January 13, 2024 – Weekly Review

Gold and silver prices closed mostly unchanged, with gold exactly unchanged and silver off by two cents for the week. As a result, the silver/gold price ratio also closed unchanged, at just under 88 to 1 for the week. Of course, the unchanged price finish for the week masked some fairly volatile price action during the week, as some fairly-significant price lows were established as late as on Thursday, before a rather strong rally on Friday brought prices back to a weekly unchanged result.

The knee-jerk response to the sharp Friday rally (where both gold and silver prices finished way off the intraday highs) was that it was due to fresh hostilities in the Mid-East (no, not the Mideastern US, at least not yet). Sorry to remain so consistent, but the price action this week had little to do with outside developments and everything to do with – you guessed it, paper positioning on the COMEX.

Certainly, thereâ??s little doubt of my assertion, as indicated in yesterdayâ??s new Commitments of Traders (COT) report, as well as in trading action after the Tuesday cutoff. Iâ??ll get into the details of yesterdayâ??s report and what I believe occurred after the Tuesday cutoff, a bit later, but please allow me a few, admittedly repetitive, observations about yesterdayâ??s report â?? which came in close to my expectations in silver and were actually a bit better than I expected in gold.

Over the reporting week covered in yesterdayâ??s report, silver prices fell by roughly a full dollar, closing below all its key moving averages every day, reversing a two-week upside penetration of those same moving averages –Â a price pattern virtually guaranteed to induce managed money selling and commercial buying. Similarly in gold, prices fell by a fairly sharp $50, and while no key moving averages were penetrated to the downside, it was also virtually guaranteed that there would be some level of managed money selling and commercial buying. After all, such COMEX positioning is what determines gold and silver prices almost all of the time.

In fact, should such positioning not to have occurred on the price declines recorded, I would have to declare that would be the equivalent of the earth changing its rotation or the tides no longer rising and falling. Fortunately, weâ??re still good to go in rotation and tidal movement matters. But the specific point I wish to repeat today is that the commercial buying component of the ironclad formula of what happens on every significant silver and gold prices drop cannot be coincidental, since it has occurred on every significant silver and gold price decline over the past 40 years.

This pattern in not coincidental, it is causal. Prices drops on the COMEX exist to enable the commercials to buy. Wait a minute (I think I hear someone asking in the back of the room) â?? how can the commercial buying possibly cause prices to drop? Good question that deserves a straight answer. Â Of course, commercial buying, per se, does not cause gold and silver prices to drop â?? it has to be more than that. Itâ??s the manner of commercial buying. It only occurs when the commercials are able to first rig prices lower by wide variety of dirty trading tricks (like spoofing) and induce managed money selling.

In other words, itâ??s not the actual perpetual buying by the commercials on lower prices that is illegal and manipulative, but the manner and means by which the commercials arrange the buying on lower prices. Here I must invoke one of my most repetitive allegations, namely, that the COMEX commercials have to be collusive in their consistent behavior. Thereâ??s no way possible for the commercials on the COMEX to be able to always (and I do mean always) buy on lower prices if they werenâ??t behaving collusively and as pack of wolves arranging a kill (of the managed money traders).

Donâ??t get me wrong, I couldnâ??t care less about the plight of the managed money traders. What is so upsetting and outrageous is that this behavior sets prices for everyone, even those not trading on the COMEX. To know that we have an actual federal agency and a designated industry self-regulator whose prime mission is to root out and prevent precisely the type of illegal and collusive behavior that I just described for what is now 40 years. What could be more outrageous than that? Â How the CFTC and CME Group employees can look the other way is on them, although it is the public that suffers. Then again, I canâ??t even draw Â out a straight answer to a simple question of whether certain recorded silver inventories are being double-counted or not.

If it wasnâ??t for the inevitability of the ironclad law of actual supply and demand, I would have to conclude that the forces of inequity, as described above, would continue to prevail indefinitely. Fortunately, no amount of collusive behavior and regulatory malfeasance can overcome the force of a physical shortage in any commodity in the end, and the continuing signs of an epic physical shortage in silver abound. Itâ??s just a matter of when, not if, the force of the law and supply and demand overcomes the commercial shysters and vermin on the COMEX

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses was just slightly below the weekly average over the past 13 years, as just under 4.4 million oz were moved. Total COMEX silver inventories fell slightly by 0.6 million oz (one truckload) to 280.5 million oz, the first decline after five straight weeks of increases amounting to just over 15 million oz. Coincidentally (or not), holdings in the JPMorgan COMEX warehouse also fell by Â 0.6 million oz to 132.5 million oz, after five straight weeks of unchanged readings.

Monday will mark the ninth week since I first asked the CFTC about whether there was double-counting in the COMEX silver warehouse inventories and for those in the big silver ETF, SLV. Â I thought it was a pretty simple question and one in which the CFTC would seem most qualified at uncovering the answer. Instead, itâ??s as if I asked for the nuclear bomb codes or the specific war plans concerning Iran. I do still intend to uncover the answer (just not to the codes or war plans).

Total holdings in the COMEX gold warehouses remained unchanged at 20 million oz, as did the holdings in the JPMorgan warehouse, at 7.34 million oz. There was attention given to an unusually large paper transfer (not actual physical movement) of more than 0.85 million gold oz transferred from the registered to the eligible category, but the significance of the paper category change wasnâ??t mentioned and I donâ??t have anything to offer, which is why I concentrate on physical turnover and not paper category changes.

There continues to be new contracts added to the continuing COMEX January delivery gold and silver contracts, met with new deliveries. No doubt there is physical tightness in gold, but it is silver that I am most interested in, as it confirms the deepening physical shortage. Iâ??m also encouraged that JPMorgan continues to be the biggest stopper (taker) of silver deliveries (for customers), as was the case in the recently-expired December contract.

There continued to be outflows of around 0.5 million oz from the gold ETFs, mainly GLD, this week. There was also a net redemption of less than 1 million oz from the big silver ETF, SLV. The combined holdings in the COMEX warehouses and in SLV, fell to just under 714 million oz, down about 1.5

million oz from last weekâ??s level, but still up by 13.5 million oz from Dec 2. Time will tell if weâ??ve hit the rock-bottom levels of these recorded silver inventories that I contend to be the case, but it has now been many months that weâ??ve hung around unchanged levels.

The new short report on stocks was released this week for positions held as of December 29, and indicated that the short position on SLV increased by around a million shares to 18.7 million shares (17 million oz). While Iâ??m never happy to see any increase in the short position on SLV, for a variety of reasons previously discussed, the fact is that the short position on SLV has varied little since the end of September and is still down by more than 41 million shares (68%) since the peak in August 2022. Whether my repeated petitions to the S.E.C. at that time had anything to do with the sharp reductions since, remains unknown, but still highly-possible.

https://www.wsj.com/market-data/quotes/etf/SLV

Turning to yesterdayâ??s new COT report, Iâ??ve already mentioned the never-varying outcome of managed money selling and commercial buying of big price declines, so let me dig into the specifics.

In COMEX gold futures, the commercials reduced their total net short position by 17,800 contracts to 217,700 contracts. This is the lowest commercial net short position since December 12 and while I didnâ??t put any numbers on the expected level of commercial buying, it did exceed my unspoken expectations. Actually, there wasnâ??t much commercial short covering, as there was new buying by the smaller commercials, the raptors, but that still results in a decrease in the total commercial net short position.

The 4 big commercial gold shorts did buy back around 900 short contracts, in reducing their net short position to 157,242 contracts (15.7 million oz), with the next 5 thru 8 largest shorts buying back maybe another hundred contracts, which left the big 8 short position at 231,699 contracts (23.2 million oz). The raptors (the commercials apart from the big 8) did almost all the buying, in buying 16,800 net contracts and flipping what had been a 2800 net short position last week into a 14,000-contract net long position as of Tuesday.

If a â??most collusiveâ?• commercial category award was handed out weekly, this week, the raptors would have locked it up. Which is kind of saying something, as there are a lot more raptors than the 8 big commercial shorts, which makes the collusion more criminally-artful.

The managed money traders sold 20,690 net gold contracts, consisting of the sale and liquidation of 20,051 longs and the new sale of 639 short contracts. The managed money net long position fell to 88,459 contracts (134,333 longs versus 45,874 shorts), no doubt a bullish improvement, in that it is the lowest such position in two months.

Additionally, there was continued improvement as a result of the gold price selloff into Thursday, when the collusive commercials rigged prices to new lows and below goldâ??s 50-day moving average on fairly heavy trading volume, although gold prices snapped back later in the day. More of a question is the very large 20,000 contract increase in total open interest as a result of yesterdayâ??s sharp snap back in prices.

Whatâ??s so puzzling about the large increase in total gold open interest is that itâ??s easy to imagine how the collusive raptors would be selling into yesterdayâ??s large rally, after having added longs aggressively in yesterdayâ??s COT report and, most likely, on Thursdayâ??s price weakness, but such selling would result in a decline in total open interest. I also have some difficulty in visualizing big managed money new long buying, since while gold prices did rise sharply yesterday, not to higher levels than what this weekâ??s report indicated they just sold at. Just taking a stab at what might explain the sharp increase in total open interest yesterday, Iâ??ll toss out new phony spread creation, seeing as yesterday has historically been the time when such spread creation peaks. Of course, such phony spread creation (if thatâ??s what occurred) has no bearing on net positioning changes or prospective price action.

In COMEX silver futures, the commercials reduced their total net short position by 6800 contracts, to 43,300 contracts. This is the biggest weekly reduction in the total commercial net short position since Aug 15 and the lowest total position since Nov Â 21. I refrained from predicting what the commercials might do, as I had no way to handicap what the other large reporting traders and smaller non-reporting traders might do. I confined my estimates to what the managed money traders might sell, where I was hoping for as many as 10,000 net contract being sold (I came reasonably close, as they sold 7700 net contracts).

By commercial categories, the big 4 bought back around 1000 contracts and held 44,085 contracts (220 million oz) net short as of Tuesday.Â The next 5 thru 8 shorts also bought back around 1000 contracts and the big 8 short position fell to 61,904 contracts as of Tuesday. Â It still looks to me that a managed money trader is holding 3000 contracts short and is in the big 5 thru 8 category, meaning that the raptors (as was the case in gold) were the big buyers in silver, buying 4800 new long contracts and holding a net long position of 15,100 contracts as of Tuesday.

The managed money traders in silver sold 7709 net contracts, consisting of the sale and liquidation of 6032 longs and the new short sale of 1677 contracts. Thus, I somewhat exceeded the ballpark expected 5000 contracts of long liquidation, but fell short on the same number of new shorts.Â The resulting reduction in the managed money net long position to 8348 contracts (32,392 longs versus 24,044 shorts) is more bullish than it was and still much more bullish than goldâ??s comparable position. I still consider anywhere close to 30,000 gross contracts long by the managed money traders to be close to rock bottom levels.

On the move to new silver price lows on Thursday, I would imagine even more managed money long liquidation and new short selling and despite yesterdayâ??s sharp rally (to unchanged on the week). Silverâ??s total open interest had a slight decline yesterday (compared to goldâ??s sharp increase), suggesting to me that silverâ??s market structure as of yesterdayâ??s close was still better than it was as of Tuesday. After all, despite yesterdayâ??s rally, silver still ended below all its key moving averages for what is now eight trading days (while gold has yet to close below any of its key moving averages). Also, as far as yesterdayâ??s big increase in total open interest in gold being due to phony spread creation, silverâ??s peak day for such phony spread creation is still a month away.

All things considered, I am quite impressed with goldâ??s price action and improvement in market structure, but still close to nearly-insane about the prospects for a silver price explosion. A reader asked what I thought might be the catalyst for such a silver explosion and I said I had no idea. The truth is that silver needs no catalyst and itâ??s more a case that when it goes, it just goes. Itâ??s more a case of being similar to spontaneous combustion, as Lord knows, there are more oily rags piled in silverâ??s dark closet to count and the real question is how much longer until the inevitable combustion occurs.

A few readers have asked me about a couple of new articles pointing to increasing silver lease rates as a sign of an imminent price move higher (not that we need any more oily rags in the closet). Normally, I wouldnâ??t comment on articles that were bullish on silver, even if I found some of the reasons given as being at odds with what I knew to be true, because whatâ??s the real point of disagreeing when the same bullish out come is expected. In the past, Iâ??ve likened it to the old Miller Lite beer commercials, where one character argued for less filling, while the other stood by tastes great.

So, with that caveat in mind and highlighting just one of the silver lease rate articles making the rounds, let me first link the article in question â??

https://www.goldsilvervault.com/rising-silver-lease-rates-what-is-it-telling-us-1/

First and foremost, I whole heartedly agree with the finding that retail silver demand is dismal (more on that in a moment), but it matters little, since it is only wholesale demand that matters for the price of silver â?? a point I believe I have made consistently.

Getting into what I find at fault is the assertion that silver mining companies recently closed out hedge positions on the COMEX for the simple reason that no such positions previously existed. Paper positioning changes are almost exclusively between the commercials and the managed money traders and the level of mine hedging is as close to non-existent as is possible. Besides, it is an accounting requirement that public mining companiesÂ fully-disclose such hedge positions and I am aware of no such disclosures to speak of. Further, what nitwit of a miner would lock in or hedge the low level of silver prices experienced over the past few years?

More to the point is the implication that any real silver leasing is occurring and that is what is responsible for the increasing lease rates. The lease rates are an implied creation, not hard evidence of actual lease activity. There was a time, some 25 years ago when Â gold and silver leasing was in full force, used by the mining community in what turned out to one of miningâ??s great debacle of all-time. In fact, I cut my Internet teeth pointing out the idiocy of precious metals leasing as perhaps the dumbest of ideas dreamed up by the rocket scientists on Wall Street and thatâ??s exactly how it turned out – as a certified debacle.

https://www.gold-eagle.com/article/letter-alan-greenspan

The fact is that precious metals leasing is as dumb as dirt for the simple reason that at the outset of any such lease, the collateral of the lease is immediately sold to an unrelated third party or destroyed by industrial consumption. As such, precious metals leasing has had its (dark) day in the sun and no such activity is occurring today, as it is just too dumb. The only exception I would make is that gold and silver leasing is what the crooks at JPMorgan did use to ensnare the dummies at Bank of America into a massive gold and silver short position in the OTC market a few years back, and for which BofA is still trapped on the short side, In summary, the thought that real leasing is occurring and that is whatÂ is driving silver lease rates higher is poppycock. Ask yourself this â?? what bona fide owner of big quantities of silver bullion would voluntarily give up physical possession of his or her metal for a piddling interest rate return with the assured return of the physical metal iffy, at best? Â Â Itâ??s just too dumb to even contemplate.

Returning to the matter of retail silver conditions being at their worst levels ever, of that there can be little doubt. I even just heard that the wholesalers of supplies to retail dealers have started to call the retail dealers asking if they can take some of growing retail inventory off the wholesalersâ?? hands. It doesnâ??t get much worse than that. But once again, that has nothing to do with the deepening wholesale physical silver shortage, which is all that matters to the price of silver.

Then again, stepping back from this extreme dichotomy of the absolute worst retail silver environment ever juxtaposed against the most bullish wholesale environment ever, I canâ??t help but marvel at what this suggests. Not only have the collusive COMEX commercials and their tag-along regulatory sycophants suppressed silver prices for so many decades that the natural result of an actual wholesale supply/demand physical shortage has occurred, the process has taken so long that retail investors have, quite literally, given up on the prospects for higher silver prices. Never, in a million years would I have envisioned this result,Â but there it is, standing right in front of us and is more suggestive of a silver price explosion than anything I could ever dream up. As Iâ??ve often said, I could never make up as bullish a setup left to my own imagination and not supported by the facts.

Ted Butler

January 13, 2024

Silver – $23.36Â Â Â (200-day ma – $23.81, 50-day ma – $23.79, 100-day ma – $23.47)

Gold – $2052Â Â Â Â Â Â (200-day ma – $1978, 50-day ma – $2023, 100-day ma – $1979)

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