your sense of the correct price/value equation of what things should be worth is somewhat out of kilter when it comes to what the relative and absolute price should be for silver â?? please donâ??t assume that you are missing something obvious and basic in understanding perhaps the greatest price disparity in history â?? that is, if you are not yet convinced that the only possible (not merely plausible) explanation for silverâ??s breathtaking undervaluation is due to the 40-year price suppression/manipulation on the COMEX.

Always on the prowl for what others think of the silver price manipulation, I uncovered a post on X (Twitter) that said, in effect, â??donâ??t tell me anything about a silver manipulation, just tell me how the make money off itâ?•. Well, at the risk of sounding like Captain Obvious, the way to making money off of the silver manipulation is to buy as much as you can reasonably afford (and maybe a little bit more) and wait it out. What else should anyone do with perhaps the most undervalued asset in history?

However, I am quite outraged how anyone could come to dismiss the thought that a purported price manipulation in anything that might exist for 40 years and not be curious, if not similarly outraged, about how that could be true. I know silver is a small market, but that doesnâ??t diminish the significance of whether it has been as suppressed and manipulated as I contend. Let me be clear â?? I want as many as I can convince to buy and hold silver in any variety of legitimate forms for the simple reason that its screaming and artificially-suppressed price should cause them to achieve extraordinarily large profits (myself included).

But thatâ??s a secondary motivation for me, as the idea that I could let something so egregiously-wrong as a 40-year price manipulation exist without doing anything about it is so foreign to my basic makeup as to be unthinkable, particularly since I was blessed with enough experience and knowledge to have recognized it in the first place. Potential profits aside, whatâ??s most important to me is ending the ongoing COMEX silver price manipulation and itâ??s hard for me to accept those who consider the matter to be trivial.

Besides, the forces at play currently in silver just about assure a timely end to the price manipulation, even if those which could have ended it years and decades ago have been utterly spectacular in their failure to have done so. Even more spectacular than the regulatorsâ?? failure to deal with the COMEX silver manipulation has been the never-ending evidence that silver is closer to blowing sky-high in price than ever before. Let me segue to the usual weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses over the holiday-shortened week amounted to a fairly unremarkable 3 million oz, somewhat off the pace of the average weekly movement over the past near-13 years. However, virtually all the movement was of the â??inâ?• variety, as total COMEX silver holdings rose by that same 3 million oz to 277.9 million oz â?? the largest total since August. No change in the JPMorgan COMEX silver warehouse, still stuck at 133.1 million oz. And no response received from the CFTC from my query of Nov 13 about whether there was any double-counting of the 103 million oz in the JPM COMEX warehouse and in SLV, the big silver ETF. Â Monday marks the 7th week I have been awaiting a response.

No change in the total amount of gold held in the COMEX warehouse system, stuck at 20 million oz, as was the holdings in the JPM COMEX gold warehouse, similarly stuck at 7.34 million oz.

Returning to the COMEX silver warehouses, what makes the large increase of 10 million oz over the past three weeks so unusual is that it closely parallels the equally unusual new contract creation and actual delivery in the just-expired COMEX December delivery month. Itâ??s hard not to see the connection between the sharp inflow of physical metal into the COMEX warehouses and the nearly-identical amount of new contract creation and actual delivery (mostly by clients of HSBC).

As I have previously concluded, the connection sure looks like a silver user (users) building up physical inventory, most likely because regular silver deliveries were delayed â?? as investors would be much less concerned about physical delivery delays, than users. I also admit to having expected this behavior for quite some time, given the growing evidence of a deepening physical silver shortage, so maybe Iâ??m reading more into this than necessary. Â However, now there are additional signs of physical shortage Â and user delivery demands in the non-traditional COMEX January silver delivery month.

While weâ??re only two days into the January silver delivery month (meaning there is close to a whole month to go), there have only been 37 total deliveries against close to 1300 contracts (6.5 million oz) still open (with customers of JPMorgan stopping all the contracts delivered so far). Itâ??s always tricky predicting what may transpire over the course of a delivery month after being only two days in, but at this juncture, it sure looks like a continuation of what was just witnessed in the now-expired December contract, namely, continued tightness and likely user demands for physical delivery.

Physical metal flows in the worldâ??s gold ETFs were mostly flat, somewhat befitting the subdued price action. In silver ETFs, there was some withdrawals in SLV, more or less offset by inflows into other silver ETFs. The combined holdings in SLV and in the COMEX silver warehouses rose to 715.2 million oz, up 0.7 million oz from last week and by 15 million oz over the past month â?? keeping (for now) my speculation that we have reached the effective bottom in recorded silver inventory reduction intact. Itâ??s a toss-up as to whether my recently-speculated opinion that silver users are taking delivery on the COMEX would result in physical withdrawals from the COMEX warehouses ahead â?? yes, if they need to use the silver, no, if they are just stockpiling for a rainy day.

The release mid-week of the new short report on securities indicated that the short position on SLV declined slightly, to 17.7 million shares (16.2 million oz), as of the close of business Dec 15.

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

While I consider the recent response from the S.E.C. to my inquiry about possible double-counting of the silver held for SLV in New York by JPMorgan with the silver in the JPM COMEX warehouse to be extremely evasive, I think Iâ??ve mentioned that my previous complaints to the S.E.C. about the excessively large short position in SLV, which peaked at 60 million shares in August 2022, resulted at that time in the same evasive acknowledgement as received on the double-counting of silver inventories. Seeing as the short position in SLV subsequently fell as low as 14 million shares and are now only slightly higher than that, a reasonable person would conclude that the S.E.C. may have worked to reduce the short position in SLV without any clear acknowledgement to me that it had done so. Therefore, despite the CFTC being more â??responsibleâ?• for the possible silver inventory double-counting than the S.E.C., I canâ??t cast any stones against the S.E.C. just yet, based solely on its evasive response.

Turning to yesterdayâ??s new Commitments of Traders (COT) report, we did get the expected deterioration in the form of an increased total commercial short position in both gold and silver (less in gold than expected), but not as much managed money buying as feared in silver and none whatsoever in gold. All in all, this was a better report than expected and the deterioration in silver looks to have been completely erased as a result of the blatant take down in price Thursday and yesterday. As always, the silver lining to silver price selloffs is that the commercials are always net buyers.

In COMEX gold futures, the commercials increased their total net short position by 5300 contracts to 232,300 contracts, yet another year and a half new (bearish) high. First, a quick word on what I mean by â??bearishâ?•. It doesnâ??t mean gold prices must decline sharply from here, although if that were to occur, I can state in advance that collusive COMEX commercial price-rigging will be the sole reason for such a selloff. It is in the commercialsâ?? joint interest for there to be a selloff in gold in which the commercials will buy heavily into. Â Of course, such a selloff is far from guaranteed, particularly considering the many outside bullish factors in gold.

Some good news was found in the commercial selling, in that the 4 largest commercial shorts only increased their short position by 300 contracts to 153,790 contracts (15.4 million oz), less than they held 4 weeks ago. The big 5 thru 8 traders bought back 1300 shorts and the big 8 short position fell to 229,457 contracts (22.9 million oz), also good news. The raptors (the smaller commercials apart from the big 8) sold 6200 net contracts, reversing a small net long position into a small net short position of 2800 contracts, the first time the raptors have been net short since April 2022.

Perhaps the biggest surprise in the gold COT report was that Â the managed money traders were net sellers (along with the commercials) of 1822 gold contracts, consisting of the sale and liquidation of 2896 longs and the buyback and covering of 1074 short contracts. The resultant managed money net long position fell slightly to 106,454 contracts (152,801 longs versus 46,347 shorts). Explaining the how the commercials and the managed money traders could both be net sellers was net buying by the other large reporting traders of Â 8201 gold contracts, including 11,767 new longs and new shorting of 3566 contracts.

In COMEX silver futures, the commercials increased their total net short position by 3800 contracts to 52,600 contracts, the largest short position since July 18 (The Code Red). Fortunately, the raptors were the predominant sellers (as they were in gold), as the big 4 only added less than 200 shorts to

45,204 contracts (226 million oz) and the big 8 short position grew less than 500 contracts to 63,864 contracts. Since I still believe a managed money trader is in the big 5 thru 8 category (to the tune of 3000 contracts), in selling 3300 silver longs, the raptors long position is down to 8,600 contracts or 11,600 contracts, in each case close to the lowest levels of the raptor net long position in years and indicative of not much more potential raptor selling on higher silver prices.

On the managed money side of silver, these traders were net buyers of 1926 contracts, about half of what the commercials sold, consisting of the new purchase of 1615 longs and the buyback and covering of 311 short contracts. The resultant net managed money long position grew to 16,797 contracts (36,546 longs versus 19,749 shorts), still reasonably low considering the decisive upside penetration of silverâ??s key moving averages back on Dec 13 (on the Fed announcement).

Of particular note is the low level of gross managed money longs, 36,546 contracts, still quite low considering the upside breakout of a couple of weeks ago and strengthening my speculation the technical fund longs had gotten so thoroughly whipsawed and maneuvered in and out from positions by the collusive commercials that they are reluctant to plow heavily onto the long side. And I would estimate that Thursday and yesterdayâ??s sharp rigged selloff in silver reduced the ranks of the managed money longs even more (which is bullish).

Explaining the difference between what the commercials sold and the managed money traders bought in silver was net buying of more than 1700 contracts by the smaller non-reporting traders, which pushed the net long position of these smaller traders to 20,759 contracts. This is the largest net long position by the smaller non-reporting traders in nearly three years. Since this category of traders is generally thought to be among the most uniformed of traders, a large long position is typically thought of as negative for future prices. However, Iâ??m not so sure that is the case presently.

Anyone holding less than 150 silver contracts (750,000 oz) is classified as a small non-reporting trader, although a trader holding around 100 contracts (500,000 oz) doesnâ??t seem particularly insignificant to me. Particularly if such a small trader is a user or a number of users seeking physical delivery. Of course, there is no way to ascertain how many silver users may be among the rather large net long position of this category and/or how many may be smaller speculators inclined to sell out on sharp price rig-jobs lower. But it is noteworthy the particular dichotomy that exists in the rather low managed money long position and the rather large non-reporting trader long position. I canâ??t help but wonder if this might be a growing grassroots small trader long position in reaction to the increasing signs of a deepening physical silver shortage.

Most noteworthy of all is, of course, the absolutely putrid price action in silver over the past year and more, on both an absolute basis and relative to its closest comparable asset, gold. Not that there is any legitimate reason for gold not to move higher (away from a potential COMEX paper-positioning smackdown), but when it comes to rock-solid legitimate reasons for silver prices to soar, there are too many to count. In silver, anyone paying the least bit of attention has to be gob- smacked by the lack of explosive price action in the face of documented facts and data demanding same.

I also get the strong feeling that the regulators and major participants (like JPMorgan) are doing everything they can to avoid any discussion about the obvious silver manipulation and to look as disinterested as possible. Illustrating this is the remarkably evasive response I received from the Securities & Exchange Commission and the still-missing response from the CFTC about my quite-specific question about possible double-counting of now critically-low recorded silver inventories.

Longer-term, it is now more than 15 years since the CFTC addressed the issue of a COMEX silver manipulation based upon concentrated short selling. The Commission last responded in May 2008 in a public letterÂ (its second 16-page public letter from one four years earlier). Since then, the cat would seem to have taken the Commissionâ??s tongue for more than 15 years, even though the issue of an ongoing COMEX silver manipulation has only grown more intense.

If it wasnâ??t for the last interview of former commissioner Bart Chilton, who quite shortly before he died in 2020, essentially, spilled the beans and spoke of the hundreds of meetings (include with the Justice Department) the Commission held on the COMEX silver manipulation, centered on JPMorganâ??s dogged recalcitrance Â in not reducing its massively-large and concentrated COMEX silver short position, the outside world would never have known of the true behind the scenes goings-on.

https://www.youtube.com/watch?v=n665orfBOqM

There is no doubt in my mind that the topic of the ongoing COMEX silver manipulation is every bit the current behind-the-scenes regulatory hootenanny it was back in 2008-2009, minus the folk music and dancing. No matter, the law of supply and demand should resolve in silver what the regulators should have resolved decades ago.

In the interim, expect any and everything, including possible sharp selloffs, given the inherent pricing cesspool that is the COMEX, but be assured that this near half-century of silver price rigging is on its last legs. Just donâ??t expect the regulators to step up to the plate with proper action or straight talk â?? that train left the station long ago. Focus instead on not selling too soon when silver gets rolling to the upside.

Hereâ??s to wishing a Happy and Healthy New Year to all.

Ted Butler

December 30, 2023

Silver – $24.03Â (200-day ma – $23.79, 50-day ma – $23.76, 100-day ma – $23.42)

Gold – $2072Â Â Â Â (200-day ma – $1974, 50-day ma – $2014, 100-day ma – $1969)

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