January 19, 2022 – Different This Time?

The most dangerous words in the financial world are reported to be â??itâ??s different this time.â?• The phrase mostly refers to the collective bullish feelings said to exist near the top of markets when the historical yardsticks of overvaluation are abandoned â?? just as the overvalued markets are about to adjust sharply lower. Investors who have grown accustomed to enjoying the rewards of a long bull market seek to justify continued full investment by discarding the old benchmarks of overvaluation and embracing a belief thatâ??s itâ??s different this time for a variety of reasons that sound logical, but eventually prove otherwise.

A similar and opposite feeling permeates collective investor sentiment in markets that have pronounced bear markets or long stretches of disappointing price performance, where even highly visible signs of undervaluation and improved fundamentals are met with a collective yawn and prices are expected to remain low because somehow, itâ??s different this time and not to expect higher prices. I think this expectation of continued low prices for silver on the part of the greater general investment community has taken hold.

Of course, Iâ??m excluding all the diehard silver bulls, both long of tooth (like me) and the recently-arrived newcomers who have come to embrace the merits of sharply higher silver prices. In the general world of investment, silver barely gets mentioned, I would submit because its investment returns have paled compared to more popular investments, like stocks and real estate. But to everything there is a season and I see strong signs the price of silver is about to embark on an explosively higher price journey.

To understand why I think itâ??s different this time for silver as far as moving sharply higher, itâ??s important to comprehend why it hasnâ??t moved sharply higher by now, despite a fundamental supply/demand equation so shockingly bullish that should have resulted in prices much higher years ago. The sole reason for the long-term suppression of the silver price has been the ongoing COMEX paper positioning manipulation, recently aided by the massive leasing/short selling of physical metal by Bank of America.

So successful has been the long-term silver price manipulation that even among many who recognize the manipulation, there has crept in a conviction that nothing will ever break the manipulation. Iâ??d call this manipulation fatigue and itâ??s truly remarkable how so many have come to see the manipulation, yet due to the continued prices weakness, have convinced themselves it will last forever, as opposed to the many others who have no concept at all about silver. Regardless for why so many believe silver will never explode in price, Iâ??d like to outline why this time it is different in silver and weâ??re about to see a truly explosive move to the upside.

Looking at the shortest-term indicators first, yesterdayâ??s explosive up move as the COMEX day session opened was the quickest 60 cent up move in recent memory. That it came almost exactly as Iâ??ve been expecting was about as unnerving as putting a pot of water on to boil and having it boil instantly instead of the usual interminable wait. Also, the fact that it upwardly penetrated two of silverâ??s key moving averages was beyond notable.

Of course, silverâ??s 200-day moving average is still a formidable distance above current prices and the price of silver has been below that moving averages for six months â?? among the longest such stretches in years. By way of contrast, the price of gold has been both above and below its 200-day moving average on a regular basis over the past six months â?? making the lack of an upside penetration in silver all the more unusual. No, I havenâ??t swung over to the technical side, but not to consider what many traders will do on moving average penetrations is caveman-style thinking. When the time comes, I believe silverâ??s 200-day moving average will likely be penetrated like a hot knife through soft butter.

The big question, of course, is what the 4 big commercial shorts in COMEX silver futures will do on a genuine silver rally. As of this writing, it is safe to assume that the smaller commercials (the raptors) have sold out long positions (at a profit), but it is still unclear at this point as to whether the 4 big shorts have added (or will) aggressively to short positions on higher silver prices. We should get a sense of that in Fridayâ??s COT report.

Nothing has changed as far as whether the 4 big COMEX silver shorts adding or not adding to shorts being a critical question as to whether silver gets the kind of explosive move to the upside that I expect. If these 4 big shorts donâ??t add significant numbers of new COMEX short positions, then it is hard for me to see how silver prices wouldnâ??t explode. Yes, I know full-well that these 4 big COMEX commercial crooks have always added on past significant silver rallies, but that is chief among my reasons for thinking this next time might be different.

If thereâ??s ever been a time when it would appear so blatantly manipulative if the 4 big shorts do add significant numbers of new shorts, it has to be now. I say that based upon the fact that for the first time ever, the CFTC did acknowledge that it was taking the matter of the concentrated COMEX silver short position under consideration in its response to me (and my congressman) last May 3 â?? the very first time the Commission had not argued that the concentrated short position was not material. Say what you will, but since then, the concentrated short position hasnâ??t increased for what has been the longest stretch in history. And if thereâ??s ever been a time when it would appear more manipulative for new big concentrated short positions to be put on, that time is surely now.

But a funny thing has emerged in the key question of whether or not the 4 big commercials crooks on the COMEX add aggressively to new short positions. While still of vital significance, the issue has been reinforced and amplified and at the same time almost superseded by the emergence of Bank of Americaâ??s massive OTC short position in silver, as revealed in the Office of the Comptroller of the Currenciesâ?? most recent quarterly derivatives report, estimated by me to be in excess of 800 million oz. To this point, I have received no rebuttal or argument to the contrary from either the OCC or BofA.

Iâ??m used to receiving no blow back from those Iâ??ve repeatedly called crooks, like JPMorgan and the CME Group, both powerful and extremely litigious organizations who would just as soon bite your head off legally as look at you. But, at least with JPMorgan, I have also called the bank criminal geniuses, so maybe that softened the continued insults. With Bank of America, Iâ??ve heaped on the added insult that these guys are as dumb as dirt for having gotten into the mess of manipulating silver by way of the massive leasing and short selling it has engaged in. I still donâ??t believe BofA deliberately manipulated silver prices (as JPM did for years), but I am convinced silver prices were unintentionally manipulated as a result of what BofA did.

Given the sheer size of BofAâ??s silver short position, it has emerged as perhaps an even more significant factor than the concentrated short position on the COMEX. However, taken together, which I believe is the proper way of considering these two factors, it becomes a force no one has ever witnessed. Do I know for sure that silver prices are about to explode? Of course not, but I am increasingly convinced they will. Will I be disappointed if the COMEX crooks arrange for yet another counterintuitive selloff out of thin air? Of course, I will be disappointed, but that will only delay slightly the coming day of price fireworks to the upside.

Recently, I remarked how it makes no conceivable sense that anyone would put on aggressive new short positions in silver, considering everything occurring around us. I know the difference between retail and wholesale (1000 oz bars) forms of silver, but reports from the retail front now suggest nearly every form of retail silver is on some type of delayed delivery. Not to split hairs, but is there any difference between delivery delays and shortage? Are they not one and the same? By definition, a commodity shortage is the temporary inability of supply satisfying demand, whether in toilet paper or Covid 19 tests, where waiting is required. This is currently the case in retail forms of silver. What about the wholesale (1000 oz bar) market?

It is the wholesale (1000 oz bar) market that appears to be squarely in the gunsights of a shortage. All it would take to tighten the wholesale silver market sufficiently is some relatively minor uptick in price, as also appears underway. It has been quite some time, 6 months and even longer, since silver has a sufficient enough uptick in price to get the collective investor sentiment warmed up enough to take the plunge in silver. Should the rally started yesterday continue for not too much longer, it is reasonable to assume there will be a collective increase in silver investment â?? particularly if the stock market continues to waver.

As and when we get a sufficient enough rally in silver to ignite a collective investor move to buying, among the expected recipients of new investor silver flows will be the silver ETFs, including (the still-hated by many) SLV, the biggest silver ETF by far (still owned by my wife). Yes, silver in hand is better than silver held by a third party, but if the choice is silver delayed by months of wait or silver at the non-premium wholesale price without delay and available with the click of a mouse, the choice is rather simple.

As Iâ??ve pointed out on numerous past occasions, it doesnâ??t matter in the least whether the potential new buyers of silver ETFs are even aware that net new buying must result in the purchase and deposit of new physical silver, as this requirement is written into the prospectuses of every publicly-traded silver ETF. Of course, the resultant short position, particularly in SLV, must be monitored to guard against abuses, but letâ??s worry about that after a collective investment rush has developed. As far as whether the sponsor of SLV can be trusted, the fact that BlackRock happens to be the worldâ??s largest money manager (of more than $10 trillion of total assets under management) makes them an ideal fiduciary overseeing SLV (whether BLK wants to be or not) â?? due to any threat to its reputation if something goes awry with SLV.

Going back to the possible short-term catalysts for the move up yesterday and today, Iâ??d be lying if I said I would dismiss out of hand a light bulb going off on the part of the OCC and BofA about the alleged massive short position strongly suggested by the latest quarterly derivatives report. Â I certainly canâ??t say the rally was caused by the sudden awareness generated by my recent writings; but then again, I surely canâ??t dismiss this out of hand either â?? particularly in the absence of any rebuttal to my findings by the OCC or BofA.

As for what to expect in this Fridayâ??s Commitments of Traders (COT) report, itâ??s hard to imagine there not being deterioration (managed money buying and commercial selling) in silver, given the drift higher in prices over the reporting week, punctuated by yesterdayâ??s sharp rally on the cutoff day. The good news is that we went into the rally in great shape, market structure wise, so any deterioration should be taken in stride. Gold price moment was decidedly lackluster (compared to silver) over the reporting week, so there shouldnâ??t be much positioning change and perhaps even a slight improvement. For the reporting week, gold ended the reporting week down by around $5, while silver tacked on around 70 cents to close at two-month highs (and back to my premature bottom call on Nov 23).

So, is it different this time in silver (and gold) as I suggest, in that the rally is likely to break the pattern of the past where the big 4 capped and contained all rallies â?? or could we finally be on the threshold of the big one? Truth be told, no one can know the answer to that question, making the answer less important than how each of us reacts to it.

For me, itâ??s easy â?? play like itâ??s the big one â?? meaning approach it with the maximum position possible and always allow for it to be a fake out. What this means is not holding any positions on margin that might have to be jettisoned in the event of another rigged selloff. I donâ??t consider kamikaze call options to be margined positions (but my wife sure does â?? except on those very few occasions when they do work). The reason to approach this rally as being the big one is because if that turns out to be the case, then there will likely be no good second chances to get onboard gracefully.

Certainly, weâ??ve taken out my recently posted expected breakout points of $1830 in gold and $23.50 in silver and while itâ??s possible the commercial shorts dig in and stiffen up in their fight to contain prices, itâ??s just as possible they give up (or get blown away) and we take off in a manner not fully-expected by many in silver.

The fairly sharp rally this week put the 8 big COMEX gold and silver shorts under renewed financial pressure, with todayâ??s close increasing their total losses by nearly $900 million from Fridayâ??s close and at nearly $10 billion. BofAâ??s losses jumped to more than $800 million on the move in silver the past few days.

Ted Butler

January 19, 2022

Silver – $24.20Â Â Â (200 day ma – $24.70, 50 day ma – $23.21, 100 day ma – $23.30)

Gold – $1842Â Â Â Â Â Â (200 day ma – $1802, 50 day ma – $1809, 100 day ma – $1795)

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