February 24, 2024 – Weekly Review

In a reversal of last weekâ??s price action, gold finished higher by $22 (1.1%), while silver ended lower by 50 cents (2.2%). Goldâ??s much stronger relative price performance resulted in the silver/gold price ratio widening out by three points, to 89 to 1, nearly reversing last weekâ??s four full point tightening. AlthoughÂ I begin each weekly review with a recap of the that weekâ??s silver/gold price ratio, please understand that very little, if any actual silver and gold are sold to buy the other.

As I explained on Wednesday, the gold market and dollar amount of gold bullion in the world, some $6 trillion (3 billion oz X $2000+) is 100 times larger than the amount of silver bullion in the world, some $46 billionÂ (2 billion oz X $23). Therefore, thereâ??s no way meaningful amounts of actual metal could be transferred or switched to either metal without causing shocking price results.

The next question is what causes changes in the silver/gold price ratio if actual switched of metal is not the cause. The answer is the same thing that causes changes in the absolute price of s of gold and silver, namely positioning of paper contracts on the COMEX. Of course, it goes without saying, that such paper positioning is illegal according to US commodity law, but in the absence of proper enforcement of the law, thatâ??s just the way it is. Lots of things that shouldnâ??t be, still exist.

Iâ??ll get into some fairly remarkable positioning changes in yesterdayâ??s new Commitments of Traders (COT) reports in gold and silver, in a bit, after running through the usual weekly format. The turnover of physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came in lower than recent previous weeks, as 3.6 million oz were moved on a holiday-reduced 4-day work week. Total COMEX silver holdings rose a rather strong 2.8 million oz, to 281 million oz. The holdings in the JPMorgan COMEX warehouse remained unchanged at 129.8 million oz.

This coming Monday marks the 15th week (three and a half months) since I asked the CFTC about whether there was possible double-counting in the COMEX warehouse and in the SLV inventories, without a response. As I reported on Wednesday, my local congressmanâ??s office wrote me that it had followed up with the CFTC and the agency responded that it was working on a response to my question. A new thought has occurred to me that the agency, in taking so long to answer a question that could hardly be simpler, has unnecessarily made this a bigger issue than otherwise â?? which I find quite ironic.

Total holdings in the COMEX gold warehouses fell sharply again, this week by 0.3 million oz to 18.2 million oz. Â Over the past five weeks, COMEX gold holdings have fallen by 1.8 million oz and current levels are now more than 50% below the peak levels of 2020. No change this week in the holdings in the JPM COMEX gold warehouse, stillÂ at 6.67 million oz, but like total holdings are close to four-year lows. And yes, the clearest explanation for the declines involves shipments Eastward.

With the deliveries on the COMEX March contracts scheduled to begin next week and deliveries on the February contracts coming to a close, the number of gold deliveries seemed on the high side and, along with silver, seemed to involve an unusually large number of new contracts created after first delivery day, as well as a bit of a delay in the prompt issuance of actual metal deliveries. The most plausible conclusion was continuing physical tightness in both gold and silver (to the point of outright shortage in silver).

Metal continues to flow out of the gold ETFs, this week to the tune of 500,000 oz or so. It also continues to be obvious that rather than the metal outflows being due to plain vanilla collective investor liquidation, the most plausible explanation is due to the pull of demand from the East. Certainly, buyers in India and China have never seemed to be turned off by lower prices on an item (gold) in demand.

Likewise, there was a sharp 6.5 million oz redemption in the big silver ETF, SLV, this week, following the sharp one-day 5 million oz deposit a couple of weeks ago. In fact, silver holdings and total shares outstanding are now at two-to-three-year lows in SLV. As in gold, it doesnâ??t appear to me that the redemptions in SLV are due to plain vanilla investor liquidation, but instead to the pull of demand from the East, as well as industrial user demand. Iâ??ll expand on it in the near future, but it looks to me that the crooks at JPMorgan are funneling metal via the SLV to meet the growing shortfalls of silver supply.

The combined holdings in the COMEX silver warehouses and in SLV fell this week by a sharp 3.8 million oz to 709.6 million oz, as once again, the holdings on the COMEX rose, while SLV holdings fell. That is, of course, if there is no double-counting, in which case we would need to subtract 103 million oz from the combined total.

Turning to the new COT reports, in which I refrained from predicting, I was quite disappointed when first viewing the silver results, but as I dug into the details, less so. Gold, on the other hand looked good initially and even better as I dug in further.

In COMEX gold futures, the commercials did increase their total net short position by a moderate 6400 net contracts to 159,400 contracts, not bad for a reporting week where gold prices rose as much as $35 and where the market structure was quite bullish to start with. But it was only because I analyze these reports in a certain way, that gold looks so bullish to me. By that I mean by commercial categories. This week, the big 4 actually reduced their total net short position by 300 contracts to 121,712 contracts (12.2 million oz), while the next big 5 thru 8 commercials only added 600 new shorts, increasing the big 8 short position to 188,877 contracts (18.9 million oz. This left the raptors (the smaller commercials apart from the big 8) as the primary sellers, as they sold just over 6000 long contracts, leaving them net long 25,500 contracts.

No doubt, I got into the unique way I analyze silver and gold COT reports, by the various commercial categories (big 4, big 8 and raptors) as a result of my allegations of a COMEX silver manipulation being large at the hands of the 4 biggest shorts and adopted this approach many years ago. To my knowledge, aside from Ed Steer, no other commentator has picked up on my approach to analyzing the COT reports, for better or worse. But it seems to me that if there is a manipulation in silver and to a lesser degree in gold, it has to be at the hands of the very largest short traders, which the CFTC identifies as the 4 and 8 largest. And if there is suddenly to be an end to the manipulation, then it must also be seen in what the 4 largest traders do (or donâ??t do).

Since the big 4 short position in gold is now close to the lowest level since Oct and before that, back to the lowest levels since Nov 2022, it seems to me that these traders are preparing for a big rally in gold. Back in Oct, gold was lower by $200 from where it is now and back in Nov 2022, gold prices were more than $300 lower than currently. If the biggest gold dogs are positioned for a bog rally, itâ??s hard to see gold not moving substantially higher. And I also consider the relatively low number of remaining raptors long positions as bullish, as I donâ??t believe these smaller traders can alter the path of higher gold prices without strong aid from the big traders, who donâ??t appear willing to sell short aggressively at this point.

Finishing up on the gold COT report, the managed money traders were quite aggressive buyers of 15,747 net contracts, consisting of the sale and liquidation of 1802 longs and the very hefty buyback of 17,549 short contracts. To witness such low commercial selling (and no big 4 selling) againstÂ such large managed money buying was more than notable. The net managed money long did expand to 49,923 contracts (98,840 longs versus 48,917 shorts), but in the overall scheme of things, that was rather meaningless.

Explaining the difference between what the commercials sold and he much larger managed money buying was net selling by the other large reporting traders of 6600 contracts, as well as net selling by the smaller non-reporting traders â?? which largely removed the requirement of the commercials from selling more.

In COMEX silver futures, the commercials increased their total net short position by a rather sharp 8300 contracts, to 37,700 contracts. Or I should say that I thought the increase in commercial selling looked large until I got a gander at the amount of managed money net buying, which came close to 14,000 contracts (70 million oz). After reviewing the large amount of managed money buying, the amount of commercial selling didnâ??t look as large as I initially thought. More to the point, the amount of big 4 new shorting only amounted to 800 contracts to 42,949 contracts, although in real commercial terms may have been slightly more. The 5 thru 8 big shorts were unchanged and the big 8 short position only grew by 800 contracts to 62,885 contracts. My back of the envelope calculations include only one big managed money trader still residing in the big 4 category and holding a short position of around 7000 contracts, which, ifÂ correct, would indicate a raptor long position of around 18,000 contracts.

On the managed money side of silver, these traders bought a remarkably-large net 13.908 contracts, consisting of the purchase of 3248 new longs and the buyback of 10,60 short contracts. While the net managed money position swung sharply from short to net long in silver of 4925 contracts (36,252 longs versus 31,327 shorts), on a historical basis, this level is not particularly bearish â?? although clearly not as bullish last week. Explaining, as was the case in gold, how so many managed money contracts could be bought in the face of much smaller commercial selling, was the net selling of nearly 4000 contracts by the other large reporting traders, as well as 1800 contracts of net selling by the smaller non-reporting traders.Â Â I view it as a positive that the commercials, particularly the largest commercials, were not as heavy in selling as the managed money traders were in buying, both in gold and silver, thanks to the selling by the non-commercials in each market

While the large amount of managed money short covering this week in both silver and gold does raise the possibility of the commercials trying to rig prices lower in the hopes of luring the braindead technical funds back onto the short side, the greatly-diminished level of raptor long positions, in connection with the still low short positions of the 4 largest shorts also increases the Â likelihood of the great explosion in prices, particularly in silver. And while I talk about the prospects of a silver price explosion, one of the most ironic things is that the bullish case in silver is unusually enhanced by the extremely bullish set up I see in gold presently. In other words, a strong price rally in gold, which looks extremely likely to me, would seem more likely to help set off the explosive rally I foresee in silver. This is not something I would have thought â?? except for the actual set up in gold currently.

(On a housekeeping note, the report today is slightly delayed and somewhat abbreviated as I accidentally erased the whole darn thing a short while ago and had to start from scratch).

Ted Butler

February 24, 2024

Silver – $22.98Â Â Â (200-day ma – $23.48, 50-day ma – $23.23, 100-day ma – $23.26)

Gold – $2046Â Â Â Â Â Â (200-day ma – $1980, 50-day ma – $2039, 100-day ma – $2013)

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