February 21, 2024 – Locked and Loaded

We have now reached the point in silver (and gold) where it is difficult for me to see how prices donâ??t quickly explode. Everything I look at, from a physical supply/demand perspective to the paper positioning set up on the COMEX, tells me we are at the point where only an upward price surge makes any sense. Yes, I am well-aware of the thoroughly corrupt behavior of the collusive commercials on the COMEX and how their manipulative success over the past 40 years makes it nearly impossible to pinpoint in advance the exact moment such a long-term scam and fraud will come to an end â?? but recent developments scream out to me that the manipulationâ??s end is at hand.

First, I would like to distinguish between silver and gold. While I have rarely seen gold in as bullish a physical supply/demand and COMEX positioning set up as it is now and fully expect it to momentarily surge higher, gold is a very different market from silver. For one thing, the amount of gold in the world and the gold market in general is vastly larger than in silver â?? almost to the point of making a legitimate comparison of the two metals unrealistic. In dollar terms, the amount of gold in the world is some hundred times larger than the amount of silver, and Iâ??m not aware of any other comparison between any two items similarly mismatched in size being attempted to be measured. I fully understand the long history that invites the gold/silver comparison; itâ??s just that the actual circumstances of each metal have changed over the decades and last century.

While I do admit that goldâ??s actual supply/demand fundamentals are tighter than Iâ??ve seen previously, thatâ??sÂ a far cry from being in a deepening physical shortage brought about by industrial consumption overwhelming current physical supply, as is the case in silver. Simply put, gold is not an industrial commodity, while silver is. Only an industrial or consumable commodity can find itself in a genuine physical shortage. Plus, since there is a hundred times more gold in the world than silver in dollar terms, common sense would suggest in any serious upsurge in price, the smaller item (silver) would likely surge much more in percentage terms and thatâ??s what past price surges in the two metals have indicated. Bottom line, Iâ??m expecting gold to surge by hundreds of dollars per ounce, while I expect silver to surge by (many) tens of dollars per ounce.

One thing that does definitely unite gold and silver is that both are primary investment assets, in fact, gold is a pure investment asset. Silver, of course, is both an investment asset plus an industrial commodity â?? the only true commodity with such a dual demand profile. The fact that it has been silverâ??s industrial demand that has created the current physical shortage doesnâ??t mean silverâ??s investment demand wonâ??t kick in. It means that when silverâ??s investment demand does kick in, it is bound to have an outsized impact on price â?? for the simple reason that silverâ??s industrial demand has already depleted much of the metal that investment demand would seek to buy. Plus, itâ??s a well-known fact that collective investment demand grows on higher, not lower prices. This can be readily observed in the extreme collective investment demand in a few high-tech stocks (the magnificent 7), and the historic concentration these stocks represent in overall stock ownership.

Further illustrating silverâ??s highly unusual dual demand profile is that several readers had sent me copies of a recent article on Zerohedge concerning the historic run up in cocoa prices being due to a deepening physical shortage between consumption and supply, which seemed to mirror the current circumstances in silver. Before I try to explain the difference between cocoa and silver, I must disclose a previous personal experience with cocoa more than 40 years ago, before I picked up the silver â??bugâ?•. Back in the day, I had arranged (as a commodity broker) to accept physical delivery of a large quantity of cocoa (more than 100 contracts, as I recall) on behalf of a client, as part of a â??cash and carryâ?• spread transaction, where the actual deliveries would be re-delivered the following delivery month. I did insure with the delivery department, many times, that there would be no problems in re-delivering the cocoa accepted for delivery and received such assurances and financing commitments. Then, a few days before re-delivery was to take place, I received a call from the re-delivery clerk that the clientâ??s cocoa had worms and couldnâ??t be re-delivered. The whole thing became a mess, legal and otherwise and as a result, no pun intended, whenever the subject of cocoa comes up, it leaves me with a bad taste.

And I also recall, separately, a famous passage in a book by George Goodman (writing under the pseudonym Adam Smith), where he described a similar bad personal experience with cocoa to the point as whenever the word even came up, he had to go lie down someplace quiet, until the thought of cocoa went away. My memories arenâ??t quite so harsh and while I donâ??t doubt that the developing physical shortage in cocoa is, indeed, driving prices higher, IÂ would take the opportunity to point out that cocoa, unlike silver, has little true intrinsic investment demand. No doubt there is speculation in cocoa futures contracts and other derivatives, but cocoa is not about to become a primary investment asset â?? as silver already is such an investment asset. True, investment demand for silver has yet to kick in forcefully, but at some yet to be determined higher price, it appears unavoidable that silver investment demand will become the dominant price force.

Another of the differences between silver and gold is that Iâ??m not aware of any behind-the-scenes potential regulatory controversies in gold, where I know some to exist in silver, not the least of which is the question of possible double-counting in recorded silver bullion inventories. Yes, I do believe gold bullion inventories have been shifting from West to East (same as in silver), but I am unaware of any allegations of double-counting in gold inventories. We are now past the 14-week mark since I wrote to the CFTC and S.E.C. on the matter of possible double-counting in the silver inventories held in SLV and in the COMEX warehouses. The S.E.C. responded in two weeks (to my congressman), although it avoided any acknowledgement as to whether there was double-counting or not. But the CFTC has avoided any response. In a follow up with my congressmanâ??s office yesterday, I was told that they did hear from the CFTC and that the agency was â??working on a responseâ?•. Hello â?? working on? The question is as simple as it gets â?? the recorded silver inventories in question are separate or there is double-counting, so there is nothing to â??work onâ?•.

And considering the sharp selloff that started in silver in the wee hours Sunday evening into Mondayâ??s Presidential Day holiday, which has continued through today, there can be little doubt that the selloff was just another case of collusive commercial price rigging on the COMEX to induce managed money selling â?? in order to enable the commercials to buy. As such it does two things, improve the COMEX positioning market structure from what it was on Friday and also increase the ugly perception that the CFTC is delaying any comment on the question of inventory double-counting until the crooked commercials have positioned themselves as favorably as possible. Somewhat perversely, the CFTC openly siding with the commercials on this recent price-rigging to the downside only enhances my thoughts that we are locked and loaded for the upside, with any additional managed money selling only adding more rocket fuel for the coming price blast higher.

As can be inferred from the even greater price carnage in the shares of the silver miners, we are at the point where lower silver prices are blatantly in the beyond overkill category. With every sign of a deepening physical shortage more obvious daily, the continued suppressed silver prices are now threatening to destroy much needed future supplies. Even for me, who has complained about a COMEX-induced silver price suppression for nearly four decades, witnessing the current circumstances of future silver mining supplies being severely undermined is other-worldly. In such circumstances, it is inconceivable to me that the primary federal commodities regular would sit by and allow the â?? seed cornâ?• (future silver mine supplies) to be destroyed or prevented from coming into existence in a scam and fraud as obvious as what is occurring on the COMEX. Yet, here we are. It has become so stunningly obvious that silver prices are artificially depressed by the COMEX manipulation that far from any expected reaction from the federal agency primarily tasked with preventing such an overt price manipulation, instead we find the agency fumbling and stumbling in attempting to answer a simple question about inventory double-counting.

To be sure, if I were expecting the CFTC to ever ride to the rescue in any way in ending the COMEX silver manipulation, except in an unintended way, I would need my head examined. This regulator has demonstrated in no uncertain terms it has no interest in interpreting commodity law as it should be interpreted. On the other hand, by allowing the price suppression to last as long as it has, the CFTC has, effectively, done just that, namely, brought about the very circumstances from which silver prices must explode. There is no more powerful an economic equation than the law of supply and demand and under that law, no greater price force than a physical shortage in any commodity. This is now apparent in cocoa and soon will also be apparent in silver, with the price reaction in silver greatly amplified with the inevitable investment demand, currently missing. I can say that as an American citizen and taxpayer, as much as I now view the CFTC as being nearly-powerless in counteracting the coming price force of the physical silver shortage, I am also dis-heartened and ashamed by the decades of malfeasance by the agency â?? despite me trying to warn it about silver on countless occasions. But, in a very real sense, this is all water under the bridge and the arrival of the physical silver shortage changes everything –Â as it signals the start of brand-new era, one in which, quite literally, no one has ever experienced.

As far as what to expect in Fridayâ??s new Commitments of Traders (COT) report, all I can say is what a difference a day makes. Had you asked me on Friday of my expectations for the new report, my answer would have been around trying to quantify the amount of deterioration (managed money buying and commercial selling) had taken place in silver, based upon the quite sharp price rally into weekâ??s end. Since then, however, the pronounced price weakness into yesterdayâ??s cutoff for the reporting week would appear to have offset much of the prior deterioration through Friday. At this point, I am not sure at all what the new report will reveal. I do know, of course, that the prior weeksâ?? reports were quite bullish in both silver and gold, so Iâ??m fairly sure all of the increasingly bullish market structures in both silver and gold couldnâ??t have become close to being undone, regardless of what Fridayâ??s report indicates.

My â??locked and loadedâ?• evaluation of the current state of the market in silver and gold is made with the full knowledge of potential further price weakness, such as seen today, although I am encouraged by the quite-low trading volumes, which I believe suggest a drying up of managed money selling. Â Just to be as clear as possible, itâ??s not particularly important â?? apart from what it does emotionally and financially on a short-term basis â?? how many additional low volume price slices the commercial crooks can pull off in the very short-term. What matters most is the nature of the coming silver price explosion, which promises to be monumental in terms of both price force as well as how quickly it unfolds. Try as I might, I just canâ??t envision the termination of the 40-year-old COMEX silver price manipulation occurring under any ordinary two steps up, one step back price scenario. Forty years of artificial price suppression simply cannot be resolved with what would be considered â??normalâ?• price action. The end of such a long-term price manipulation must be commensurate with the longevity and severity of the body and nature of the manipulation.

Ted Butler

February 21, 2024

Silver – $22.92Â Â Â (200-day ma – $23.53, 50-day ma – $23.27, 100-day ma – $23.28)

Gold – $2036Â Â Â Â Â Â (200-day ma – $1980, 50-day ma – $2038, 100-day ma – $2011)

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