January 24, 2024 – Keeping Your Eye on the Prize

The sharp orchestrated silver price smash at the start of the week was enough to bring out a larger amount of weeping and the gnashing of teeth than normally seen. Such sentiments were certainly understandable, given the already quite dated (40 year) existence of the COMEX silver manipulation and the sudden and completely uneconomic nature of the latest price rig job lower to fresh multi-month lows. For my part, I did gnash some teeth, but there was no weeping, except for tears of anger for the collusive COMEX commercials, as well as their enablers at the CFTC and CME Group.

Of course, the relatively-large outburst of doubts and other insecurities about the validity of the ultra-bullish vision I (and others) hold about the future course of silver prices were understandable, if not well-founded. Thatâ??s because it is the price of any investment asset that always gets the most attention. It can be no other way. It is a simple and powerful human characteristic to interpret a sudden change in direction for the price of any investment asset as an accurate indication of the underlying conditions of that asset. And for the most part, such interpretations are accurate.

For instance, when we witness a sudden sharp drop in the price of a stock, we immediately assume some type of bad news, just as a sudden sharp price increase would have us looking for the good news. Invariably, these assumptions are borne out, so that reinforces the basic human reaction of assuming bad news on sudden price drops and good news on sudden price pops. It is this ongoing process that reinforces the collective human reaction to sudden price changes. In other words, the price is such an important influence, perhaps the most important influence on our thinking that it sometimes takes on a life of its own.

In the case of individual stocks, sudden price changes, up or down, before we know the actual reason, has to do with the common knowledge that some investors, particularly of the institutional variety, have greater access to the news on a stock and quickly act accordingly and that this is what accounts for sudden changes in price. And most of the time, that happens to be the case, thus reinforcing this whole process. But, not always is this true.

In the case of silver and its sudden large price plunge on Monday, given what I just discussed, I suppose it would be natural, based upon the fairly-reliable experience of sudden price changes in stocks, to assume there must be some legitimate bad news to account for the price drop. But since silver is a commodity, not a stock, the reason for the sudden price drop wouldnâ??t be related to earnings or anything like that, but to unexpected developments in its actual supply and demand fundamentals. We do see such sudden changes in some commodities, like crude oil, for example, when OPEC suddenly adjusts production quotas.

But there is no OPEC in silver and no such changes in prospective silver supply or demand took place Monday morning. Yet, the price of anything is such a powerful influence on peopleâ??s thinking that the knee-jerk response to Mondayâ??s price smash was that it had to be related to silverâ??s actual supply/demand fundamentals, to the point of raising serious doubts as to whether the structural deficit widely reported and whether the physical shortage actually existed. Thatâ??s just how powerful is the influence of price.

In reality, of course, itâ??s not possible for silverâ??s actual supply/demand fundamentals to change so suddenly without it becoming instantly and widely-known and the fact is that no such changes took place on Monday. Â Yet, because the price of any investment asset is so powerful in influencing collective thinking, that some began to question the validity of the physical structural deficit in silver â?? as in, â??how can there be a physical shortage, if prices are declining so sharply?â?• While I understand how some could feel this way, particularly given the sharp price selloff on Monday, let me offer the counter argument.

Simply put, price is can be a legitimate reflection on the value of any asset, but with one glaring exception, namely, if the price of that asset is somehow manipulated. By definition, a manipulated price, either being artificially too high or too low, throws the whole concept of the price reflecting the true fundamentals of the asset right out the window. As you know, I have alleged that the price of silver has been artificially manipulated and suppressed on the COMEX for nearly 40 years and quite frankly, I canâ??t understand how everyone following silver doesnâ??t see that.

The entire and direct result of a price manipulation of any type is that the price doesnâ??t reflect the actual supply/demand fundamentals. So, to look at a sudden further price decline such as seen on Monday in silver, while understandable on an emotional basis, in terms of linking it to what is actually occurring in actual supply and demand, makes no sense. The price drop on Monday had absolutely nothing to do with silverâ??s spectacularly bullish actual fundamentals and everything to do with the same old crooked game played by the collusive commercials on the COMEX â?? no more, no less.

Now, I do understand how some may have grown so weary of a price manipulation that I allege has lasted for decades that they may have come to doubt the premise, but such doubts are based upon the manipulated price itself and not the actual fundamentals, which have continued to become even more bullish. While the doubts may be understandable, now is no time to take an eye off the prize of sharply higher silver prices.

As I indicated in Saturdayâ??s review, as bullish as I am, I could never rule out additional attempts by the collusive COMEX commercials to rig silver prices lower to induce more managed money selling, both long liquidation and new short selling and thatâ??s what occurred on Monday. Not that IÂ was expecting the price blast lower on Monday, but the net result of the rig-job lower was we likely did see such additional managed money selling and commercial buying and that should be reflected in Fridayâ??s new COT report. As upsetting as was Mondayâ??s blast to the downside, there is no question it further improved a COMEX market structure that looks extremely bullish.

More to the point is that there is a limit to how many managed money contracts the collusive COMEX commercials can induce into being sold and weâ??re much closer Â to that limit as a result of Mondayâ??s price trashing. Most importantly, at this point, deliberately rigging prices lower to induce maximum managed money selling is the only thing the crooked commercials can do. Certainly, lower silver prices will do nothing to increase silver mine supply or reduce industrial demand, except to intensify the raging physical shortage.

On top of this is still-unanswered question of whether the recorded silver inventories held in the COMEX silver warehouses and in the big silver ETF, SLV, have been double-counted. Weâ??ve now passed the ten-week mark waiting for an answer to a question rather simple and that should have taken no more than a day or less to answer or involve little more than a single phone call to JPMorgan.

Speaking about the recorded silver inventories in the COMEX warehouses and in SLV, developments so far this week have proven to be more than interesting. Over the first two days of the week, there has been greater than usual physical turnover in the COMEX silver warehouses, as 3.7 million oz were physical moved and as total inventories there fell by 2.7 million oz.

A little while back I postulated that after growing sharply by around 15 million oz since early December, I was unsure whether the inordinately-large amounts of deposits and deliveries in which customers of JPMorgan were the primary stoppers would remain in place or be removed. I did speculate that the JPM customers taking the silver deliveries were most likely users, as opposed to pure speculators or investors and whether the silver would be removed or not, depended upon whether these users were just building their silver inventories to use later in the event that their regular silver shipments were disrupted or whether they needed the metal now â?? or some combination of the two. These recent withdrawals suggest to me that these users need the stuff now, although all we can do is monitor things for now.

Far more surprising were the large deposits into SLV, of 16.2 million oz on Monday, followed by a further 1.3 million oz yesterday â?? a total of 17.5 million oz over the past two days. As for what was behind the massive physical inflows, I can only imagine two possible reasons.

One, the large deposits were for the purpose of covering and reducing the short position on SLV, which wouldnâ??t be reflected in tonightâ??s new short report, which covers the two-week reporting period ended January 15. We wonâ??t know if this weekâ??s massive metal inflow into SLV was intended to reduce the short position until Feb 9. Even then, we may not witness a sharp reduction in the short position if those running the operation resort to the type of â??short against the boxâ?• transaction Iâ??ve described in the past. If we do experience a large increase in the short position on SLV in tonightâ??s report as ofÂ Jan 15 (not necessarily a prediction), I would be more inclined to think that this weekâ??s large inflow of metal and increase in shares outstanding was to cover a big chunk of the short position on SLV.

The only other alternative explanation for this weekâ??s massive silver physical deposits in SLV was some type of large off-exchange negotiated purchase by an entity seeking to establish or add to a long position. Trading volumes and price action werenâ??t large enough account for regular collective investor buying.Â And if it was a large purchaser, I wouldnâ??t be surprised to see these newly-purchased shares converted to physical metal to, quite legally, shield the purchaser from share ownership reporting requirements. To be sure, if it was a large purchase by a single entity, this weekâ??s purchase wouldnâ??t have reached the 5% ownership reporting requirement.

Regardless, either explanation â?? short covering or a single entityâ??s large purchase â?? is bullish on its face and Iâ??ve exhausted my list of possible explanations. One thing to make clear, while the movement that I speak of concerning the COMEX silver warehouses is strictly physical, in that it represents physical metal taken from the individual warehouses and put on trucks for destinations unknown and vice versa for deposits into the COMEX warehouses â?? the movement this week into SLV, particularly Mondayâ??s 16.2 million oz wouldnâ??t appear to involve physical movement, as that would require at least 27 full truckloads being shipped in one day, a nearly-impossible logistical operation. Most likely, JPMorgan merely transferred he metal in a bookkeeping transaction that transferred ownership but didnâ??t involve physical movement.

Finally, I canâ??t help but feel that this weekâ??s massive deposit into SLV, as well as the near-15 million oz that came into the COMEX silver warehouses from early December through the end of last week confirms my speculation starting nearly a year ago that the extreme outflow of recorded silver inventories had seen its peak at aroundÂ 750 million oz for the combined COMEX silver warehouse and SLV inventories â?? all due to having reached rock-bottom levels of investor holdings. I did turn out to be premature, as the combined inventories did fall to 700 million oz in early December â?? albeit at a sharply reduced rate of reduction over the past six months or so.

However, with this weekâ??s big deposit into SLV, the combined holdings in the COMEX warehouses and in SLV are back to just over 727 million oz, tending to confirm my speculation that the days of rapidly-shrinking recorded silver inventories may be behind us â?? due to investors holding on to their silver. Of course, this is still speculation on my part, but I will record objectively what transpires in the future. As a reminder, the whole point behind my speculation that recorded silver inventors had seen their nadir, was that when that occurred, silver prices then must rise â?? all things considered.

As for what to expect in Fridayâ??s new Commitments of Traders (COT) report, since silver prices fell as much as a full dollar over the reporting week ended yesterday, we better get managed money selling and commercial buying â?? otherwise no more regular tidal movements and the normal rotation of the earth. Plus, we did make new price lows on three days of the reporting week. As for the quantities of managed money contracts sold and purchased by the commercials, as many as the collusive commercials could arrange. Goldâ??s price drop of close to $25 on the first trading day of the reporting week should have translated into some amount of managed money selling and commercial buying, but the positioning in silver will be more important.

I found todayâ??s trading to be of great interest as it appeared that the collusive commercials were pressing gold prices lower for the express purpose of limiting the rather strong silver price rally. As I think Iâ??ve mentioned on several occasions, the COMEX market structure in gold has been relatively more bearish than in silver, leaving open the possibility of the commercials using deliberate price weakness in gold to pressure silver prices lower or to subdue a silver rally. Not only are these COMEX commercial crooks collusive, they have gotten to be more transparent as time has evolved â?? since they have a limited number of dirty tricks in their manipulative toolbox and the forces of actual silver supply and demand have boxed them in.

I have to say that if the commercials are doing in gold what I think they are doing, namely, attempting to use gold price weakness to pressure silver prices, then that is a very late-stage operation considering how much managed money positioning has already occurred in silver to this point.Â Once the last managed money trader has been tricked into selling in silver, it wonâ??t be long until the full force of the coming silver price explosion is upon us â?? almost regardless of what occurs in gold or anything else for that matter.

And I also canâ??t help but take as a point of professional pride the number of commentators who have picked up what Iâ??ve been putting down for so long as to the workings of the COMEX silver manipulation. Personal pride aside, it can only be a good thing when more see the inner dirty workings of the COMEX, as throughout history, financial scams are hard to maintain as more outsiders become aware of the scam.

In summary, COMEX market structure conditions in silver appear to be near-ideal (always with further commercial price-rigging as an outside possibility). While we have been at such critically-favorable positions in the past, never with the physical supply/demand situation as favorable as currently. You just canâ??t beat that combination.

Ted Butler

January 24, 2024

Silver – $22.80Â Â Â Â Â (200-day ma – $23.76, 50-day ma – $23.76, 100-day ma – $23.49)

Gold – $2014Â Â Â Â Â Â Â Â (200-day ma – $1978, 50-day ma – $2027, 100-day ma – $2000)

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