December 6, 2023 – What Happened?

Of course, Iâ??m referring to the wild price ride in gold and silver from Fridays near all-time price high in gold, to Sunday eveningâ??s initial blast to the upside of as much as $60, to a selloff of $120 and to where gold closed trading yesterday lower by more than $50 from where it closed on Friday. Silver fared even worse, up barely 50 cents at the price highs Sunday evening, only to finish yesterday down $1.30 from Fridayâ??s close (and even lower today).

Given the unusual price volatility, there were countless stories seeking to explain what happened. Please accept this as my explanation. As always, the price volatility was the direct result of paper positioning on the COMEX, no more, no less â?? albeit more extreme than usual. As described in the weekly review, from the price lows of early October, gold had rallied by $220 and silver by $4.25 into Nov 28 (the latest COT report), driven higher by the buying of 140,000 net gold contracts (14 million oz) and 29,000 net silver contracts (145 million oz) by the managed money traders (technical funds). Â Continued managed money buying from Nov 28 through last Friday undoubtedly drove gold and silver prices higher into Fridayâ??s even higher close.

As price trend followers, it is natural and customary for the managed money technical fund traders to buy on rising prices (they sell on falling prices). No doubt that they bought heavily Â into Fridayâ??s sharp rally in gold, as the close to near all-time price highs is about the strongest buy signal a technical fund can get. Therefore, it was no surprise that these traders were geared up and in position to buy even more as soon as the COMEX (Globex) trading opened Sunday evening at 6 PM EST. And buy they did, quickly driving gold prices higher by more than $60 to $2152.

Of course, what the managed money traders were buying hand over fist in early trading Sunday evening wasnâ??t actual gold or silver, but were COMEX futures contracts and being derivatives contracts, there had to be an equal number of derivatives contracts sold (also hand over fist) to satisfy the managed money buying. Those sellers were the principal counterparties of the managed money traders â?? the commercials. Since the one category of commercials (the raptors) were holding a net long position down to only 7400 net long contracts on Nov 28, it is simple to conclude that the 20,000 or more new long contracts purchased in early Sunday evening trading by the managed money traders were new short sales by the commercials as a whole.

Early Sunday evening, before prices began to fall, I would estimate that the managed money buying since early October had reached at least 160,000 net gold contracts (16 million oz) and the total commercial net short position had reached at least 240,000 contracts (24 million oz), with practically all those short contracts held by just the 8 largest commercial shorts â?? the largest levels in a year and a half.

At this point, the question of whether we were going into Izzyâ??s full pants down premise of the commercials failing to contain prices for the first time ever and then to begin buying back shorts sending prices even more sharply (and uncontrollably) higher or whether the commercials could turn prices back down became critical. Â It quickly became obvious that the commercials were still in full and manipulative control and soon it was the managed money traders in panic and full retreat â?? yet again.

Iâ??m sticking to the price action in gold, even though silver was manhandled by the commercials even more to the downside, as befitting it being the most manipulated market in the world. I can assure you that the intentional commercial inducing of the managed money traders to buy the maximum number of COMEX gold and silver contracts right up to the peak of prices early Sunday evening and the subsequent pulling of the plug on prices to then induce managed money selling is the full and complete explanation for the wild price action just witnessed. It had nothing to do with the dollar, interest rates, inflation, the deep stateâ??s plan to enslave us all or the 49ers trashing of the Eagles. Itâ??s what the crooked and collusive COMEX commercials always do.

Backing up what I contend is the only true version of what actually happened is the sharp drop in total open interest in both gold and silver when all the dust settled. Both on Monday and yesterday, total open interest in both COMEX gold and silver contracted sharply from the close of trading on Friday, with total gold open interest falling by 22,000 contracts and silver by 5700 contracts from Fridayâ??s close. What this means is that everyone of what I would estimate to have been the 20,000+ new gold contracts bought by the managed money traders early Sunday evening and sold short by the commercials were all liquidated or closed out with losses to the managed money traders and profits to the commercials of as much as $100 or so, some $200 million in total.

Not only were the new buys early Sunday evening so costly to the managed money traders (and profitable to the commercials), since the price declines persisted into Tuesday, there can be no doubt additional losses were taken by the managed money traders which went on to sell long positions established last week â?? otherwise, there wouldnâ??t have been such sharp declines in total open interest Monday and yesterday.

Therefore, the only explanation for what the heck happened from the close of trading on Friday through yesterdayâ??s close was the highly-deliberate positioning of futures contracts on the COMEX, in which the collusive commercials, once again, tricked the managed money traders into first buying high, only to then sell lower a short while later. While some may be quick to credit the commercials as being astute traders â?? always selling high and then buying low â?? a slightly deeper review would reveal that this is at the core of the long-term price manipulation on the COMEX in gold, but particularly in silver, and that is illegal under US commodity law. Â Please let me explain (again).

Since the managed money traders are openly acknowledged as being speculators and their excessive buying and selling is what causes prices to rise and fall, itâ??s easy to cast their pronounced buying and then selling these past few days as excessive speculation â?? which is clearly against US commodity law and the regulators, both the federal regulators, the CFTC, and the designated industry self-regulator, the CME Group, Inc., have been beyond negligent in not cracking down on the excessive speculation by the managed money traders.

The reason for the regulatory negligence in the case of the CFTC, is because to come out now and label the speculative trading by the managed money traders as excessive after 4 decades would make the agency look really bad. In the case of the CME Group, excessive speculation by the managed money traders brings great profits to the organization and no explanation is required as to why it looks the other way.

But as clear as the managed money trading being excessive speculation may be, itâ??s what the commercials are doing that is even worse. Although many still mistakenly believe that the commercials (largely banks and financial institutions) are somehow legitimately hedging in their counterparty positioning against the managed money traders â?? thatâ??s nonsense. The truth is that the commercials are speculating every bit as much as the managed money traders are speculating. The commercials sell when the managed money traders buy and buy when the managed money traders sell to make speculative profits. Hedging has nothing to do with it.

Both the managed money traders and the commercials are engaging in excessive speculation, strictly against the law, with greater blame having to be leveled against the commercials because they are clearly tricking the managed money traders into and out from positions and not vice versa â?? all while the CFTC and CME Group, pretend all is well. All isnâ??t well, as the real losers are everyone outside the private COMEX betting game, which have to live with the artificial prices determined on the COMEX â?? particularly in silver.

None of this is new and I donâ??t intend toÂ spend the rest of this article further describing what just happened. Clearly, the collusive COMEX commercials just won a significant price battle and may very well succeed in a further downside flush out below all the key moving averages. Thatâ??s not a prediction, just an observation based upon what I (and most of us) have witnessed over the past 40 years. Regardless, I want to look ahead and describe what I see as inevitable in silver and the price war that has raged for decades. Conditions in the physical silver market have continued to deepen and that, and that alone, assures the outcome of the price war as being sharply higher prices.

While it is undeniable that COMEX paper positioning has set prices for the past 40 years, it is the deepening physical silver shortage that will determine prices in the end, and from everything I see, the end canâ??t be that far away. Â The 40-year suppression of silver prices has so altered demand (higher) and supply (lower), that even the Silver Institute now acknowledges that the entire annual world mine supply is needed for industrial (non-investment) demand and then some, leaving no new mine supply available for investment. This is a circumstance unprecedented in modern history.

Over the past three years, the growing physical shortage in silver (more demand than supply) has resulted in a dramatic reduction in recorded world inventories. Each week, I highlight the shrinkage in the two largest stockpiles of recorded silver inventories in the world, the COMEX warehouses and in SLV, the largest silver ETF. Together, these two stockpiles represent fully-half (700 million oz) of all the total recorded silver inventories of just under 1.3 billion oz.

Three years ago, the combined silver holdings in the COMEX warehouses and in SLV amounted to 1.1 billion oz, out of the then total recorded inventories of 1.7 billion oz (as of Feb 2, 2021). What I havenâ??t discussed until now is the rate of reduction or shrinkage in recorded world silver inventories. While it is true that both total world silver inventories and the combined holdings in the COMEX warehouses and in SLV have both declined by 400 million oz through today from three years ago, 350 million oz of the decline occurred over the two years at the end of last year, 2022 and with 50 million oz occurring over the balance of this year.

Clearly, the rate of decline in world recorded silver inventories has slowed dramatically this year, despite what the Silver Institute describes as perhaps the tightest supply/demand situation ever insilver and with other reports from them pointing to sharply growing industrial demand for silver for asfar as the eye can see. What could possibly explain the sharp reduction in the rate of decline in thelevel of recorded silver inventories in the face of what can only be termed ever-greater industrialdemand and stagnant to shrinking supply?

The answer to this question is behind what led me to speculate early this year that the combine silver inventories in the COMEX and in SLV, then close to 750 million oz had reached bed-rock bottom levels because it was likely that those remaining inventories were owned by investors that were unlikely to sell at current (or lower) prices. I was both right and wrong. Wrong in that we did fall another 50 million oz to this point, but right that the rate of decline would be sharply reduced. After declining by 350 million oz over the prior two years into the end of 2022, an annual rate of 175 million oz; the rate of decline has fallen to 50 million oz this year.

The reasoning behind my speculation that we were at or close to the bed-rock level of how far recorded silver inventories could fall appears validated, even if my speculation about the actual levels of the inventory shrinkage being off. I guess it comes down to whether those that own the silver on the COMEX and in SLV (and in the other silver ETFs) have any say with when and at what price they will be willing to sell their silver. I believe the actual owners have a lot of say and they are demonstrating an extreme reluctance to parting with their silver at the current ultra-suppressed prices, as seems extremely logical to me.

Therefore, the rate of decline in recorded silver inventories should continue to abate, just as it has done this year. My point is that while the collusive and crooked COMEX commercials may have more price-rigging intentions to induce additional managed money selling, at some point soon that price-rigging will run into the wall of the physical silver shortage reality. And please keep in mind that my dissertation on whatever the actual rock-bottom level of COMEX and SLV silver inventories may be is central to my still-unanswered question of the S.E.C. and CFTC about possible double-counting in these two holdings Â â?? a question requiring little more than a phone call to JPMorgan and maybe a minute or two.

As far as what this weekâ??s new COT report will indicate as of yesterdayâ??s cutoff, while I canâ??t venture a prediction because of the extremely bifurcated price action over the reporting week, I can say something with certainty (and as described above). The managed money traders were massive buyers of new gold longs (less so in silver) early Sunday evening, with the collusive commercials selling short every contract the managed money traders bought. Shortly thereafter, once the managed money traders bought all the gold contracts they could, the commercials then rigged prices lower and turned the managed money traders into massive sellers (which the commercials then bought at prices sharply lower).

How this gets portrayed in Fridayâ??s new COT report is less certain because the report will include managed money buying through last Friday from the previous weekâ??s Tuesday cutoff. There are just too many variables and moving parts to make an accurate prediction for this weekâ??s new report, notwithstanding my certainty about what actually transpired from Sunday evening through yesterdayâ??s close.

And I must admit to a real sense of disappointment by the comments of those analysts that I do believe understand what Iâ??ve described but continue to refuse to acknowledge the blatant manipulation that is the essence of COMEX trading. This scam would have ended long ago, had more dared to speak up about what has transpired for decades.

Ted Butler

December 6, 2023

Silver – $24.30Â Â Â (200-day ma – $23.54, 50-day ma – $23.14, 100-day ma – $23.49)

Gold – $2048Â Â Â Â Â Â (200-day ma – $1958, 50-day ma – $1960, 100-day ma – $1957)

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