February 3, 2024 – Weekly Review

For the week, gold prices rose and silver prices fell, continuing a general trend that has persisted for the past 11 weeks, but goldâ??s posted weekly gain of $36 (1.8%) is artificially overstated by around $18 by the contract pricing switch from the Feb to April to reflect the new most active COMEX trading month. Silver prices fell 10 cents (0.4%), unaided by any artificial rollover boost, as its lead contract month remained March.

Using April as the new pricing contract month for gold, the silver/gold price ratio widened out to 90 to 1, still eye-watering levels of silverâ??s relative undervaluation and a level we will look back in time and mutter â??how the heck did silver get so cheap?â?• Certainly, nothing in the world of actual metal supply/demand fundamentals offer the slightest legitimate clue as to why silver should be so cheap.

Not to make too big of a deal over this weekâ??s artificial boost to gold prices as a result of the rollover from Feb to April, but it also distorts the price chart pattern in that the artificial $18 boost to price makes it appear that gold prices have upwardly penetrated its 50-day moving average, when in reality that has yet to occur. I bring this up because to my knowledge the managed money traders take into account the artificial boost to price created by the rollover and have yet to react to the apparent upside breakout in gold.

However, it appears to be only a matter of time before the managed money traders do react and plow headlong into buying gold futures contracts. I base this on what I would describe as a very surprising and bullish Commitments of Traders (COT) report on gold, the fourth bullish COT report in a row. Iâ??ll get into the details in a bit, along with surprises in the silver report, but I want to make it clear that when I talk about silverâ??s extreme undervaluation to gold, that should not imply that I believe gold to be over-priced. Itâ??s simply a case of the mind-boggling relative and absolute undervaluation of silver.

As has become the case in these weekly reviews, let me run through the developments in the physical markets, before turning to the developments in the paper COMEX markets, which as you know, dictate price change.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses came to 5 million oz this week, close to the average weekly turnover of the past near 13 years. But just because that has been the weekly average for more than decade does it diminish the fact that this physical silver movement is any less unprecedented or has occurred in any other commodity.

The average weekly physical turnover of silver in and out of the COMEX warehouses amounts to 250 million oz a year and over the past 13 years that amounts to 3.25 billion oz or much more than the 2 billion oz of silver bullion thought to exist in the world. Subscribers know I have reported on this weekly physical movement over the past 13 years, since it began in April 2011 and no one could contradict or disagree with my numbers (actually, they are a bit understated), yet this glaringly-obvious physical silver movement remains virtually unmentioned elsewhere. Go figure.

Total COMEX silver warehouse inventories fell by 1.3 million oz this week to 274.9 million oz. Holdings in the JPMorgan warehouse accounted for much of this weekâ??s total decline, as 1.1 million oz departed this warehouse, leaving 130.2 million oz remaining â?? a fresh 6-year low. And this assumes there is no double-counting of the 103 million oz reported as being held for SLV by JPMorgan in New York.Â If, in fact, these holdings are being double-counted (as I strongly suspect), that means there are, effectively, closer to 27 million oz in the JPMorgan COMEX warehouse and not the 130.2 million oz reported. Also effectively, the total 274.9 million total oz being reported by the COMEX, is closer to 172 million oz.

Monday will mark the 12th week since I wrote to the CFTC (on Nov 13) about the possible double-counting and despite continued follow-ups from my congressmanâ??s office, no response has been forthcoming from the agency. I did receive a few weeks ago, an inquiry from the Enforcement Division regarding a separate whistleblower complaint I filed on Dec 26, but the gist of that email exchange was them saying that I should ask JPMorgan and the COMEX, as it was not their job. Of course, I disagreed and said I already tried to get an answer from JPM and the COMEX and being the federal commodities regulator made it their job.

The email exchange was highly unusual in that no name was provided by whoever at the Enforcement Division Â was conversing with me and the whole thing ended with them saying they would refer the matter to the Market Oversight Division. I said thanks and how I already send all my stuff to the heads of the Enforcement and Market Oversight Division and havenâ??t heard anything since.

The total holdings in the COMEX gold warehouses fell a sharp half-million oz to 19.1 million oz, the second significant decline in two weeks Â and resulting in this being a four-year low in total COMEX gold warehouse holdings. Holdings in the JPMorgan COMEX gold warehouse fell to 6.88 million oz, also a near 4-year low. I donâ??t wish to minimize the steady decline in the gold holdings in the COMEX warehouse system (because of all the reasons Iâ??m bullish on gold), but I always feel compelled to point out that itâ??s hard to get overly excited about changes in a stockpile that represents way less than a fraction of one-percent when compared to the 3 billion oz of gold that exists in bullion form (whereas in silver, the holdings in the COMEX warehouses comes close to 14% of all the silver bullion in the world.

The first few days of deliveries against the big February gold contract saw a rather large 16,000 total contracts (1.6 million oz) issued and stopped and with all sorts of commentary offered for what it all means. As far as Iâ??m concerned, Iâ??m only interested in what the master market criminals at JPMorgan are up to, and from what I can tell, it is on both sides of the gold deliveries, issuing just over 7000 contracts for customers, while stopping 5181 contracts for other customers and another 531 contracts for its house account. The only thing this confirms is that the crooks at JPMorgan still dominate everything gold and silver related â?? which is somewhat remarkable in and of itself, seeing how these crooks were fined $920 million and subject to a criminal deferred criminal prosecution agreement just a bit over 3 years ago for precious metals price manipulation (spoofing). How JPM is still allowed to dominate the gold and silver markets is beyond me.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Holdings in the gold ETFs fell by 200,000 oz or so this week, mostly in the big gold ETF, GLD. However, there was a much sharper near 9 million oz outflow from the big silver ETF, SLV. Certainly, the sharp decline in the holdings in SLV didnâ??t appear closely connected to silver price performance.

The total physical silver holdings in the combined COMEX warehouses and in SLV, the two largest silver stockpiles in the world, fell by 10.8 million oz this week, to 710 million oz. In less than two weeks, the silver combined silver holdings hit 727 million oz when 17.5 million oz were deposited into SLV and since then holdings have declined by that amount. Originally, I speculated that the big original deposit into SLV may have been an attempt to cover the short position on the shares, but quickly abandoned that premise, leaving me with two other possibilities.

One, the original large deposit may have been due to a negotiated large purchase by a single entity, with the provider of the metal being none other than JPMorgan, because it was the only one possibly holding that amount of physical silver. I did mention at the time, that it wouldnâ??t surprise me if the new buyer of shares converted his or her shares into physical metal to aid in future large purchases avoiding share reporting requirements –Â a premise bullish on its face. I also quickly speculated that the redemptions of physical metal might be due to needed shipments to silver users, equally or even more bullish. That silver prices are not reflecting these developments Â only proves that prices are manipulated.

Speaking of which, yesterdayâ??s new COT report, which clearly depicts and proves the ongoing price manipulation contained a number of surprises, not the least of which was the bullish surprise in gold for a number or reasons.

In COMEX gold futures, the commercials reduced their total net short position by a hefty 21,600 contracts to 170,500 contracts. This was the fourth straight weekly reduction in the total commercial net short position and bringing this position to where it was in mid-October, as gold was embarking on a rally of nearly $300 and to new all-time highs in early December. And if that wasnâ??t bullish enough, it was the rather unusual short covering by the big 4 and big 8 that stood out even more,

The big 4 gold shorts bought back a hefty 15,600 short contracts, reducing their short position to 132,541 contracts (13.3 million oz), their lowest (most bullish) short position since mid-Oct. The next 5 thru 8 largest shorts bought back and covered an additional 4000 shorts and the big 8 short position fell to 198,381 contracts (19.8 million oz), ditto on this being the lowest such short position since mid-October. That left the raptors (the smaller commercials apart from the big 8) buying only 2000 new longs, increasing their total net long position to 27,900 contracts. I must say that the unusually large amount of big 4 and big 8 buying struck me as definitely not being accidental, and more of some type of prearranged operation.

Moreover, it wasnâ??t the managed money traders which were the primary sellers, as these traders sold only 5009 net gold contracts, less than a quarter of what the commercials bought and consisting of the sale and liquidation of 3205 longs and the new sale of 1804 short contracts. The resulting reduction in managed money net long position to 56,024 contracts (108,093 longs versus 52,069 shorts) was more bullish in that it was the lowest since mid-October, but pales a bit when contemplating the much larger amount of commercial buying.

Please remember, gold price action over the reporting week was rather uneventful, once you remove the artificial rollover adjusted price pop on January 30, the last day of the reporting week. From observing the managed money technical funds over the years, it is my understanding that even though the new rollover price for gold puts it above the one moving average (the 50-day ma) that it has mostly been below for the past few weeks, the technical funds donâ??t and havenâ??t yet reacted to the upside penetration of the 50-day moving average, because these funds know that it was the occasion of the rollover from Feb to April that accounted for the upside penetration to date. However, that also means as and when this moving average does get penetrated to the upside by normal price action, it should be expected that the managed money traders should then bust through the saloon doors with six-guns blazing as gold buyers.

So, itâ??s not just the limited amount of managed money selling that was surprising â?? it was the very large amount of commercial buying, particularly of the concentrated variety. I donâ??t recall a previous instance of a greater disparity of what the commercials bought and the managed money traders sold. Â Explaining this disparity was the shocking level of net selling by other large reporting traders (not to be confused with my recent attention to the other large reporting traders in silver).

The other large reporting traders in gold sold 16,674 net contracts this week, including 18,673 contracts of long liquidation, a truly enormous sum and the explanation for how so many commercial contracts could be bought with such little managed money selling. As to what motivated the other large reporting traders to sell as many gold contracts as they sold this reporting week, I havenâ??t a clue. But, combined with the unusually large buying by the commercials this week, particularly by the big 4 and 8 traders, my radar system for an intentional and deliberate set up is flashing all sorts of bells and whistles â?? all of the extremely bullish variety.

One final point is that total gold open interest fell a sharp 35,000 contracts over the reporting week, with 20,000 contracts of the total reduction being due to phony spread liquidation, largely as expected and predicted. Much seems to being made of the decline in total open interest as being bullish, when the real bullishness resides in the details under the hood as described above.

In COMEX silver futures, the commercials increased their total net short position by 3700 contracts, to 37,800 contracts. Since silver prices did jump by nearly a dollar over the reporting week, some deterioration should have been expected (although I avoided specific predictions). One bit of good news was that despite the slight increase in total commercial selling, the big 4 actually bought back around 800 contracts, reducing their concentrated short position to 42,192 contracts (211 million oz) and at the lowest level since the end of November. The key to the 40-year COMEX silver manipulation coming to an end is no new short selling by the 4 big commercial shorts.

The next 5 thru 8 largest shorts did add around 1800 new shorts and the big 8 short position did increase to 62,128 contracts (311 million oz). Since I still believe a managed money trader holding around 4000 contracts short is still in the big 5 thru 8 category, that would make the raptors as selling around 2700 longs this week and holding a net long position of around 20,000 contracts.

The managed money traders were net buyers of 6985 silver contracts, consisting of the purchase of 3406 new longs and the short covering of 3579 short contracts. Thus, the managed money position swing back to net long to the tune of 4331 contracts (32,840 longs versus 28,509 shorts), still on the bullish side, just not as bullish as in the previous week. Then again, considering the price weakness in silver since the Tuesday cutoff, I donâ??t have any trouble concluding that the managed money position has swung back to being net short.

Explaining how the commercials sold only a bit more than half of what the managed money traders bought was the selling of 3296 net contracts and 3749 gross long Â contracts by the other large reporting traders, the subject of Wednesdayâ??s article (which I also made public). While I didnâ??t think the number of long traders in this category would increase further from the 29 traders it grew by over the five reporting weeks (from 49 to 78), neither did I expect it to decline by the 11 traders it did in yesterdayâ??s report (to 67 traders). Whatâ??s going on?

Well, for starters, nothing I wrote in Wednesdayâ??s article was factually incorrect in any way. What I think I got wrong was the motivation for the original increase of 29 new large traders and the 6000 net long contracts they added over 5 reporting weeks. I assumed the influx of new large traders was motivated by the increasingly-obvious deepening physical silver shortage and the desire by these traders to position themselves for the certain higher prices to come. Yesterdayâ??s new COT report suggests a different motivation for why these new traders positioned themselves Â on the long side.

The motivation it seems to me now, at least for those other large reporting traders that did sell was to take advantage of the repetitive behavior of the managed money traders to buy as prices move higher and sell as prices move lower, which the commercials have taken advantage of for decades. In other words, the repetitive pattern of the brain-dead managed money technical funds to buy high and sell low has now resulted in a number of other large reporting traders to join with and compete against the commercials which up until now have enjoyed exclusive dibs to profiting against the managed money trading robots. We should be able to see if this is the case in future COT reports, perhaps as soon as next Fridayâ??s report. Again, my original analysis was factually correct, but at least some to the new other large reporting longs had a different motivation than I originally concluded â?? but still with a profit motive.

There was a new report from the Silver Institute predicting a still substantial shortfall between silver demand and supply over 2024, very much in line with previous supply/demand reports from the SI. The prospective deficit or shortfall for 2024 is estimated at 176 million oz. Of course, the Institute is quite reluctant to actually use the word â??shortageâ?• in describing the data it publishes, but it seems to me that the situation they describe in silver easily meets the definition of shortage in any dictionary.

Some still take odds with the Silver Instituteâ??s failing to fully take into account total silver demand, particularly as used in solar power generation, while others believe silver mine production is overstated. For myself, while these objections may be valid, I would observe an actual physical shortage is already so white-hot bullish, that the attention should be placed on why silver prices are not reacting to the most bullish circumstance possible in any commodity, a physical shortage. The answer, of course, is that the price of silver continues to be set and manipulated by the collusive and crooked commercials on the COMEX â?? something, apparently, unmentionable by â??establishment-typeâ?•Â men and women.

https://www.silverinstitute.org/global-silver-demand-forecasted-to-rise-to-1-2-billion-ounces-in-2024/

There was also an announcement by a consortium of Canadian silver miners (including the Silver Institute) of an effort to get the Canadian government to recognize silver as a critical material.

https://www.gata.org/sites/default/files/Critical-Silver-Open-Letter.pdf

While I have no criticism for the attempt of these miners to bring attention to the reality of silverâ??s low price in the face of the demonstrably-bullish actual supply/demand fundamentals, it seems to me it will take more than a technical re-classification of the metal on some government list to deal with a price manipulation in existence for 40 years. As a positive first step, in fact, the very first positive step I have observed the miners take in unison, they get â??Aâ?• for effort. However, if it stops there, the grades on a continuing basis wonâ??t be near as good.

The case for a silver price explosion is better than ever, and if my sense of what may be going on in the gold market structure on the COMEX is accurate, a liftoff in gold prices may provide a big boost to the silver price explosion argument.

Ted Butler

February 3, 2024

Silver – $22.80Â Â Â (200-day ma – $23.67, 50-day ma – $23.73, 100-day ma – $23.42)

Gold – $2054Â Â Â Â Â Â (200-day ma – $1979, 50-day ma – $2039, 100-day ma – $2006)

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