January 17, 2024 – 9 1/2 Weeks

By some coincidence, that is the title of a movie that has come to achieve somewhat of a cultish following since its release in 1986, about the same time I began my decades-long quest to expose the COMEX silver manipulation.

https://en.wikipedia.org/wiki/9%C2%BD_Weeks

The stronger connection that came to mind was that nine and a half weeksÂ represents the time that has elapsed since I petitioned theÂ Commodity Futures Trading Commission, back on Nov 13, to determine if there was any double-counting in recorded silver inventories on the COMEX and in SLV, the big silver ETF. The Securities & Exchange Commission did respond to my congressman to the same petition within two weeks, but completely evaded any conclusion of a definitive nature.

So, the question of whether there is double-counting remains very much unanswered. As such, and considering how simple the question is to get answered, particularly by the federal regulator, a reasonable and objective person might reach the conclusion that the CFTC is deliberately stalling because it is loath to confirm the double-counting. While I try to consider myself reasonable and objective, since I asked to question, I am not yet willing to admit to the double-counting by the lack of an official response â?? despite the time for a definitive answer having long expired. I want to give the regulator as much of the benefit of the doubt as possible.

Still, I would be not truthful if I claimed not to having anticipated what both the S.E.C. and the CFTC might say in answer to my question. I did rule out either regulator flat-out lying and declaring the two silver inventories on the COMEX and in SLV to be separate and distinct if that were not the case and I still feel that way. The potential negative repercussions arising from an official overt misrepresentation are hard to underestimate. Â As evasive as it was, the S.E.C.â??s responseÂ did not state the inventories were separate and distinct. Same goes (so far) for the non-response from the CFTC. Actually, the most popular version in my mind of what to expect from the CFTC (putting myself in their shoes), was that its response might be, â??of course,Â these two inventories are one and the same, and while some might choose to call it double-counting, we (the CFTC) maintain this was widely known to the market â?? so whatâ??s the big deal?â?•

Of course, thereâ??s a risk in such a response, and Iâ??d like to spell out just what that risk may entail. First, in my opinion, it is not at all widely-known (or even remotely-known) that the 103 million oz in question is one and the same and for what itâ??s worth, thatâ??s coming from someone who studies silver on a full-time professional basis. A reader asked me the other day how long I suspected there was double-counting and my answer was for years, although itâ??s hard to pinpoint what prompted me to raise the question back in November (although I suspect it had to do with the anger I felt about the latest deliberately rigged price selloff into Nov 13).

However, by far, the greatest significance of the question of possible silver inventory double-counting resides in the entity at the heart of theÂ issue â?? JPMorgan. In many ways, not finding JPMorgan at the core of anything related to silver (or gold) Â would always be the more implausible outcome. But, please, hear me out.

It has now been almost four months since the landmark criminal deferred prosecution agreement

(DPA) between JPMorgan and the US Justice Department has expired, for which JPM was fined $920 million and agreed to not violating the terms of the DPA.

https://www.justice.gov/criminal/criminal-vns/case/jpmorgan-chase-co-deferred-prosecution-agreement

The essence of the monetary settlement and agreement to defer criminal charges revolved around JPMorgan sending false price signals to the market via thousands of instances of spoofing or in the actual wording in the DPA **â?? â??In tens of thousands of instances, traders on the precious metals desk placed orders to buy and sell precious metals futures contracts with the intent to cancel those orders before execution, including in an attempt to profit by deceiving other market participants through injecting false and misleading information concerning the existence of genuine supply and demand for precious metals futures contracts.â?•**

Therefore, it can be said that the central issue in the recently expired DPA was that JPMorgan agreed that it had sent false price signals to the precious metals markets and further agreed it would cease such activities. Yet, here we are (again), where the question exists of whether false price signals have been sent to the silver market by the possible double-counting of the two largest silver inventories in the world, which just happen to be under JPMâ??s direct control. Further, the potential double-counting had occurred for the entire three years of the existence of the original DPA.

I suppose a case could be made that JPMorgan was unaware it was sending false price signals to the market by allowing the double-counting of recorded silver inventories, but I am skeptical of that version. I believe the operative legal rejoinder is that JPMorgan knew or should have known, given its outsized role in the silver market in general and in this specific instance.

So, while I wonâ??t be terribly surprised if the CFTC attempts to answer the question of possible silver inventory double-counting as I described above, that would still be a confirmation of double-counting. And, I would add, a market interpretation from the regulator where no interpretation was requested or appropriate.

Normally, the issue of whether 103 million oz of recorded silver inventories were being double-counted or not, might not be that big of a deal. By â??normallyâ?•, what I mean is if total recorded silver inventories were increasing or even stable. But these are far from normal times in that regard.

Over the past three years, some 400 million oz have come out of total world recorded silver inventories (now at 1.3 billion oz), with the entire 400 million oz reduction coming from the combined holdings in the COMEX warehouses and in SLV, now at just over 700 million oz. (The 600 million total oz in all other silver ETFs and investment vehicles is the same as it was three years ago, although there have been individual shifts, with some holdings increasing, like the Sprott silver ETF, while others fell).

The reason the combined holdings in the COMEX warehouses and in SLV have fallen is due to a supply/demand imbalance resulting in a deepening physical shortage, as well as physical silver transfers to India and other points East. As a reminder, a physical shortage in any commodity (where current demand is greater than current supply) can only be created when the price of the commodity is too low. Thatâ??s just basic law of supply and demand 101, and it is very rare to have such a shortage.

Therefore, since these are far from normal times in silver, any official confirmation of double-counting of the remaining recorded inventories would be expected to be taken by the full range of market observers as more critical than if total inventories were stable or growing. If the 103 million oz in the COMEX silver warehouses is earmarked for shareholders of SLV, then that means total COMEX silver warehouse holdings are really only less than 178 million oz and not the 281 million oz publicly reported. And if the 103 million oz earmarked for SLV are in the JPMorgan COMEX warehouse, then instead of there being 132.5 million oz in that warehouse as reported daily, then the non-SLV portion drops to less than 30 million oz. In my opinion, thatâ??s a big darn deal and one the regulator should clarify.

In fact, I canâ??t help but make the observation that in many ways, this continuing lack of a straight answer to the simple question of possible silver inventory double-counting is an apt summation of the regulatorâ??s (lack of) handling of the 40-year COMEX silver manipulation by avoiding the obvious at all costs. This despite all the hard evidence of manipulation at every turn, including the deathbed admission by a former commissioner of what really went on behind the scenes 15 years ago.

And while I try to guard against making it sound like itâ??s something personal between the CFTC and me, sometimes thatâ??s hard to do. A case in point is that over the more than 35 years that I have petitioned the Commission over various matters (all related to the COMEX silver manipulation), in each and every instance, the Commission has taken issue and disagreed with everything I contended, finally appearing to cease such consistent disagreement on May 5, 2021, when it agreed to forward my concerns about concentrated short selling in COMEX silver to its divisions of Enforcement and Market Oversight.

I admit to being a fairly consistent and vocal critic of the CFTC, but even a blind squirrel finds an acorn once in awhile and I donâ??t consider myself to be a blind squirrel when it comes to silver. I just get the feeling that had someone else had posed the double-counting inventory question to the CFTC, other than me, an answer would have been provided by now.

Much more important than any answer to the specific question of inventory double-counting is that lack of engagement or straight talk from the CFTC over the years and decades on the COMEX silver manipulation. The Commission seems to have retreated from discussing the matter at all costs, even though it is of prime concern to silver investors as a whole. Thatâ??s not how the front-line regulator is supposed to behave. And yes, if that was the sole determinant in when the manipulation would end, we would all be in deep trouble. Â Fortunately, what the Commission does or doesnâ??t do at this point has almost become irrelevant, as the force of the law of supply and demand and physical shortage supersedes any and everything else.

But what about the continued price rig-job lower, continuing into today (Wed), where the collusive commercials continue to â??slice the salamiâ?•, creating new price lows exclusively designed to generate as much managed money selling as possible. I know this is the same â??storyâ?• I trot out regularly, but thatâ??s because itâ??s the only explanation that makes sense. Iâ??d love to hear even a slightly plausible alternative explanation and if I ever come across such an alternative explanation, I promise to present it. Certainly, feel free to forward any you may come across.

I was asked what I considered to be a good question in this regard by a number of readers whose opinion I respect. The question went like this â?? â??OK, I accept everything you say, but what could the commercials hope to gain at this late-stage, when the physical shortage is obvious and silver prices must rise, why would the commercials persist in pressuring prices lower?â?• My answer is as straight forward as is the question â?? what the heck can these crooks do otherwise?

Of course, itâ??s not right to answer a question with another question and that is not my intent. My answer is that the commercials, particularly the big concentrated shorts have no choice but to rig prices lower in the hopes of buying back as many shorts as possible. Letâ??s face it, still lower prices will do nothing but exacerbate the current physical silver shortage and will do nothing to increase actual supply or reduce industrial demand. Then why would the COMEX commercials persist in slicing prices lower?

Look at the last COT report and note that in the last reporting week, silver prices fell (were rigged lower) by more than a dollar â?? meaning that the managed money traders sold and the commercials bought â?? as has been the case forever. Even though the smaller commercials (the raptors) did the bulk of the buying and all of that buying was in the form of adding new longs, the 4 biggest shorts and the next 5 thru 8 biggest shorts were able to buy back a thousand short contracts each, or a total of 2000 contracts.

Thatâ??s the equivalent of 10 million oz and regardless that these are â??paperâ?• oz (not physical), it is 10 million oz less short than the 8 largest shorts were before that reporting week. So, if you are looking for the reason why, at this late date in the evolving story of the 40-year COMEX silver manipulation, the commercials would continue to press silver prices lower â?? then look no further and expect as much pressing of prices lower as the crooked and collusive COMEX commercials can arrange. They donâ??t have any other alternative to improving their lot.

I know it gets old hearing this same story over and over, but thatâ??s just the way it is and, moreover, even though it doesnâ??t feel like it, it is as bullish as can be. As soon as the last managed money trader can be tricked into selling, then the sole remaining reason for the commercial crooks to press prices lower no longer exists and a price rally of some significance is at hand. With the managed money longs thought to be at rock-bottom levels, the question becomes how many managed money dummies can be lured onto the short side. Weâ??re in the process of uncovering that presently.

I did have some fear that the relatively more bearish market structure in gold might lead to more of a price flush out in gold, which, in turn, might pressure silver prices lower. Â Â Â Â Â Â While that hasnâ??t overtly occurred until today, it does now seem to be in play. I wish I could tell you (and me) what the absolute low-price tick will be, but thatâ??s impossible â?? although we do appear to be close. Much more important is understanding this whole sick price determination process.

Regardless of how much more the collusive COMEX commercials might rig prices lower, there is a point where the price-rigging will end. And it is at that point that silverâ??s risk/reward equation will be at its most compelling. The good news is that it wouldnâ??t appear to Â be particularly important to nail that specific point, as we are close enough at this point. As aggravating and upsetting as it is towitness this latest rig-job lower, try to take solace in the fact that it is only occurring to enable thecommercials the means of reducing existing shorts and adding to new longs to best participate in thecoming certain rally.

As far as what this Fridayâ??s new COT report will indicate, with four days of lower prices and one-day (last Friday) of a spirited rally, it would seem the odds favor managed money selling and commercial buying, with only the unusual large increase in total gold open interest on the Friday rally (20,000 contracts) suggesting possible managed money buying on that day (as opposed to phony spread creation). Certainly, there is little question about todayâ??s activity involving managed money selling and commercial buying, but todayâ??s positioning wonâ??t be included in Fridayâ??s report.

I will say that it appears to me that the collusive COMEX commercials have gone further than usual in the current price rig lower in terms of the persistence of the price rigging, particularly since itâ??s coming at a time of a deepening physical silver shortage. What this means is that when we do turn higher, we turn with a vengeance.

Ted Butler

January 17, 2024

Silver – $22.70Â Â Â (200-day ma – $23.80, 50-day ma – $23.79, 100-day ma – $23.46)

Gold – $2008Â Â Â Â Â Â (200-day ma – $1978, 50-day ma – $2024, 100-day ma – $1980)

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