January 20, 2024 – Weekly Review

Gold and silver prices closed lower for the week, with gold down by $33 (1.6%) and with silver ending 64 cents (2.7%) lower. It was the lowest weekly close for gold in five weeks and for the ninth week for silver. As a result of silverâ??s continued relative underperformance, the silver/gold price ratio widened out by more than a full point to 89.3 to 1.

In essence, silver remains quite close to its most relative undervaluation to gold in history, which is completely nuts when one considers the current supply/demand fundamentals in each metal â?? which features the first physical shortage in silver in a history that goes back thousands of years. Attesting to the long history of gold and silver, just this morning, I read of a discovery of a 2700-year-old Greek temple that contained gold and silver and other artifacts.

https://www.cbsnews.com/news/ancient-temple-gold-silver-jewels-discovered-greece/

While itâ??s not mentioned in the article, had we been able to question any of those alive at the time about gold being almost 90 times more expensive than silver today, Iâ??m sure they would have considered the question absurd, even if they were Â made aware of the current physical shortage in silver and the role played in suppressing the price on the COMEX.

Yes, it gets quite old and wearing to confront increasingly bullish fundamental facts pointing to a deepening physical shortage in silver, only to continue to have to suffer the financial and intellectual indignity of experiencing continued manipulative beat-downs in price â?? but you donâ??t need me to tell you that. What I can tell you is that there is a (sick) rhyme and rhythm to the decades-old COMEX silver price manipulation and new data released in the form of yesterdayâ??s COT report, not just on silver, but also on all other COMEX/NYMEX metals markets paint a compelling picture that things are about to change dramatically. Let me run through the usual weekly format first.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled this week to 2.6 million oz, but that must be adjusted to reflect that it was another four-day holiday (MLK-Day) work week. Total COMEX silver inventories fell by 0.2 million oz to 280.3 million oz. Â Holdings in the JPMorgan COMEX warehouse fell by 0.6 million oz to 131.9 million oz, a new six-year low.

Of course, should the 103 million oz held on behalf of SLV be (a big) part of the holdings in the JPM warehouse â?? as I have petitioned both the S.E.C. and CFTC to answer â?? then the actual non-SLV holdings in the JPM warehouse would be less than 30 million oz. The S.E.C. responded, but evaded answering Â and Monday will mark ten weeks that the CFTC hasnâ??t responded.

Holdings in the COMEX gold warehouses were unchanged at 20 million oz, although there was some movement that fell under rounding standards â?? mostly a 90,000 oz reduction in the JPM COMEX gold warehouse to 7.25 million oz.

Deliveries on both the January COMEX gold and silver contracts remained somewhat unusual. In gold, a two-day flurry of nearly 2500 deliveries took center stage, but aside from the late-creation and delivery on those contracts, it was hard to draw any definitive conclusions, save one. Since JPMorgan was the largest issuer and stopper (for customers and not for its house account), the only conclusion I could reach is that this crooked bank is still the dominant player in gold and silver, which when you stop and think about it, is quite disturbing. How the most fined and negatively-cited bank, which also happens to be the most systemically important financial institution in the US, can be allowed to â??controlâ?• the gold and silver (and other metal) markets continues to baffle me. Whatâ??s it going to take before the regulators ban JPMorgan from any type of metal dealings?

As expected, metal continued to flow out of the worldâ??s gold and silver ETFs, given the continued run of lower prices. This week, another 0.5 million oz came out of the gold ETFs and more than 2 million oz from the silver ETFs. The combined holdings in the COMEX warehouses and in SLV, the two largest silver stockpiles in the world, fell by around 1.2 million oz to 712.8 million oz for the week. That is, if there is no double-counting.

Turning to yesterdayâ??s Commitments of Traders (COT) report for gold and silver, the results largely fell under the expected range, although always with some surprises. Given the choppy, but mostly lower prices over the reporting week for each metal, I expected some managed money selling and commercial buying (no numbers attached) and we got that in gold, with a split outcome in silver (managed money selling, but no commercial buying).

Concerning the unusually large increase in gold total open interest (20,000 contracts) as a result of the sharp rally last Friday, I threw out as a possible explanation the idea that it might be the result of phony spread creation and from the new COT report, that appeared to be the correct explanation. As a reminder, weâ??re now in the period of phony spread liquidation (for another week or so, until first notice day on the Feb gold contract).

In COMEX gold futures, the commercials reduced their total net short position by 10,300 contracts, to 207,400 contracts. This is the lowest (most bullish) total commercial short position since Nov 21.Â Â By commercial categories, it was a Three Muskateersâ?? all for one, one for all effort, always the most collusive commercial variety. The big 4 bought back 3100 short contracts and held a net short position of 154,140 contracts (15.4 million oz) as of Tuesday. The big 5 thru 8 commercials bought back an additional 3500 shorts and the big 8 short position fell to 225,094 contracts (22.5 million oz). The raptors chipped in by adding 3700 new longs to a net long position totaling 17,600 contracts. Â Â The commercials must have been up all-night negotiating which of the three groups would buy what quantity of gold contracts. Iâ??m guessing the raptors got a slightly bigger slice of the gold buying pie because there are more of them. Either that, or they drew straws or flipped coins.

On the sell side of gold, the managed money traders sold about half of what the commercials bought in selling 5230 net contracts, consisting of the sale and liquidation of 3402 longs and the new sale of 1828 short contracts. The resultant net managed money long position fell to 83,229 contracts (130,931 longs versus 47, 702 shorts), a not-insignificant two-week reduction and improvement of just under 26,000 contracts. Is it enough to indicate all-clear conditions in gold? Perhaps.

Explaining the difference between what the commercials bought and what the managed money traders sold was net selling of 5000 contracts by the other large reporting traders (3500 contracts) and the smaller non-reporting traders (1500 net contracts). As always, thereâ??s no way I know to consistently and accurately predict what these two trading categories might do.

In COMEX silver futures, the commercials did virtually nothing, as their total net short position changed by 4 contracts, remaining at 43,800 contracts.Â There was a slight increase in big 4 shorting of around

650 contracts, to 44,733 contracts (224 million oz), which at first, I found troubling, but not upon further reflection. I would point out that this increase in big 4 shorting, however small it may be, was a bit of a â??man bites dogâ?• variety, as big 4 short selling on lower prices is just that â?? quite unusual.

And in fact, there was an additional 800 some-odd shorts added by the next 5 thru 8 traders, but Â a good chunk of the big 5 thru 8 new shorting appears related to a managed money short in the big 5 thru 8 category increasing its short position to around 4000 contracts or so. The bottom line here is that the raptors were close to unchanged at just under 16,000 net contracts long. I donâ??t want to make this any more complicated than necessary, but as Iâ??ll explain in a moment, the new short selling by the big 4 (actually the big one, I believe) was a strategic maneuver designed to keep silver prices from exploding for reasons away from silver. Some might ask, so whatâ??s new? â?? but I hope to explain that shortly.

The managed money traders did sell 2125 net silver contracts, consisting of the sale and liquidation of 694 longs and the new sale of 1431 short contracts. The resultant net managed money long position fell to 6223 contracts (31,698 longs versus 25475 shorts), still relatively more bullish than gold. Explaining how the commercials could be flat and the managed money traders sold 2100 contracts is buying of that same amount by the other large reporting and smaller non-reporting traders.

And as painful and frustrating as further positioning improvements on still lower prices will feel, in silver that appears only likely to occur on an increase in new managed money shorting. The trade-off, of course, is such new managed money shorting equates to an increase in â??rocket-fuelâ?• type buying.

So, what the heck am I talking about in â??understandingâ?• the increase in big 4 shorting in silver as being part of a larger strategic maneuver? Scanning the COT report results in a variety of markets yesterday, it dawned on me that there have been a number of dramatic improvements, not just in all the actively traded metals (silver, gold, platinum, palladium and copper), but also in crude oil and the grains.

For example, the improvement in market structure in platinum over the past two weeks has been dramatic and likely continued after the Tuesday cutoff. Two reporting weeks ago, the managed money traders had bought around 25,000 net platinum contracts, driving prices higher by close to $150 over a month into Jan 2. Since reaching a price peak of close to $1050 (the highest in a year), the collusive commercials set out to rig platinum prices lower and initiate the managed money harvesting process all too familiar to silver and gold investors.

The platinum commercials (largely the same banks as exist in silver and gold) then did what they always do in silver and gold and drove platinum prices below all the key moving averages over the past two reporting weeks, resulting in more than 22,600 net managed money contracts being sold (with the balance likely sold in trading after the Tuesday cutoff). But itâ??s not just in platinum where this has occurred, as it also occurred in palladium where the managed money net and gross short position is now as large or larger than it has been in history.

Even in copper (where the big commercial shorts are not the banks), the managed money traders are heavily short about as much as they have been in four years. As always, large managed money short positions are the equivalent of a bullish market structure. Even away from all the actively-traded metals, unusually large managed money net short positions are in place in the grains. And in the most important market of all, crude oil, while the managed money traders havenâ??t been net short in 15 years, they are holding close to their lowest net long position in 15 years, having sold (as previously reported) close to 250,000 net NYMEX crude oil contracts (250 million barrels), driving oil prices down by close to $25/bbl. over the past few months.

While it should be apparent that managed money positioning is what drives prices, not just in silver and gold, but in a wide variety of important world markets and that the CFTC should be ashamed and humiliated for allowing this defective and illegal price process for coming into existence â?? my message today is not to lament this massive regulatory failure. Instead, Iâ??m more concerned with what this remarkably-bullish positioning across so many important markets may mean in terms of prospective price movement.

And while the managed money traders (all technical price signal motivated, no fundamentals) must be tuned out completely to being the sucker at the poker table, surely those pulling the price strings on the managed money puppets know the game quite well. Therefore, itâ??s hard for me to believe that the current extremely bullish positioning across an incredibly varied and important span of markets is accidental and coincidental, and not deliberately-arranged. The thought comes to mind of a very rare alignment of the planets around the sun that occurs once in a hundred or even a thousand years.

Of course, as rare and potentially powerful as the current multi-market managed money bullish alignment may be, it is important to recognize the difficulty in predicting the exact and precise moment of perfect alignment and from which prices will explode across a wide-spectrum of markets. Thatâ??s a mighty tall order.Â Then again, no one will ring a bell before prices explode, so itâ??s best to be positioned beforehand. I guess the lesson is not to run out of patience or money (in the form of leveraged bets)

In summary, itâ??s not just silver gearing up for a price moonshot based upon futures market structural reasons, along with even more powerful actual supply/demand fundamentals in play; but likely in other markets as well.Â However, all things considered, if I had to pick only one, it would have to be silver – hands down.

Ted Butler

January 20, 2024

Silver – $22.72Â Â (200-day ma – $23.78, 50-day ma – $23.77, 100-day ma – $23.41)

Gold – $2029Â Â Â Â Â (200-day ma – $1978, 50-day ma – $2025, 100-day ma – $1982)

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