

December 7, 2022 – Highly Visible, Yet Still Largely Ignored

It has now been the better part of 12 years that I have referenced weekly the physical movement or turnover of metal either brought into or removed from the COMEX-approved silver warehouses. I've actually monitored the daily movement and total levels of the COMEX silver warehouse inventories for more than 35 years, including category changes between registered and eligible metal (which don't involve physical movement).

The only reason I began monitoring this data so long ago is because it was readily available and seemed worthy of following for someone with a deep interest in silver. To be frank, for the first 20 some-odd years, I couldn't tell you why I reviewed the data daily, just that it had become a daily habit. It was only because I had developed this daily habit that I was alert to the sudden acceleration of the rate of physical movement in April 2011. As you may recall, that was a particularly eventful time in silver market history as the price hit close to \$50 for the second time since 1980 and began a downward price path that has endured to this day.

But it wasn't just the silver price peak in April 2011 that was notable. That's also when JPMorgan opened (or re-opened) its silver and gold COMEX warehouses for the first time in years (formerly under the Chase Manhattan Bank name). From zero metal prior to April 2011, the JPM COMEX warehouses went on to become the largest warehouses in the COMEX system, which now number 9 silver warehouses and 8 gold warehouses in total, all in and around the NY metropolitan area.

I certainly didn't realize it in April 2011, but within a year or two I came to discover that JPMorgan was most responsible for the unique and unprecedented COMEX silver warehouse physical turnover (not as pronounced in gold), as part of its criminally-genius plan to accumulate as much physical silver and gold, all while continuing to suppress the price by remaining the largest and most dominate short seller in COMEX futures contracts. All told, over the decade following April 2011, I would estimate that JPM accumulated more than a billion ounces of physical silver and at least 30 million ounces of physical gold – all held in nominee names.

While I believe JPMorgan's physical accumulation of silver is over, the remarkable physical turnover of metal in and out from the COMEX silver warehouses continues and seems to be accelerating; I believe along the lines of once a great movement is in force, it tends to stay in force. Regardless of what is behind the remarkable and to this day, highly unique and unprecedented physical turnover in the COMEX silver warehouses, it shows no sign of abating.

Please understand I am referring to actual physical silver being physically moved, via trucks and warehousemen, into and out from the 9 COMEX silver warehouses. These transfers are not paper or electronic transfers, like changes between the registered and eligible categories, but bona fide and actual physical movements that no one would deliberately misreport (and I can't think of any reason why there would be misreporting). And remarkably little of the physical movements (less than 1%) feature the same metal being moved from one warehouse to another – with most metal coming from parts unknown and different metal being shipped out to parts unknown.

For the most part, the most common amount of silver being moved is in full truck-load (container) amounts of 600,000 oz, equivalent to 120 COMEX contracts (5000 oz each). Such a truckload at

current prices (\$23) contains roughly \$14 million worth of silver. Clearly, these are significant amounts of silver being physically moved into and out from a highly-concentrated and small number of warehouses clustered in one specific area; particularly since no other commodity exhibits such a rapid or intense physical turnover.

Speaking very conservatively, over the past near 12 years, at least 250 million oz of silver were physically moved annually in and out from the COMEX silver warehouses, a grand total of 3 billion oz — all completely documented on a daily basis. What's so remarkable is that there are only 2 billion oz in the world of the same 1000 oz bar form of silver. Even more remarkable, is that the pace of the physical turnover appears to be accelerating.

Over the past 13 weeks (three months), 107 million oz have been moved into and out from the COMEX silver warehouses (check the weekly reviews). Over the past 12 years, I have never once tried to predict future COMEX physical silver movement, as I know of no way to do that legitimately — I just report the movement after the fact. Not chosen arbitrarily, it is the most recent three-month movement that would be most reflective of current conditions. On an annualized basis, that comes to 428 million oz, more than 50% of total world annual silver mine production (840 million oz).

Over this same 13 weeks, total COMEX silver warehouse inventories have fallen by 25 million oz, so the level of actual turnover is 4 times greater than the decline in total silver inventories. Needless to say, while the actual declines in total COMEX silver warehouse inventories are very important, there has been infinitely more commentary about the decline in inventories compared to the much greater turnover.

Please don't misconstrue what I am saying. I am not saying the reductions in COMEX silver inventories, now close to 100 million oz lower than the 400 million oz peak of January 2021 is insignificant in any way. In fact, the reduction is even more significant than most are advancing, because the COMEX is such a great place to professionally store investment silver. I've personally known people (including my dear departed mentor, Izzy Friedman) and others who have stored their silver in the COMEX warehouses for 20 or 30 or more years. Here's an article to that effect written 22 years ago —

<https://www.gold-eagle.com/article/best-silver-investment>

Importantly, because such a large percentage of the total COMEX silver inventories is held for investment storage purposes and just sits there and is never moved (including perhaps 103 million oz held for SLV), the amount of actual silver available for sale is a small fraction of the total inventories of around 300 million oz. In effect, this makes the unprecedented turnover much more extreme than the raw numbers might suggest.

An annual turnover of 300 million oz would suggest a 100% annual turnover rate on the 300 total million oz COMEX silver inventory. But if the real "working" inventory (minus long-term investment holdings of 200 million oz or more) is only 100 million oz (or less), that explodes the annual turnover rate to 300% (or more). Please try to understand what I'm saying a 100% annual turnover rate is completely off the charts and so different from what is occurring in any other commodity as to be astounding. But if the real turnover rate is much greater (as it appears to be), then I don't know what words to use other than this turnover business in the COMEX silver warehouses is much more extreme than I have ever suggested and as far as I know, I'm the only one talking about it.

And it's not only the much larger percentage of the total COMEX silver inventories held for investment – perhaps upwards of 50% to 75% of total inventories – that this causes the actual turnover level to truly explode instead of an annual turnover rate in excess of 100% or more, to annual turnover rates of 300% or more, once you subtract the metal held on a long-term investment basis in the COMEX warehouses. This also greatly impacts the recent declines in total COMEX warehouse holdings, which many do follow closely.

It is precisely because the COMEX silver warehouses are such a good place to professionally store silver that accentuates the recent declines in holdings there. Since the COMEX warehouses are such a good place to professionally store silver, there is a natural propensity for silver holdings there to grow, not shrink. As silver investment demand grows as a result of the growing overall investment demand in the world as a whole and as the merits of physical silver ownership, relative to its artificially depressed price become known, it is reasonable to expect COMEX silver warehouse holdings to grow.

Therefore, the recent declines in COMEX silver warehouse inventories represent a double-whammy shrinking when they should be growing to reflect increased general investment demand. I could be mistaken, but I don't believe this thought is widely known. Moreover, this same phenomenon largely applies to the silver ETFs, particularly SLV, SIVR and others where the silver is stored in locations amenable to industrial distribution. PSLV is a silver ETF (which my wife owns) where the silver is stored in a location (Ottawa, Canada) not particularly accessible for industrial user supplies and this accounts for why very little, if any silver ever departs that fund.

I know that the accepted interpretation for the reduction in the physical holdings of the silver ETFs is that investors are liquidating holdings. To that I say nonsense (actually, I had a different word in mind). Metal has come out of the silver ETFs for the same reason it has come out of the COMEX warehouses, namely, there is a more urgent need for it elsewhere not because investors are liquidating. Look around and you'll see nothing but evidence of growing silver investment demand the highest retail premiums in history, the greatest Indian demand in history against static to lower world mine production for six years running, etc.

Moreover, the same force accounting for the impossible-to-deny unprecedented physical turnover in the COMEX silver warehouses has obviously spread to the silver ETFs — metal being needed more urgently elsewhere than where it currently resides. I know there are many who continue to claim the silver ETFs, particularly, SLV, are some type of deep-state scam run by pedophiles or some other such nonsense and it makes no difference to me whether anyone owns them or not. But the reductions in holdings in the silver ETFs just proves there is silver backing the shares (the short position in SLV, being the exception) because the metal being removed is the result of conversions from shares to physical.

The reductions in the physical holdings of the silver ETFs are being brought about for exactly the same reason for the reductions in COMEX silver warehouses — demand from elsewhere, in my opinion. Like the holdings in the COMEX warehouses, the holdings in the silver ETFs have a natural propensity to increase over time, particularly as silver is depressed in price and represents an outstanding value. Plus, it should be obvious that the frantic turnover occurring in the COMEX silver warehouses has spilled over to the silver ETFs and for the same reason — physical silver is in such high industrial and fabrication demand that the repositories originally intended for professional investment storage are increasingly being called upon as the physical providers of last resort.

This is yet another indication of the developing clash between what is happening in the real world of physical silver and the artificial and manipulative world of paper pricing on the COMEX. Virtually everything developing in silver points to prices being artificially suppressed somehow and more observers see that every day. In other words, the only thing wrong with silver is its price. Finally, what's wrong with the price is that it is set by a handful of large paper traders on the COMEX, as I have alleged for 37 years.

But now, conditions in the physical silver market indicate the COMEX paper scam is on its last legs after a four-decade era of price control. Keeping the price suppressed becomes pointless when physical metal becomes too hard to obtain, as is evidenced in the frantic turnover of the diminishing supplies in the COMEX warehouses and the world's silver ETFs, the two largest stockpiles of metal in the world.

In other developments and as suggested on Saturday, the current delivery process in the December gold and silver COMEX contracts are different than previous deliveries in that the total number of deliveries so far is much lower than typically seen. True, the amount of remaining open interest in December is not particularly large, but must be viewed against the context of shrinking total COMEX warehouse inventories, especially in silver. As suggested on Saturday, it would seem to be ironic if a delivery — problem — arose under these circumstances, considering most have been conditioned to expect delivery congestion when open interest in the delivery month is high, not relatively low, as it is now.

It reminds me of one of Izzy's most memorable thoughts from long ago, namely, how a silver delivery problem didn't necessarily have to involve a large number of contracts, because when the physical is finally depleted, a failure to come up with even one contract could constitute a delivery default. When we finally hit the wall of physical exhaustion, the number of delivery demands becomes less relevant. Speaking of Izzy, while I know we discussed the physical movement of silver in the COMEX warehouses from time to time, those times were long before the extraordinary acceleration that began after April 2011. I would sure like to know what his thoughts might be about the

developments since then.

In the â??I donâ??t think Iâ??m imagining itâ?? department, in the unfolding FTX debacle and scandal, I do sense a shift in the early one-sided criticism of SEC Chairman Gary Gensler as being some type of target, largely due to guilt by association and for having a single Zoom meeting with a group of participants, including the infamous Sam Bankman-Fried. It later turned out that Gensler largely read the participants the riot act for proposing to skirt regulations. At the same time SBF supposedly met on 10 different occasions with CFTC Chairman Behnam, plus multiple meetings with other Commissioners, the details of which have not yet emerged.

A recent article in the Atlantic further convinces me that Iâ??m not imaging the shift in the initial assault on Gensler, which I still believe had its origin in the banking lobby, eager to tarnish a well-known enemy in the form of Gensler with false innuendoes. Pay particular attention to the last two paragraphs.

<https://www.theatlantic.com/ideas/archive/2022/12/ftx-crypto-currency-sam-bankman-fried-regulators/672351/>

Of course, Gensler is not above criticism and the jury is still out what, if anything, he intends to do about the excessive and fraudulent and manipulative short position in SLV. I sent my fourth complaint to him in as many months a week ago Monday (with copies to the Chairman and CEO and President of BlackRock, as well as its outside legal counsel). On Friday, in addition to the new COT report, the new short position on stocks will be published and should the short position on SLV increase again, Iâ??ll likely complain again.

As far as what the new COT report might indicate on Friday, once again, Iâ??m not quite sure. I do know, of course, that there was very likely deterioration (managed money buying and commercial selling) in silver over the first three days of the reporting week, as prices advanced by more than \$2 from last Tuesdayâ??s settlement and that deterioration occurred in gold on last Thursdayâ??s explosive \$50 rally. It would be virtually impossible for there not having been deterioration on such upside moves.

But then there were fairly large selloffs this week on decent volume on Monday and yesterday, which, no doubt reduced some the deterioration. Plus, gold never did decisively penetrate its 200-day moving average, were it not for the \$15 artificial price boost of the rollover from December to February. (One way of measuring this is by viewing a chart on GLD, the big gold ETF, which isnâ??t affected by rollovers).

In any event, Iâ??m more interested in what the report indicates than I am in handicapping it. Of course, Iâ??m be paying close attention to the details under the hood, particularly as it concerns the largest 4 and 8 concentrated shorts. Especially in light of the extraordinary bullish developments in the physical markets, itâ??s highly unlikely for the new COT report to be flat-out bearish in the total scheme of things.

Ted Butler

December 7, 2022

Silver – \$22.93 (200 day ma – \$21.40, 50 day ma – \$20.32, 100 day ma – \$1978)

Gold – \$1802 (200 day ma – \$1802, 50 day ma – \$1706, 100 day ma – \$1723)

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