February 10, 2024 – Weekly Review

Gold and silver prices fell moderately for the week, after some early-week more pronounced weakness, particularly in silver. At weekâ??s end, gold was down by $15 (0.7%), while silver ended 13 cents (0.6%) lower. No change in the silver/gold price ratio, still stuck at 90 to 1 â?? still an obscene undervaluation for silver courtesy of the ongoing manipulation on the den of price vermin, also known as the COMEX.

It was another remarkable week for silver, in almost more ways than I can recount â?? although Iâ??ll try. This week, in addition to the continuing string of increasingly obvious signs of a deepening physical shortage, my expectations for what would be reported in yesterdayâ??s new Commitments of Traders (COT) report for silver were all achieved and exceeded.

Therefore, the set up for sharply higher silver prices, both on a physical and paper positioning basis, seems so pronounced so as to make it hard to be improved upon (although considering just how corrupt is the basic functioning of the COMEX, no one can pinpoint the precise price bottom in advance). Â Let me run through the mostly physical section of the weekly format, before digging into what was a surprisingly bullish COT report for silver.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses rose to 6 million oz this past week, at or slightly above its average weekly turnover for the past 13 years. It is hard for me to publish this easily-documented physical metal movement for what is now close to 675 consecutive weeks and explain how it could remain vastly unreported on elsewhere â?? even though the physical silver movement in the COMEX silver warehouses is unique to silver and exists in no other commodity.

Over the past 13 years, I would estimate that up to 3.5 billion oz have been physically moved into and out from the COMEX silver warehouses â?? much more than the 2 billion oz thought to exist in the world. While there was always some movement of physical silver into and out from the COMEX silver warehouses prior to April 2011, thatâ??s when someone hit the turnover accelerator as far as when the greatly enhanced physical turnover took off.

Letâ??s see, April 2011, in addition to being when silver hit $50 is also when JPMorgan opened its COMEX silver warehouse and began to accumulate more than one billion oz of physical silver over the next ten years. So, do you think there could be a connection between the start of the unprecedented physical movement of silver into and out from of the COMEX warehouses and JPMorgan opening its COMEX warehouse? If you do, please donâ??t ask the regulators (the CFTC and the CME Group) about this, as they are trying hard to answer the incredibly-complex and nearly-impossible to answer question (sarcasm alert) of whether the 103 million oz in the SLV held in NY by JPMorgan for the trust is part of the 129.8 million oz held in the JPM COMEX warehouse. Maybe they can resort to the miracle that is said to be Artificial Intelligence to solve this brain-twister of a question of possible inventory double-counting.

Total COMEX silver warehouse inventories fell for the week by a slight 0.3 million oz to 274.6 million oz (thanks to a more than a 2 million oz inflow yesterday). Holdings in the JPM COMEX warehouse fell by 0.4 million oz to 129.8 million oz (as just mentioned and avoiding the double-counting possibility). And if I havenâ??t mentioned it previously, the recent net outflows from the COMEX warehouses look very much to me like demands from silver users, as opposed to demands from investors.

Total gold holdings in the COMEX warehouses fell by 0.1 million oz to 19 million oz (mostly due to rounding), another new multi-year low. Holdings in the JPM COMEX gold warehouse fell by 60,000 oz to 6.82 million oz.

Deliveries in the COMEX February gold and silver contracts continue and I canâ??t help but observe that while Feb is not a traditional delivery month in silver as it is in gold, I do believe Iâ??m sensing the issuers of silver seem to be having a bit of difficulty in scrounging up the minimal amount of metal being demanded. I base this on the lack of prompt delivery the past few days, compared to what is â??normalâ?•. Maybe Iâ??m being super-sensitive to all the growing signs of physical shortage in silver, but there can be no doubt of those growing signs.

There were still rather sizable outflows of physical metal from the worldâ??s gold ETFs, mainly GLD, of half a million oz or more, but Iâ??m also starting to believe these outflows have little to do with plain vanilla collective investor liquidation and much more to do with the drawdowns occurring as demands from the East simply sucking metal out from the gold ETFs. If true, itâ??s hard to see how even lower gold prices wonâ??t intensify the physical metal vacuuming from China and India, among other Eastern demands.

Based upon the large near-5 million oz deposit into SLV earlier in the week, despite yesterdayâ??s near-2 million oz redemption, the holdings in SLV ended up by 3 million oz on the week. Combined with the holdings in the COMEX warehouses, total holdings rose by 2.7 million oz to 712.7 million oz.

It occurred to me that there have been a number of large and mostly counterintuitive deposits into SLV on a number of occasions over the past 5 months or so. Iâ??ve been able to reconstruct at least 5 occasions over the past 5 months (since September) where a total of 50 million oz were suddenly deposited into the SLV, with most of the deposits eventually being removed – either by conversions of shares into metal for share reporting avoidance, short-covering or due to user demands or some combination of all three.

However as to where the 50 million oz in sudden SLV deposits came from, I have little doubt that the source was JPMorgan, although, admittedly, it would be hard to prove that as if anyone could conceal their tracks it would be you-know-who. What it comes down to is how much of JPMâ??s dwindling physical silver stockpile, now less than half of the one billion oz it held at its peak, will it continue to donate in order to keep the physical silver crunch at bay? And how much longer before more market observers wake up to what JPM is doing?

Last night, the new short report on stocks was released and indicated a very large reduction in the short position on SLV of 4.2 million shares to 12.6 million shares (11.5 million oz), as of January 31. This is the lowest short position on SLV in years and must be considered as unabashedly good news.

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

First, and in the spirit of when the data changes so does the opinion of reasonable people, it does now look like the large deposit of metal within the reporting period was partially intended to reduce the short position in SLV, which was a probability I mentioned at the time of the 17.5 million oz deposit at the time (around Jan 23 or so). That also means the big deposit could have also been due to a large entity buying and then converting shares to metal and as JPM depositing the metal to anticipate and meet growing user demand.

But I also have to note that the current 12.6 million share short position on SLV is now down by more than 47 million shares from the 60 million shares it was at in Aug 2022, or an 80% total decline. You may remember that was also the time of the last of the 4 or 5 petitions I sent to the S.E.C. (and BlackRock) complaining about the fraud and manipulation of the excessively large short position in SLV, in fact, the highest in history. To now be, a year and a half later, at the lowest level in years, may or may not have had anything to do with my petitions, but the fact that the short position has fallen precipitously is good news for investors in SLV and silver investors everywhere.

Turning to yesterdayâ??s new COT report in silver, it checked off just about every one of the boxes on my wish-list and then some and for gold, where I didnâ??t have any stated predictions, the report wasnâ??t bad at all. As a reminder, silver prices fell nearly a full dollar over the reporting week ended Tuesday, erasing a near-identical up move of that amount in the previous reporting week.

While I didnâ??t get into my usual rant about how if the managed money traders didnâ??t sell and the commercials didnâ??t buy on such a silver price decline, the world would surely have ended, as I assumed that was understood. What I did say was that I would be disappointed if yesterdayâ??s report didnâ??t at least reverse the near-7000 net contracts of managed money buying in the previous week and I wasnâ??t disappointed as the managed money traders were net sellers of nearly-9000 contracts in yesterdayâ??s report.

In COMEX gold futures, the commercials increased their total net short position by 9700 contracts to 180,200 contracts. Still, with the exception of last week, this is the lowest (least bearish) commercial short position since mid-November, when gold proceeded to rally by $200 to new all-time highs in early-December. Moreover, the â??mixâ?• of the selling by commercial category was quite encouraging.

The 4 big gold shorts, which have been on what I would call a short-covering buying binge of late, sold only a bit more than 300 contracts of the total 9700 commercial contracts sold, leaving their net short position at 132,861 contracts (13.3 million oz). The next 5 thru 8 largest commercial shorts added Â around 7000 new shorts and the big 8 short position rose to 205,369 contracts (20.5 million oz). The raptors (the smaller commercials apart from the big 8) sold off 2700 longs, reducing their net long position to 25,200 contracts. (Due to rounding, numbers may not be precise).

Let me stop here for a moment to make the point that what the 4 big shorts do in gold (and particularly in silver) is kind of all that really matters. It amazes me how so few market commentators who regularly review the COT report even mention the concentrated short positions in gold and silver and those few who do would readily acknowledge learning it from me. That aside, the fact that there has been such pronounced big 4 short covering in gold is to me perhaps the most bullish factor of all. If, as and when we do see a pronounced increase in the big 4 short position in gold (and silver), then the caution flags may need to be hoisted. But until then, things look set up for substantially higher prices â?? although day to day action will remain impossible to predict. Later, Iâ??ll speculate on what could happen in silver in regards to the big 4, that also may apply to gold.

On the managed money side of gold, these traders bought 12,045 net contracts, consisting of the purchase of 6223 new longs and the buyback and covering of 5822 short contracts. The net managed money long position grew to 68,069 contracts (114,316 longs versus 46,247 shorts), making the position less bullish, but not excessively so. There was some moderate buying by the other large reporting traders following last weekâ??s massive sell out, which was more than offset by heavy net selling by the smaller non-reporting traders of more than 4200 net gold contracts.

In COMEX silver futures, the commercials reduced their total net short position by 4300 net contracts to 33,500 contracts, slightly more than the short position increased in the prior week. Â Thus, the total commercial net short position is now lower (more bullish) than it has been since Nov 21 and just as silver prices were in the process of advancing by $4 into early December. My heart did sink for a few minutes when I saw that the big 4 short position, after declining by 800 contracts last week on higher prices (to me a very big deal), instead rose by the same 800 contracts on the price decline this reporting week â?? which made absolutely no sense to me. To state the obvious, an increase in the big 4 short position was not on my wish list.Â Then it dawned on me.

While the big 4 and big 8 short positions in silver did show increases, the disaggregated COT report showed that it couldnâ??t possibly be due to commercial selling, because not one of the four distinct commercial categories indicated any commercial selling of any type. The only trader category capable of adding to the big 4 and 8 short position was the gross managed money short category, which did increase by more than 8000 contracts (and closer to 9000 contracts on a net basis). The bottom line is that there is now a managed money trader in the big 4 category, holding around 8000 contracts short. This reduces the commercial-only component of the big 8 short position from 64,090 contracts to around 56,000 contracts and sets the raptor net long position to around 22,500 contracts. Iâ??ll get into why this is important in a moment.

The managed money traders in silver sold 8930 net contracts (44.7 million oz), consisting of the sale and liquidation of 739 longs and the new short selling of 8191 short contracts. This was the biggest box on my wish list. The net managed money position swung back to a short position of 4599 contracts (32,101 longs versus 36,700 shorts). While any managed money net short position in silver is very Â bullish, this one happens to be the largest net short position since Oct, just as silver was starting a more than $5 upside run into early December.

Another of the boxes on my wish list was seeing the Other Large Reporting Traders return to the long side, following last weekâ??s selling of 3749 longs and a reduction in the number of traders by 11, both of which were surprising to me, as I assumed the buying of more than 6000 longs since Dec 19 indicated they were in it for the long pull because they recognized how cheap silver had become relative to its actual supply/demand fundamentals. Upon observing last weekâ??s selling of longs by these traders, I quickly changed their motivation to one of now competing with the commercials to get their share of the taking the other side of the managed money traders and awaited yesterdayâ??s COT report to see if that was the case. It was.

While I would have liked to have seen more traders added to that category (there were only 3 new traders), they did add 3296 new longs, not far from what they sold in the previous week and pushing the net long position of the Other Large Reporting traders to a five-year high. Again, however, the motivation for why these traders have gotten so heavily long appears to be to sell out quickly at profit when the managed money traders rush to buy back short positions on higher prices.

That the set up for a sharp rally in silver exists, based on both the continuing evidence of a physical shortage now joined by a very bullish paper market structure on the COMEX is undeniable â?? even if the crooked and collusive commercials (now joined by some Other Large Reporting traders) succeed in rigging prices still lower to entice even more managed money shorts to enter into a clearly-designed bear trap.

The only question is whether this will be similar to all the other silver (and gold) rallies over the decades Â that sprang from similar set ups to what exists now or will it be the â??big oneâ?• long anticipated by me but yet to reach fulfillment. The answer to that question, also as always, is the behavior of the 4 big shorts. If the 4 big shorts do add aggressively to their short positions in silver (and gold), the odds shift to the big rally being capped and contained. So, whatâ??s new?

Whatâ??s new may be this â?? there has never been a better time, in my opinion, for the 4 big shorts not to add to short positions because of the unprecedented shortfall in physical metal â?? much more pronounced in silver, but not completely absent in gold as well. If I (and by extension you) can observe the deepening signs of a silver physical shortage (and the demand for gold from the East), it should also be apparent to those deeply immersed in metal dealings, as the big 4 certainly are.

But what really may put the icing on the cake for the big 4 not to add to short positions on the next rally may be the opportunity to significantly reduce their existing short position (now much lower than typically) as the next rally develops. Here, Iâ??m talking about the biggest box on my long-term wish list, namely, the big 4 rushing to buyback shorts as the silver (and gold) price rally starts. When I consider everything, now looks like a propitious time for this to unfold mechanically. By that, I mean that there appears to be a window that doesnâ??t typically exist. Let me try to explain.

Currently in silver, it is safe to say that when (not if) we rise through the key moving averages in silver, which a dollar rally from where we closed yesterday would accomplish, there are a minimum number of managed money contracts that will be bought (both new longs and the buyback of short contracts) â?? which I would estimate as 20,000 to 25,000 contracts or more. That would take us back to where things stood, market structure-wise, Â two months ago, back to early December.

The way things stand now, I would expect the raptors (the smaller commercials net long around 22,500 contracts to be able to sell around 15,000 of those longs as the managed money traders come into buy on higher prices and for the other large reporting traders to sell off around 5000 contracts of their longs, also in taking profits as the managed money traders buy. In sum, I can see 20,000 long contracts being sold by the raptors and other large reporting traders into a minimum of buying by the managed money traders of that amount â?? leaving the big 4 on the hook for selling short at least 5000 new shorts and maybe a lot more if more buying comes in on the next silver rally (and this ignores the potential buying that may develop in the silver ETFs).

My point is that the 4 big shorts are most likely to be quickly called upon to do what they always have done previously â?? which is add to shorts to cap and contain the next silver rally â?? but at precisely what would seem to be the most inopportune time to add shorts â?? into a deepening physical shortage, the first such shortage in silver in history. If these 4 big shorts are half-way tuned into whatâ??s going on in silver as I would expect, aggressive new shorting would seem as foolhardy as going sky-diving without a parachute.

Instead, it would seem much more logical for the 4 big shorts to use the current set up to rush to buy back as many of their short positions on the initial liftoff in price, buying into raptor and other large reporting trader selling and out-bidding the managed money buying. By doing so, I can envision the 4 big shorts buying back and covering as many as 5000 to 10,000 contracts of their existing shorts, in a manner where I can see no real serious alternative way to buy back that many short contracts. Of course, such an attempt by the 4 big shorts would result in a truly sharp rally, but, as you know, I believe that is coming regardless. At least this version would allow for a meaningful Â reduction in the big 4 short position, which is the key element of the 40-year COMEX silver price manipulation.

Ted Butler

February 10, 2024

Silver – $22.67Â Â Â (200-day ma – $23.60, 50-day ma – $23.54, 100-day ma – $23.34)

Gold – $2039Â Â Â Â Â Â (200-day ma – $1980, 50-day ma – $2042, 100-day ma – $2010)

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