February 14, 2024 – No Consequences?

While there are always exceptions to the rule, individuals, companies, institutions, countries and markets generally come to reap the consequences of their actions. Sometimes, individuals can escape the consequences of a life of financial recklessness by hitting the lottery or getting a windfall inheritance, but most arenâ??t so fortunate. And when it comes to the non-individuals just mentioned, there is even less of a chance of escaping the banquet of consequences created over time.

However, it is also a fact that in the case of institutions, countries and markets, the time until certain behaviors create their natural consequences can be quite extended â?? almost to the point of creating the impression that consequences do not exist. Further, the longer the deviant behavior persists with no obvious reckoning with the consequences of that behavior, a consensus usually forms around the behavior not being deviant. But as history has shown, the true consequences of deviant behavior always arrive in time.

The specific deviant behavior I have in mind today is, as expected, the illegal price discovery process in COMEX silver. While this same deviant price discovery process exists in other markets, none to the same extent as in COMEX silver, which has persisted for some 40 years. Simply put, I would define the illegal price discovery process in COMEX silver as a purely speculative gaming in derivatives futures contracts on such a massive scale so as to completely overwhelm any pricing influence from actual supply/demand developments. The paper silver tail is wagging the physical market dog.

What makes this paper controlling physical metal developments illegal is that US commodity law holds that speculative control over commodity prices is against the law. The fact that the primary federal commodities regulator, the CFTC, has chosen to ignore US commodity law when it comes to COMEX silver, is a reflection on the agency and not to be taken that trading activity in COMEX silver is on the up and up. The CFTCâ??s refusal to abide by its most important mandate of preventing price manipulation in silver is a significant factor in how and why the COMEX silver suppression has lasted for more than four decades. Thatâ??s both an explanation for how long the manipulation has been allowed to persist and also how serious the consequences of the long-term price suppression have become.

In many respects, the long-term malfeasance of the CFTC in refusing to confront the COMEX silver manipulation, has persisted for so long that it has now fallen behind in significance than the actual consequences of the manipulated price. There is one main consequence of a long-term price manipulation, namely, its effect on the law of supply and demand.

If the price of any commodity is artificially depressed, sooner or later, the inevitable result must be a reduction in production and an increase in demand to the point of a physical shortage. And while the artificially depressed price of silver has persisted for much of the past half-century, it would be a serious mistake to assume the longevity of the price suppression suggests there were no consequences on the law of supply and demand or that the suppression of silver prices can persist indefinitely.

The reason the law of supply and demand has failed to result in a sharply higher silver price to this point is because of a circumstance highly-unique to silver of all commodities â?? the existence of hundreds of millions and even billions of ounces of silver in unrecorded inventories at the start of the COMEX silver manipulation more than 40 years ago.

Silver is a metal, like gold, that has been prized and sought by man (and woman) since the dawn of civilization some 5000 years ago. Who isnâ??t familiar with the history of wars and the colonizing created by the desire for gold and silver? The difference between gold and silver, as I have long-pointed out, is that over the past century, important new uses for silver were discovered, centering on silverâ??s unique properties as the best conductor of electricity and heat, reflector of light and myriad of other properties that resulted in a massive depletion of the many billions of ounces that had accumulated in the worldâ??s above-ground inventories. Whereas the world still has just about all the gold mined over the past 5000 years, a big percentage (95%) of the roughly 40 billion oz of silver produced over the ages has now been industrially consumed.

This has been my mantra over the decades since I discovered the COMEX silver manipulation around 1985, as long-term readers would attest. Whatâ??s different today, as I have tried to convey recently, is that I was unaware of the still-massive amount of world silver inventories that existed 40 years ago â?? despite the extreme depletion of those inventories through many decades of industrial consumption. In my defense, I couldnâ??t see what wasnâ??t visible, plus the fact that silver was priced ridiculously low at $5 of less at the time, so the still-invisible inventories made little difference to a silver price surge of as much as ten times by early 2011.

Where only 150 million ounces of silver bullion inventories were visible at the turn of the century, now nearly ten times that amount or more than 1.3 billion oz are visible, with another 700 million oz or so thought to exist. The vast amount of Â the silver bullion inventories brought into the visible category since 2006 came as a result of the introduction of the silver ETF SLV and subsequent silver ETFs. The effect was bringing these silver inventories into the â??sunlightâ?• from the shadows.

But the truly remarkable aspect to the massive shift of world silver inventories was that the transfer from what were formerly closely-held and secretive silver inventories to widespread fully-visible public ownership, to my mind, made the now visible holdings much more strongly held. Many public owners are stronger that a few secret holders. So, the bottom-line conclusion of the massive transfer to public ownership put the remaining silver inventories in stronger hands than previously.

Of course, none of this revised walk down memory lane changes or invalidates the other key findings Iâ??ve made over the years, particularly involving the truly corrupt silver dealings of JPMorgan. Every since acquiring Bear Stearns in 2008, JPM proceeded to suppress and manipulate the price of silver for the next 15 years, including acquiring more than billion oz of physical silver (plus 30 million oz of Â gold), which it has been disposing of over the past few years – since snookering the dummies at Bank of America to short (to JPM) a billion oz of OTC derivatives.

Now JPMorgan has been single-handedly supplying enough physical silver to satisfy the deepening physical shortage, with the obvious questions of why and for how long. I think the motive behind JPM plugging the gaps in the physical silver shortage is to put as much time and distance between its recently-expired deferred criminal prosecution agreement with the Justice Department, S.E.C. and CFTC, for manipulating precious metals prices Â and the coming silver price explosion â?? an event Iâ??m surer of daily.

As to how much longer the crooks at JPMorgan can succeed in donating enough physical silver to keep the physical shortage at bay, since no one can read these crooksâ?? mind, itâ??s hard to say â?? but the continuing facts of the existing shortage are getting to become so obvious as to suggest not much longer. Â Not that it matters much, but I am trying to do everything in my power to thwart the crooks at JPM in their crooked endeavor behind the scenes.

Turning to other developments, the price of silver and gold were smashed this week inÂ a manner even I would consider over the top, although I would never claim the collusive COMEX Â commercials were not treacherous enough to be able to rig prices lower at will. But yesterdayâ??s price smash in reaction to a hotter than expected CPI report was particularly precious (as the Church Lady might say). The price reaction had me muttering to myself how much worse the selloff would have been if the report indicated a cooling in the rate of inflation.

Of course, what the selloff proved was that the CPI report had nothing to do with yesterdayâ??s selloff, other than serve as a convenient cover story to those who have stopped thinking. Clearly, it had been predetermined by the collusive commercials that silver and gold prices were to be bombed, regardless of what the report indicated. Inflation reports, and Fed pronouncements and everything else under the sun that observers trot out continuously to â??explainâ?• sudden price movements in silver and gold are all just a bunch of hooey, as I hope Iâ??ve tried to make clear over time. All that matters is COMEX paper positioning and how the commercials can best hoodwink the managed money traders.

To add insult to injury, yesterday featured what was some unusually bullish news, particularly for silver, in the pronouncement from the president of Mexico of his attempt to greatly curtail open pit mining in the country. Mexico, of course, is the largest producer of silver in the world, accounting for close to 25% of total world mine production, as well as a significant producer of gold. That silver and gold prices would get smashed in the face of this news just shows that actual or prospective real-world supply/demand fundamentals have nothing to with prices, which are completely dependent on COMEX paper gaming.

https://www.mining-technology.com/news/mexicos-president-calls-for-ban-on-open-pit-mining/?cf-view

While I did not fully-expect yesterdayâ??sÂ price smash, there can be no question that it involved collusive commercial rigging of prices to induce maximum managed money selling. As such we know there was managed money selling and commercial buying yesterday without a doubt, since such positioning has never varied on any significant selloff over the decades. How much we will learn in Fridays new COT report, with the positioning, particularly in silver only limited by the extreme degree of managed money selling going into yesterdayâ??s price smash.

Yes, Iâ??m still waiting for a response to my (and my congressmanâ??s) request for comment back on Nov 13 about possible double-counting of the recorded silver inventories in the COMEX silver warehouses and in SLV. A new and rather disturbing thought occurred to me about the extreme delay in answering a very simple question, namely, perhaps the CFTC is waiting for the collusive COMEX commercials to finish their herding of the managed money traders into selling the maximum number of contracts the managed money traders are capable of selling before the CFTC responds. In other words, the delay on the part of the CFTC involves the agency overtly siding with the crooked COMEX commercials in a manner well-beyond merely looking the other way for decades to now including overt support. I admit thatâ??s quite ugly, but, unfortunately, it doesnâ??t seem that far of a reach.

I did suspect that the collusive COMEX commercials might press gold prices lower to add price pressure to silver and it does seem that is what has occurred. The question now is whether the commercials will gun for goldâ??s 200-day moving average in a final attempt to completely flush out the managed money traders in silver. Who knows? But what I do know is that silver has been locked and loaded for an upside price explosion and the selloff yesterday has only increased to power of the coming explosion.

Finally, every once in a while, I come across something that I believe teaches me a new insight. This was the case with the recent interview by Barry Ritholtz of David Einhorn of Geeenlight Capital. Einhorn, an extremely well-regarded value investor, offers some fresh thoughts as to why many markets are not functioning as they should be. Readers may recall me previously mentioning Einhorn as having bought SLV (and GLD) in the past, although Iâ??m not sure of his current holdings, if any, in those ETFs.

https://ritholtz.com/2024/02/transcript-david-einhorn/

In closing, I canâ??t help but mention that I am impressed with silverâ??s price comeback today after setting fresh price lows overnight when the manipulative vermin rule the nightly price action. Maybe there is more downside intended by the collusive COMEX commercials, but it sure seems like they have maneuvered the hapless managed money traders in a manner strengthening the prospects for a silver price explosion.

Ted Butler

February 14, 2024

Silver – $22.40Â Â Â (200-day ma – $23.57, 50-day ma – $23.42, 100-day ma – $23.30)

Gold – $2004Â Â Â Â Â Â (200-day ma – $1980, 50-day ma – $2041, 100-day ma – $2010)

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