

February 1, 2023 – Counting the Days

A funny thing happened along the way to the end of the 40-year old COMEX silver manipulation – it's actually gotten more egregious and blatant in its final days. How is this possible? It seems to me that even as the signs have emerged over the past few years and certainly over the past year or so, that real changes in COMEX positioning have occurred in which there looks to be no going back, recent dealings on the COMEX still indicate a fight to the bitter end of the manipulation's demise.

Case in point is the near uniform price weakness in the overnight hours when COMEX (Globex) liquidity is most thin and prices are easy to manipulate, followed typically by decent rallies developing when most participants are engaged during regular business hours. This has been a decades-old trick by the collusive COMEX commercials that has been on full display of late. If anything, it is this orchestrated price weakness arranged by the COMEX commercial vermin which thrive in the darkness, followed by price recovery in the daylight that accounts for near two-month trading range in silver prices.

Considering the powerful overall changes in commercial/managed money positioning from the price highs of last spring to the price lows of the fall and the subsequent positioning on the strong rallies which took gold up by \$300 and silver by as much as \$6, the very recent night moves have only served to stall the silver rally to this point – although no one can rule out a more decisive price takedown. Still, it's quite remarkable to me to see such a clear level of price manipulation still in force at the same time more are aware of the COMEX silver manipulation than ever before. These crooks on the COMEX as well as their protectors at the CFTC and the CME Group truly know no shame.

But even allowing for one final price smash (not guaranteed, by any means), the days of the four decades-old silver price suppression appear numbered from a number of perspectives. Certainly, the familiar COMEX paper positioning has changed in significant ways, starting with the main metals crook, JPMorgan, completely abandoning the short side a few years back – after conveniently accumulating a billion oz of physical silver and 30+ million oz of physical gold along the way, plus more recent hoodwinking's in the leasing/OTC derivatives markets. This was followed on the big price downswing from last spring by a further re-positioning by those COMEX commercials left holding the short bag when JPM abandoned them on the short side back in 2020.

The point here is that after such significant paper positioning changes on the COMEX, we would seem to be running out of new commercial candidates to replace JPMorgan, as well as the recently revised list of current commercial shorts. I suppose there is some possibility that the former big COMEX commercial shorts, including JPMorgan, could return to the short side, but that appears to be a slim possibility for the simple reason that to do so would amount to stepping in front of the freight train barreling down the track at an alarming speed.

Of course, here I'm speaking of the undeniable developing physical silver shortage – a shortage about which the big former COMEX shorts know more about than anyone. The shortage is most manifested in the ongoing physical turnover of metal in the COMEX warehouses and in the holdings in SLV, the big silver ETF, as well as the declines in total silver inventories over the past couple of years. No one is more involved and knowledgeable than JPM and the commercials directly involved in the physical turnover. It matters not that most in the precious metals space have not picked up on the

physical turnover, because it's still the surest sign of shortage.

Unprecedented physical turnover and declining inventories in the COMEX silver warehouses, now occurring in SLV as well, are undeniable evidence of physical shortage — much more than when considered individually. Many base metals (and even gold) are experiencing notable reductions in warehouse inventories, COMEX copper inventories being a shining example, but without the concurrent inflows that create turnover. Only in the COMEX silver warehouses do we see the frantic turnover — physical deposits, as well as withdrawals. Last year was a great example, when total COMEX silver warehouses holdings fell by 55 million oz, on a total turnover of 384 million oz, or 7.4 million oz a week. At a minimum, that means 15 truckloads a week moved silver into and out from the handful of COMEX warehouses in the NY metropolitan area.

Why the frantic movement? The most obvious answer is silver had to be brought in to satisfy demand — meaning the metal already there was spoken for (by investors); so new metal had to be brought in. Now the same frantic turnover has spread to SLV (and other silver ETFs) and the only conclusion is that the demand for silver is increasing. I'm still of the opinion that last week's 20 million oz deposit in SLV was intended to reduce the short position (accompanied by a lease of that amount by JPM) and also of the opinion that we've reached the bottom of the barrel for further significant withdrawals from the COMEX silver warehouses and silver ETFs in general (with the admission I might be a bit premature).

It is the combination of the frantic physical turnover and near-depletion of remaining non-investment held silver that has me counting the days until the COMEX silver manipulation is ended. Plus, everything emanating from both the supply and demand side of silver (and other industrial metals) eliminates any change in the current shortage, barring much higher prices and the passage of time. For someone who has lived through nearly 40 years of an uninterrupted COMEX silver price manipulation, my sense of the time remaining until this free-market abomination is over is more limited than ever before. From, literally, days to no more than weeks or months.

I suppose the difference can be explained from whereas I always thought the manipulation could (and should) end at any moment to the point now where the physical shortage mandates the end to the manipulation in the relative near future. Never has the evidence of a physical silver shortage been stronger and more pervasive than currently. About the only thing that could meaningfully extend the manipulation at this point would be if the former big commercial shorts which were left holding the bag when JPMorgan covered its COMEX silver (and gold) shorts in early 2020, decided to load up on the short side again. Or, if JPMorgan itself decided to massively re-short the COMEX silver market or sell off a significant chunk of its accumulated physical silver holdings. Let's consider these possibilities.

As far as the former big commercial shorts (after JPM left them high and dry in 2020) loading up on the short side again, the first point I would make is that they haven't done so yet on what has been a rather notable silver rally of some \$6 or nearly 35% over the past several months. From mid-November to now, there hasn't been much change in the big 4 short position in silver and that concentrated short position (under 44,000 contracts in the most recent COT report), is still more than 21,000 contracts less than it was on Feb 2, 2021 (its peak) and 10,000 contracts less than it was on the more recent peak of last March 8.

Certainly, should the big 4 short position increase sharply from here, it will be reflected in future COT report data. No sense in moaning about something that hasn't and may not occur. And

remember, these big shorts suffered mightily for most of the time they held these shorts over the past few years, until this past fall, so the memory of being severely in the financial hole must still be fresh.

As far as JPMorgan loading up on the short side of COMEX silver again, I'd put that in the same category as worrying about what hasn't yet occurred. Plus, having escaped quite cleanly from settled charges of metals price manipulation on the COMEX (what's \$920 million to an outfit that racks up \$40 billion+ annual profits?), it seems JPM would be extremely unlikely to re-enter a COMEX price manipulation scheme. These guys aren't dumb.

As far as JPM using its methodically (and illegally) accumulated physical stash of a billion oz of silver to suppress prices from here to what aim? I suppose some might say it would be part of some vast conspiracy for JPM to suppress silver prices for the US Government or other secret powers, but why just silver? It used to be said that silver was manipulated in order to suppress gold prices, but compared to silver, gold prices haven't been suppressed being only 6% below all-time gold price highs (whereas silver is still more than 50% below its price highs of 43 and 12 years ago). Moreover, any silver released from JPMorgan over the past few years has come in the form of a lease to Bank of America for which BofA is still on the hook for returning. Even the most recent 20 million oz inflow into SLV looks and smells like a lease from JPM and not a sale (meaning JPM still retains a real interest). In other words, to date there is no real evidence of JPM selling its accumulated physical silver.

Considering all the above, it just does not seem reasonable to conclude the long-term COMEX silver manipulation has a long life ahead of it. At the same time, since the end, whenever it comes, promises to complicate the circumstances of those which were responsible for it, some expectation for shenanigans must be anticipated (as evidenced in the most recent shady night moves on the COMEX). This even includes the possibility of a bigger price smash say after the upcoming Fed announcement in a few hours.

Even more important, however, than my sense that the time is short before the COMEX manipulation ends, is the manner in which the end occurs. Should the developing physical shortage succeed, as it must, in busting the long-term COMEX silver price manipulation before long, the price reaction to that end should be sudden and shocking. You just don't suddenly take your boot off the neck of silver prices for the first time in 40 years and expect that the same price patterns that existed over this time to continue. A radical change in positioning must equate to a radical change in price.

What will constitute a radical change in COMEX positioning is whether the 4 biggest shorts add aggressively to new short positions on higher prices as they've always done in the past. This is at the core of the ongoing COMEX silver manipulation. As I just pointed out, so far on the rather impressive rally over the past few months, there has been no notable increase in the big 4 concentrated short position. My sense is that this is a big reason for why the silver rally has carried as far as it has and I would anticipate that should the big 4 continue to refrain from aggressively adding to short positions, that will grease the skids for higher prices all things considered.

I'm also impressed, as I indicated on Saturday, how aggressive the raptors (the smaller commercials apart from the big 8) were on the buy side on the price smack down over the past reporting week. No doubt these smaller commercials may have been quick to sell and liquidate recently added long position on the sharp daytime rallies on profits and, accordingly, are more responsible for the sharp ups and downs of late than the big 4; but it takes a collusive commercial village to manipulate silver prices for as long as they have been manipulated.

There can be little doubt that the CFTC or CME Group are not interested in cracking down on the essence of the COMEX silver manipulation (since it still exists after 40 years), but the key point is still whether the 4 biggest shorts add aggressively to shorts on higher prices. Some things remain constant and as far as the COMEX silver manipulation is concerned, the one constant has been the concentrated short position growing on higher prices (until now).

As far as what to expect in Friday's new COT report, trading was choppy, making predictions all the more suspect, but I sense a bit of deterioration (managed money buying and commercial selling) in gold and a bit of improvement (managed money selling and commercial buying) in silver. Please consider this as low conviction predictions.

Today's trading volumes are low, making it easier to maneuver prices going into the Fed announcement. Low volume has also been the case in SLV this week, making the reason for this week's redemption of 2.6 million oz appear all the more the same reason as the turnover in COMEX warehouse holdings, namely, the need to get silver to where it is needed most.

At publication time, market reaction to the Fed's expected 25 basis point increase in interest rates and subsequent comments by the chair were largely constructive, although short term price volatility remains high. Gold and silver prices are at the day's highs and at near new recent highs in the case of gold. On a housekeeping matter, I'm still using the Feb COMEX gold contract for closing price purposes, but plan on shifting to the April contract come Saturday, which will add close to \$15 to the price.

Ted Butler

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Silver – \$23.95 (200-day ma – \$21.14, 50-day ma – \$23.25, 100-day ma – \$21.46)

Gold – \$1942 (200-day ma – \$1786, 50-day ma – \$1836, 100-day ma – \$1761)

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