

December 9, 2023 – Weekly Review

No Friday rally this week, as gold prices fell sharply, by \$70 (3.3%), while silver prices were absolutely annihilated by \$2.57 cents (9.9%). Silver prices fell every day this week. As a result of the extreme underperformance of silver relative to gold this week, the silver/gold price ratio blew out by 6 full points to 87 to 1 – taking the ratio from the bottom of its trading range over the past year to the top (silver now being most undervalued) in just one week. It was one of the sharpest weekly gold and silver price declines on record and if there was any actual supply/demand developments behind the price decline, I missed them.

If a visitor from another world with some basic understanding of commodity pricing happened to come on the scene this week in gold and silver, he or she would be baffled by the sharp price decline in the absence of no big increase in actual supply or decrease in demand. But clearly, something had to account for sharp price declines. – Most baffling of all is that many of those which follow and comment on gold and silver in this world also seem to be missing the cause of this week’s sharp price declines.

At the risk of sounding egotistical or all-knowing, the reason for this week’s price smash in gold and silver was explained in Wednesday’s article, which I made public yesterday –

<https://silverseek.com/article/what-happened>

Gold and silver prices fell so sharply for one reason only – price-rigging on the COMEX – same as always. As has been and will be borne out in the official data in the form of the Commitments of Traders (COT) reports, this sharp price decline will feature massive managed money selling and commercial buying when the dust settles. It’s always a case on sharp price declines that the commercials buy and the managed money traders sell. Because the process has been so uniform – and visible over the years there is no excuse for those writing about gold and silver not to recognize it. Particularly in silver, the COMEX price manipulation is the market scandal of our time.

I have long been resigned to the fact that the regulators, both the federal regulator, the CFTC, as well as the designated industry self-regulator, the CME Group will never address what has been a 40-year price manipulation in COMEX silver for different reasons. The CFTC because there is no way it could ever acknowledge the manipulation after so many decades of denying its existence and the CME Group because it could never refuse to make a buck on any trading activity, no matter how illegal.

Much harder for me to accept is how so many of those writing about gold and silver refuse to see a price manipulation as blatant as this week’s price smash. You would think everyone associated with the precious metals would be outraged and livid at what transpired this week. Regardless, there are unavoidable consequences of the long-term silver manipulation that rise well-above regulatory failures or analytical outrage. Eventually, the immutable law of actual supply and demand will come to decide the price of silver and everything I look at points to the reckoning coming soon.

I’m sure many have grown weary of my proclamations of an imminent explosion in the price of silver. However, it has gotten to the point where I’m trying to stop worrying about the weariness of others, because the facts pointing to the coming price explosion are becoming stronger as the weariness grows. The facts, as I see them, include the unavoidable clash between the increasingly

blatant COMEX price rigging and the deepening physical silver shortage. Please don't misunderstand me – of course, I'm concerned with the feelings of others, but as an analyst, my main concern has to be on objectively and accurately assessing the true state of the silver market.

So, while I would not be surprised by further downward price rigging in the short term as the commercials continue to deliberately induce managed money selling, that will soon come to an end and when it does the actual physical supply/demand circumstances will be in the best position ever to drive prices higher. Let me run through the usual weekly format before getting to the yesterday's new COT report.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses was on the slow side this week as barely 3 million oz were moved and as total COMEX inventories rose by 0.4 million oz to 267.5 million oz, barely above recent 5-year lows. Bucking the increase in total inventories was a decline of 0.6 million oz in the JPMorgan warehouse to 133.8 million oz, after two months of no change.

There was another slight increase (0.1 million oz) in total COMEX gold warehouse holdings this week to 20.1 million oz, with no change in the JPM warehouse, still stuck at 7.34 million oz for the past two months. It goes without saying that any changes in the COMEX silver and gold warehouses had nothing to do with the sharp price declines this week.

Ditto for the continuing deliveries on the December COMEX gold and silver contracts, which have been slightly below historical levels and feature customers of JPMorgan as the largest net stoppers.

Physical metal flows in the world's gold and silver ETFs were remarkably stable this week, considering the sharp declines in price and maintained the recent counterintuitive nature of deposits and redemptions.

This week, the combined holdings in the COMEX silver warehouses and in SLV, after falling by 7.5 million oz last week to multi-year lows, rose this week by 1.7 million oz to 702.2 million oz. Yes, last week's sharp drop in metal holdings was counterintuitive on sharply rising prices, as was this week's inventory increase on sharply lower prices.

This Monday will mark the fourth week since I wrote (by email) to the chairs of the S.E.C. and the CFTC about the possible double-counting of 103 million oz in the silver inventories in the COMEX warehouses and in SLV. I'm told my congressman wrote a few days later. Until now, no response has been received, but I'm reasonably sure a response will come at some point and you can be sure I will report to you what that response may be. To my mind, this is not a complicated issue and shouldn't take as long as it has to resolve.

While I did comment extensively in Wednesday's article about the significance of the sharp drop in recorded silver inventories over the past three years (by 400 million oz) as more than confirming the deepening physical silver shortage, I also tried to point out that silver inventories couldn't drop to zero because so much of the remaining inventories are held by investors.

In this regard, silver is akin to gold, in that because gold inventories are held by investors (including central banks), the amount of gold inventories is usually never raised as a reason to be bearish on gold. In fact, gold inventories always grow, since so little of new gold supply is consumed industrially.

Yet those growing gold inventories are hardly ever termed bearish and how could they be, since gold is flirting with all-time price highs (notwithstanding this week's sharp price drop).

Since silver is also a basic investment asset, as is gold, these two metals are in a class of their own, as compared to all other metals, base and precious alike. Because of this basic investment asset profile shared only by gold and silver, on a practical basis, what this means is that every other metal, from copper and zinc, to even platinum and palladium, can and have gone, effectively, to close to zero inventories should demand outstrip supply for a long enough time. That's not possible in gold, to be sure, and this also applies to silver, in that it is inconceivable that investors would ever hold zero levels of silver as an investment.

Therefore, the practical level of zero silver inventories must include that metal held by investors. That's why I made a big deal out of the rapidly declining rate of the three-year 400 million oz reduction of world recorded silver inventories from 175 million oz annually over the two years ended 2022 (350 million oz in total), to this year's sharply reduced rate of 50 million oz. I still maintain that while I started pounding the table (or at least speculating) about the end of the decline in recorded silver inventories prematurely early this year, the sharply reduced rate of decline this year more or less confirms my premise. It's also obvious this had no bearing on this week's extreme price smash, but it must go forward.

Turning to yesterday's new COT report for positions held as of Tuesday, I refrained from actual predictions, due to the bifurcated nature of trading over the reporting week - quite strong through last Friday and into early trading Sunday evening and quite weak later Sunday into the Tuesday cutoff. I knew, for sure, that there was extreme managed money buying and commercial selling on the price upswing and massive managed money selling and commercial buying on the price downswing. It was just impossible, it seemed to me, to accurately portray the precise net effect.

That proved to be the prudent course because as it turned out, the new COT report featured in both gold and silver the highly unusual circumstance where the commercials were slight net sellers, as were the managed money traders - not something I recall occurring previously and something beyond human capabilities of predicting. The important point is that after the Tuesday cutoff, there was extreme managed money selling and commercial buying, particularly in silver - although not, I believe, to the point of completion (although I wish I was wrong).

In COMEX gold futures, the commercials increased their total net short position by 8400 contracts to 226,900 contracts, another new high (bearish) level going back to May 2022. It was mostly a case of big 4 shorting of 8000 contracts, up to 163,790 contracts (16.4 million oz), with the big 5 thru 8 chipping in with another 2400 new shorts, pushing the big 8 short position up to 236,422 contracts (23.6 million oz). The raptors went slightly the other way in adding just over 2000 new longs to a net long position of 9500 contracts.

In Wednesday's article, I estimated the total commercial net short position had grown to 240,000 contracts early Sunday evening, but after reviewing the new COT report, it had to be closer 250,000 to 260,000 contracts, before the subsequent selloff and commercial buying set in.

On the managed money side of gold, as previously mentioned, these traders were also net sellers of 5502 contracts, consisting of the sale and liquidation of 9788 longs and the buyback and covering of 4282 short contracts, an admittedly unusual combination. Thus, the net managed money long position

in gold fell slightly to 109,387 contracts (159,907 longs versus 50,520 longs). Explaining the unusual circumstance of both the commercials and managed money traders being net sellers was the combined net buying of 13,859 contracts by the other large reporting traders and smaller non-reporting traders, an admittedly strange development (also occurring in silver).

In COMEX silver futures, the commercials increased their total net short position by 4200 contracts, to 52,000 contracts. The big 4 added 1700 new shorts, to a net short position amounting to 45,140 contracts (226 million oz). While this is the largest big 4 net short position since June 2022, it is still 20,000 contracts less than what it was on Feb 2, 2021 when I wrote to the CFTC about this concentrated short position. The big 5 thru 8 bought back 200 short contracts this week as the big 8 short position rose to 63,448 contracts (317 million oz). The raptors were once again the biggest commercial sellers, as they peeled off 2700 longs. If my hunch is correct that there's still a large managed money trader holding 3000 shorts in the big 5 thru 8 category, then the resulting raptor net long position was down to 8400 contracts as of Tuesday, but undoubtedly larger through yesterday's trading.

As was the case in gold, the managed money traders were net sellers of 2232 net silver contracts, consisting of the sale and liquidation of 1752 longs and the new sale of 480 short contracts. The resultant managed money net long position in silver fell to 21,530 contracts (43,852 longs versus 22,322 shorts) and is undoubtedly lower as of yesterday's trading.

Explaining how the commercials and managed money traders could both be net sellers in silver was the net buying of roughly 6200 contracts by the other large reporting traders and smaller non-reporting traders. For what it's worth, the big net buying by the other large reporting traders and small non-reporting traders in both gold and silver as of Tuesday would appear to have been a mistake, considering that silver price fell sharply from the Tuesday cutoff.

Since we're in the throes of the latest deliberate and engineered price smash, particularly in silver, the only logical reaction is to try and gauge how much further we might go, both in price and in positioning. Best guess, through blurry eyes and burnt fingers is that some 10,000 to 15,000 net silver contracts have been bought by the commercials and sold by the managed money traders in the three trading days since Tuesday with guesstimates of what the other large reporting and smaller non-reporting traders as nearly-impossible to predict.

In gold, we only had one real down day, yesterday, since the Tuesday cutoff and whereas we have penetrated or nearly so all the moving averages in silver, that's not the case in gold. So, while the case can be made that the manipulative liquidation cycle is now more advanced in silver than in gold, that is slim consolation for long-suffering silver investors and mine producers and investors in those producers.

It's sickening to, once again, be forced to make these calculations of how much more the collusive COMEX commercials might rig prices lower to induce further managed money selling. It is particularly insightful to point out just how the commercials are guilty of collusive behavior on these deliberate price declines. Only collusion can describe how all the commercials, through a wink and a nod and years of such past behavior never reach up in price to buy when the managed money traders sell collectively.

The COMEX commercials wait patiently for the managed money sellers to come to them, knowing in advance there will be enough managed money selling for all the commercials. There's never

commercial competition to buy and they all know instinctively and through past experience that it takes days and weeks before the managed money selling will be complete. It is this lack of competition that rises to the level of illegal and uncompetitive behavior. It's as absurd and obvious as the lions on the African plains agreeing to take turns hunting antelope, regardless of individual hunger. Only deeply corrupt humans could conceive and implement and pretend to regulate such an uncompetitive system as exists on the COMEX. And the rest of us are reduced to trying figure out how far these crooks will take prices and positions in any cycle.

Then again, the COMEX system of manipulative pricing and the absence of legitimate regulation have created the opportunity of a lifetime in silver, due precisely to the unimaginably-low silver price it has created – a price so low that it has to explode in due course. I spend more of my time cursing the COMEX crooks and regulators than I should, when I should be spending more time on what the price must do when it gets uncorked. So, hold on, as there may be rough times in the immediate future, but glorious times in the end.

Ted Butler

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Silver – \$23.30 (200-day ma – \$23.57, 50-day ma – \$23.20, 100-day ma – \$23.45)

Gold – \$2021 (200-day ma – \$1961, 50-day ma – \$1968, 100-day ma – \$1959)

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