February 7, 2024 – No Reply

I tried to telephone

They said you were not at home

Thatâ??s a lie

Cause I know where youâ??ve been

I saw you walk in your door

https://www.youtube.com/watch?v=YgFo9STa70E

I heard that classic Beatles tune the other day and itâ??s been stuck in my head since. Aside from trying to imagine where the past 60 years suddenly disappeared since the song first came out, it was not the song itself that struck a nerve. It was that it reminded me that there has been no reply from the CFTC to a question that I (and my congressmanâ??s office) posed about possible double-counting of recorded silver inventories more than 12 weeks ago.

https://silverseek.com/article/answer-long-overdue

While there has been no response to date from the CFTC, as recently as two days ago, in yet another follow-up with my congressmanâ??s office, I was told that the agency said it intends to respond, although the office couldnâ??t say when. As a result, I still expect a response, although I must admit to being more than curious as to why itâ??s taken so long.

After all, Iâ??ve written to the CFTC and the Office of the Comptroller of the Currency over the past few years about more substantive and complicated matters (the concentrated short position in COMEX silver and Bank of Americaâ??s Â massive short position in OTC silver dealings), and the official responses were received within two months or less. And the S.E.C. responded to the silver inventory question within two weeks â?? while admittedly, completely evading any answer as to whether there was double-counting.

Naturally, seeing as the question of potential double-counting of recorded silver bullion inventories being so simple to resolve, I canâ??t help but wonder why it has taken so long for the CFTC to respond this time. I do accept my congressmanâ??s officeâ??s assurance that I will get a response from the CFTC at some point, as itâ??s almost unthinkable that a federal agency would flat-out refuse to respond to a serious question from a constituent of an elected official, and I will report when that response is received. Still, I canâ??t help wondering why the delay?

As Iâ??ve indicated previously, the question of potential double-counting of silver inventories is hardly the most serious issue Iâ??ve raised with the CFTC over the years and, quite frankly, would not be that much of an issue now â?? except for two things. One, we happen to be in a pronounced and documented physical silver shortage for the first time in history and nowhere is this shortage more obvious than in the 400 million oz reduction in recorded silver inventories over the past three years (confined to the holdings in the COMEX warehouses and in SLV). Any question concerning whether these recorded silver inventories are overstated by 100 million oz necessarily becomes more critical in current circumstances.

Two, at the heart of the inventory issue sits JPMorgan, unquestionably the biggest player and crook in the silver market â?? as evidenced in the recently-expired deferred criminal prosecution agreement for (surprise) manipulating prices by the sending of false price signals. Any reasonable person would conclude, if the COMEX warehouses inventories and the holdings in SLV, both directly controlled by JPMorgan, were double-counted, that would amount to the sending of false price signals â?? same as occurred with JPMâ??s manipulation by spoofing.

Assuming the CFTC does eventually respond, as it has assured my congressmanâ??s office, the question becomes the substance of that response. I suppose the agency could say (and document) that the 103 million oz in question are two separate and distinct silver holdings, but if that turns out to be the case, the follow up question is why not state that long ago and put the matter to rest at the outset? Such a response at this late stage would bring into question whether anyone at the agency really knows what they are doing.

As previously written, my version of how the agency will respond centers around an admission that, yes, of course, the inventories may appear to be double-counted, but everyone knew that already, making it no big deal. At least, thatâ??s how I would answer if I were in the agencyâ??s shoes. But thatâ??s a gamble, for the simple reason being that itâ??s not true. The vast majority of market observers believe the inventories reported in the COMEX warehouses and in SLV are separate and distinct and every Saturday, for the better part of the last year, even I report them as if they were separate and distinct holdings. I only wrote to the CFTC about my concerns because of long-held suspicions there may be double-counting. The long delay in the agencyâ??s response has only heightened my suspicions.

Therefore, should the CFTC come out and admit that yes, effectively, there was double-counting, the final question becomes what, if anything, the market reaction might be. Here, I donâ??t believe I may be qualified to answer, for the simple reason that I expect silver prices to explode momentarily for a wide variety of reasons â?? all centered upon the law of supply and demand being kept in check by the crooked dealings on the COMEX. However, such an admission of double-counting of silver inventories by the CFTC could and should wake people up to the ongoing scam and fraud of the COMEX silver manipulation. Sort of like the straw that broke the camelâ??s back.

Turning to other developments, the drumbeat of evidence continues regarding proof of the intensifying physical silver shortage, in the form of continued new creation of contracts in the current (Feb) delivery month for the full-sized (5000 oz) COMEX contracts, which has also come to include the micro-sized (1000 oz) contracts, an unusual trend that began in the December contract and continued in January. And after last weekâ??s sharp withdrawals in COMEX warehouse and particularly in the holdings in SLV, the first two days of this week has seen a big deposit (4.8 million oz) last night into SLV, which I would interpret as JPMorgan â??donatingâ?• another chunk of physical silver from its rapidly declining physical silver hoard in order to keep plugging the new holes developing in the silver shortage dyke. No, I donâ??t know how long JPM intends to white-wash and cover up the deepening physical shortage, but considering how crooked and greedy it is, I suspect not too much longer.

Certainly, price action over the first two days of this week in silver would appear to further demoralize long-suffering silver bulls and appear to fully-refute any suggestions by me of an imminent price explosion. However, a closer and less-emotional examination of what is transpiring beneath the price surface suggests something quite different than permanent doom and gloom for the prospects for sharply higher silver prices. Simply stated, what we have here is clear and compelling evidence of everything Iâ??ve ever alleged in silver.

After decades of manipulated and suppressed prices, brought about by the ironclad dominance of paper contract positioning on the COMEX, we are all witnessing the final result of that artificial pricing, namely, the first genuine physical silver shortage in history. I completely confess to having warned (along with my departed friend and silver mentor, Izzy Friedman) of a coming physical silver shortage brought about by the too-low price created on the COMEX on more occasions than anyone over the decades. And still, no shortage occurred. Having been way-premature on when the silver shortage would arrive, Iâ??ll be darned to be accused of failing to recognize its actual arrival.

In hindsight, you can mess with the law of supply and demand in silver for an incredibly long time (40 years), but in the end nothing can permanently defeat the most powerful force in economics. Put simply, what enabled the effect of the silver shortage from being felt until this point was the incredibly-massive (and unknown to me) amount of world inventories built up over the ages. The amount of world physical silver inventories thought to exist 40, 30 and 20 years ago was unknown because so little was recorded or visible. As recently as 2006, world recorded silver inventories werenâ??t much more than 150 million oz. In my defense, how could you measure that which couldnâ??t be seen?

With the introduction of SLV in 2006 and subsequent silver ETFs, over the following 15 years, recorded inventories rose to a peak of 1.7 billion oz three years ago (early 2021). Since then, world recorded inventories have fallen by a sharp 400 million oz, or by nearly 25%. And there is no obvious reason to believe unrecorded silver inventories have grown over recent years, given accepted historical production and consumption data.

The bottom line is that the inevitable effect of the Â law of supply and demand in silver has been delayed for decades as previously unknown world inventories were used up to compensate for an ongoing shortfall between production and consumption, thus preventing the price fulcrum of the law of supply and demand from fully-functioning. Coupled with an ongoing price manipulation by a handful of collusive banks and financial firms on the COMEX, silver prices had no chance of behaving as they should have.

Nothing can alter what took place over the past 40 years, but the true price effect to come in silver has yet to be felt, very much as a result of what has occurred over this time. In essence, itâ??s pay back time for 40 years of extreme price distortion. After such a protracted period of price distortion, itâ??s hard to imagine how there could possibly be a period of â??normalâ?• price behavior in silver going forward. It seems to me that when silver prices finally shake off the effects of the distortion to the downside over the past 40 years, the upside price impact is hard to understate.

As far as what to expect in this Fridayâ??s new Commitments of Traders (COT) report, given silverâ??s sharp price decline of nearly a dollar over the reporting week ended yesterday, itâ??s a certainty there will be significant managed money selling and commercial buying â?? largely, the mirror image of what we saw in the prior reporting week, when silver rose by a dollar. It should be obvious to all (including the regulators) that the managed money/commercial (now joined by the other large reporting traders) tango is what sets silver prices and not changes in real supply and demand.

There was nearly an 11,000 contract increase in total silver open interest over the reporting week, but much of the increase may be due to the phony spread creation cycle according to the calendar. Still, I will be disappointed if we donâ??t see at least a full reversal of the 7000 net contracts of managed money buying in the prior reporting week. Thereâ??s no way of handicapping what the commercials bought as a whole, either by category or by what the other large reporting traders may have done, but those details are eagerlyÂ awaited. As always, of particular interest will be what the 4 big shorts may have done, particularly in light of the 800 short contracts Â they bought back last week (on higher prices), as well as this being a key feature of the ongoing manipulation.

Gold is a bit harder to predict because its price action wasnâ??t as pronounced as in silver. Complicating matters is that even though gold prices appear to have decisively penetrated its 50-day moving average to the upside, after dipping slightly below over the past weeks, much ($17) of the gain in gold prices are the result of the recent rollover from Feb to April, which has yet to set off significant managed money buying. I believe that buying will kick in as gold prices penetrate the $2080 or $2100 level. But as I indicated in the weekly review, goldâ??s market structure looks much better than it has in months, particularly concerning last weekâ??s sharp covering of short positions by the 4 and 8 big shorts.

While itâ??s always possible for the crooked and collusive COMEX shorts to slice the silver salami lower to induce maximum managed money selling, that just sets the stage even better for the certain price move higher.

Finally, the price action and COMEX positioning in copper has been quite notable. In the COT report as of Jan 23, the managed money net short position hit its largest in 4 years, strongly suggesting a sharp rally to come. Sure enough, copper prices rose a sharp 20 cents per pound, upwardly penetrating all of its key moving averages in last weekâ??s report (as of Jan 30), as the managed money traders were net buyers of 28,000 contracts, the equivalent of 350,000 tons.Â Now, I see that copper prices have sold off by close to the same 20 cents they rose over the prior week, no doubt on significant managed money selling.

Copper is an important world commodity in many ways, not the least of which is that it is vital in so many electrical applications and total annual production and consumption amounts to $150 billion, the largest of the base metals. It doesnâ??t make any sense that managed money speculators should be allowed to set prices so blatantly. Sure, the managed money traders are being tricked and led by the nose into and out from futures positions Â by the commercials (not the banks) and this is another black mark against the CFTC and the CME Group. But whatâ??s new about that?

A New Year brings a new set of price predictions, something I always avoid, as the price of silver over the next year is completely dependent on whether we see an end to the 40-year price manipulation on the COMEX. If the manipulation survives another year, I would imagine nor much change in overall price. However, if the scam on the COMEX comes to an end (as seems evident to me), then the price sky on silver suggests no real limit.

Whatâ??s always amazing to me how so few in the â??establishmentâ?• world of silver ever seem to notice the goings-on I report on non-stop. I recognize the difficulty of admitting that silver prices may be manipulated on the COMEX, when you work for a member firm or affiliate of the exchange, but how do explain prices not responding to what appears to be a consensus of a structural deficit? Iâ??m not complaining about how so few acknowledging the ongoing manipulation, as I am continually amazed by it.

https://www.lbma.org.uk/forecast-survey-2024/analysts-forecasts

Ted Butler

February 7, 2024

Silver – $22.30Â Â Â (200-day ma – $23.64, 50-day ma – $23.68, 100-day ma – $23.39)

Gold – $2051Â Â Â Â Â Â (200-day ma – $1979, 50-day ma – $2041, 100-day ma – $2008)

Date Created
2024/02/07