

February 18, 2023 – Weekly Review/A Constructive Suggestion

Gold and silver prices finished lower again for the week, the third straight week for gold and the fifth week for silver. Gold ended \$25 (1.3%) lower, while silver ended 28 cents (also 1.3%) lower. As a result of the mostly even relative percentage declines, the silver/gold price ratio was flat at 85.2 to 1, and about midpoint of a 20-point trading range that has prevailed over the past six months. But yes, silver is still remarkably undervalued relative to gold by every reasonable measure.

The standout price pattern for the week was a continuation of the salami-slicing phenomenon first verbalized decades ago in my daily conversations with Izzy Friedman, my departed friend and silver mentor; used to describe the highly repetitive price-rigging orchestrated by the COMEX commercials to induce either managed money buying or selling. Since the managed money technical traders prefer to buy as prices trend higher and sell as prices trend lower, the commercials know just what price signals to set to get the desired managed money reaction.

In the week just completed with, essentially, new price lows being set every day by the commercials designed to induce maximum managed money selling (both long liquidation and new short selling), the only conclusion is that the commercials were trying to buy as many COMEX gold and silver contracts as they possibly could. Rigging a series of new price lows is how the commercials achieve their buying goals. The question is how successful were the commercials in inducing the managed money selling required for the commercials to buy?

Normally, this question is answered in due course by the publication of the next Commitments of Traders (COT) report for the period involved, but as you know, there has been a suspension of these reports due to a cyber-incident (more on this later). So, weâ??re flying a bit in the soup currently and must rely on other measures – none, admittedly, as definitive as the COT reports. But, as Iâ??ve mentioned, no COT report doesnâ??t mean no positioning changes. We certainly do know from long (40-year) experience that significant down moves in price, particularly when including pronounced salami-slicing, always involve commercial buying and managed money selling. Always. We just canâ??t know how much until the appropriate COT report is published.

Complicating matters was the curious case of the rather sharp price rally yesterday in gold and silver, after both had hit new lows early in the day. A subscriber asked me what I thought about the rally. I told Robert that my best guess was that while the pronounced salami-slicing was solely intended by the commercials to induce maximum managed money selling, there was some doubt in my mind as to how successful the commercials have been on this current engineered move lower. Thereâ??s absolutely no doubt what the commercials were intending (maximum managed money selling) â?? it was just a question if the obvious price rigging was having the intended effect.

As I believe I have conveyed recently, the fact that there has been no increase in total open interest in COMEX gold and silver on this price rig lower suggests the managed money traders are not adding aggressively to new short positions, as they typically do. For sure, since the last published COT report, for positions held as of Jan 24, there has been managed money selling (long liquidation and new short selling) and, in time, weâ??ll learn how much when the missing COT reports get published. But that will be then, not now.

Typically, total open interest grows notably as the managed money traders reduce enough long positions and begin adding to short positions. And that's the clearest signal possible we are approaching an important price bottom. But that's not happening or at least, not yet. I suppose it's possible, if the commercials persist in rigging gold and silver prices lower, that the managed money traders might then plow onto the short side and we'll get that increase in total open interest missing to this point. But there's another possibility that I raised with Robert.

That possibility is that the managed money traders might not add aggressively to short positions or not completely unreasonable considering that they've never collectively profited in gold or silver whenever they've gone heavily short over the past 40 years. I suppose it's possible that these palookas might have finally wised-up. In any event, if (a very big if) the managed money traders don't add to short positions, then the motive for the commercials in rigging prices lower goes right out the window.

And while I classify my take as a guess, the possible realization by the commercials into early Friday that all their perfectly-scripted salami-slicing was not achieving its intended goal of inducing aggressive managed money shorting (by virtue of the lack of increase in total, open interest), the commercials then decided to abandon their price rigging to the downside and that's what accounted for the sharp turnaround in prices. Needless to say, if this is the correct take, then the rally has just begun (please the Lord).

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to just under 4.6 million oz, or close to the same as the prior week and a bit off the average of the past two years. Total COMEX silver inventories did fall again, this week by 2.3 million oz, to 288.9 million oz or another 4-year low. Holdings in the JPMorgan COMEX silver warehouse fell by 0.5 million oz to 146.4 million, also a 4-year low.

We're now down by 5.5 million oz from the low in COMEX warehouse inventories in November, and down by 10.1 million oz from year end. There were just over 3 million oz deposited into the big silver ETF, SLV, this week and holdings there are still up by more than 27 million oz over the past 5 weeks, so my bottom of the barrel speculation on the two largest silver stockpiles in the world is still very much intact.

Holdings in the COMEX gold warehouses continue to slip, this week by a fairly sharp 0.5 million oz, to 21.7 million oz, a fresh near 3-year low. Holdings in the JPM COMEX gold warehouse fell by 0.36 million oz to 7.83 million oz, also a multi-year low.

There is little doubt that JPMorgan has been most responsible for donating physical silver and gold to the market, in terms of COMEX warehouse withdrawals, deliveries on futures contracts and in lending metal to the big short seller in SLV although these master criminals have been careful to do so in clients accounts and not in the bank's proprietary house account. Still, that appears a rather fine line to me for a bank that appears quite close to violating its deferred criminal prosecution agreement with the Justice Department. Just sayin'.

Since there's no COT report to discuss, let me discuss instead the ongoing developments for the delay and a constructive suggestion for the CFTC.

A Constructive Suggestion

On Feb 16, the CFTC released another update on the status of the delay in publishing COT reports on all markets (some seem to think the delay is only for gold and silver), as result of the cyber-incident at a key third-party service provider. The new announcement indicated that COT reports will commence starting next Friday, Feb 24, and will start with the first report delayed, namely, for the reporting week for positions held as of Jan 31. Then, the Commission intends to publish successive older reports in an expedited manner, with the goal of getting completely caught up and current by mid-March. This all assumes, of course, no unexpected data glitches.

<https://www.cftc.gov/PressRoom/PressReleases/8662-23>

Thus, the Commission intends to follow the precedent set in late 2018, when a US Government budget shutdown resulted in a month or so delay in the publishing of COT reports. Precedent, of course, has its place, but please allow me to offer what I feel is a better approach from an overall public service perspective. Instead of publishing the delayed COT reports in the order proposed, namely, starting with the first delayed report and progressively working up in a month or so to get current, I suggest the Commission reverse the order of publication and start with the most current reporting week and filling in the missing weeks thereafter.

Here's a copy of the email I sent yesterday (Feb 17) to the commissioners and those parties responsible for publishing the COT reports, under the subject heading "A Constructive Suggestion" •

Thanks for the COT report update of Feb 16.

What makes the COT report so valuable to those who follow it is its timeliness • it's a marvel that positions are reported weekly with only a three-day delay.

Here's a constructive suggestion that will only enhance the Commission's standing if adopted • work to renew the publication of the report scheduled for Feb 24 starting with what would be the most recent data, or the as of date of Tuesday, Feb 21, instead of the as of date of Jan 31.

I'm sure you would find universal agreement from those who rely on this data series that they would prefer getting the most current data, even if it involves a further delay in the publishing of older data. Anything speeding up the dissemination of the most current data should be the main mission.

Ted Butler

There's no question in my mind that everyone interested in the COT report would agree that the most current data is the most important and desired. And as far as I can tell, there's nothing to suggest the older data is more reliable than the newest data • all the data are valid or are compromised. I certainly agreed with the Commission's decision to delay the publishing of data that might be compromised and subject to revision; the only thing I'm suggesting is the order of

publication. Finally, I couldn't have been more polite or respectful.

Still, I feel the odds of the Commission adopting my suggestion are quite low, for reasons unrelated to its specific merits. If the Commission responds at all, it will most likely offer some convoluted explanation about how it would like to adopt this publishing timetable but can't even though it would definitely be in the greater public interest. I believe that's because of the person (me) offering the suggestion.

Unfortunately or otherwise, a curious relationship has developed over the decades between the Commission and myself in which it must disagree with everything I might hold to be true - I think out of the fear anything I say that might be credible as related to my allegations of the continuing COMEX silver manipulation. - Just for the record, the feelings aren't mutual, as I have complimented the Commission on occasion - the most recent being it having prevailed against Monex in its decades-long epic legal fight against the purveyor of illegal leveraged precious metals contracts.

In fact, I even contemplated passing my suggestion to someone with less previous baggage in dealing with the CFTC, but quickly gave up because I couldn't think of anyone. Besides, my suggestion has a short-shelf life because if all goes according to plan, the COT reporting will be current in a month or so. Still, like news or fish, data is best when it is freshest. Certainly, there is no one out there that wouldn't prefer getting the most recent data first and if you read the background of the COT report on the Commission's website, all it talks about is public service.

<https://www.cftc.gov/MarketReports/CommitmentsofTraders/AbouttheCOTReports/index.htm>

In sharp contrast to what I expect the Commission's reaction to be regarding my current suggestion, where no prior animosity existed (I do admit to being a critic of the agency for decades - for well-deserved reasons), the results have been better. Some 15 years ago, back before Barclays Global Investors sold its ETF business to BlackRock, I made the public suggestion that BGI list all the bar numbers, hallmarks and weights for all the specific silver bars in its then-owned SLV, to match the practice in GLD, run by State Street Investors. This was no small undertaking as it would involve listing some 150,000 bars (today, closer to 500,000 bars). Yet Barclays did do the right thing, much to its credit.

<https://www.investmentrarities.com/ted-butler-commentary-january-7-2008/>

What I've suggested the CFTC do in revising the order it intends to publish the delayed COT reports represents a true win-win, for it and the public it serves, so perhaps I shouldn't be so pessimistic about the outcome. Nothing ventured, nothing gained.

Returning to the key issue of the day, namely, whether the managed money traders are done selling on lower prices, either they are or they aren't. If there's more such selling to go, then gold and silver prices will still head south for a short while longer, then turn sharply higher. If the managed money traders are done selling, then we head sharply higher sooner. As far as I can determine, the inevitable outcome is sharply higher prices in any event.

Also, the sharp selloff over the past 14 or so trading days in gold and silver approximates a full 50% retracement of the entire up move of \$350 in gold and \$6 in silver since late fall, often a reliable technical indicator of the extent of such retracements. But compared to the question of whether the

managed money short selling is complete or not, there's no real comparison, as this issue wins hands down.

Ted Butler

February 18, 2023

Silver – \$21.72 (200-day ma – \$21.02, 50-day ma – \$23.40, 100-day ma – \$21.86)

Gold – \$1852 (200-day ma – \$1783, 50-day ma – \$1866, 100-day ma – \$1766)

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