

January 25, 2023 – Big Doings in SLV

Over the past two days, some 20.5 million oz of silver have been deposited into the I-Shares Silver Trust, SLV, and the total amount of shares outstanding have increased by 22.3 million shares (the difference being due to the cumulative management fee of 0.5% per annum). To say that the large increase in physical silver inflows and shares outstanding in SLV were a surprise would be an understatement, particularly considering the sharp beat down in silver prices on Monday.

The way it usually works is that on sharp price selloffs, investors generally sell shares of SLV and that results in shares being liquidated, generating a reduction in total shares outstanding and a decline in the amount of physical metal held in the trust. Conversely, when there is collective investment buying, total outstanding shares increase, as do physical metal holdings in the trust. Clearly, no one would argue that to witness such a large increase in total shares outstanding and physical metal holdings is far from typical and requires some rational explanation.

Even though I just published on Saturday an expectation that we had, essentially, reached the bottom of the barrel as far as investment holdings in SLV and other world silver ETFs, as well as in the COMEX silver warehouses, I certainly wasn't expecting such a sharp increase in holdings as occurred over the past two days in SLV. Had there been a 20-million ounce withdrawal instead, my premise would have looked rather shaky – so at least I don't have to make excuses (yet).

And for the record, it matters not a whit to me whether anyone buys or sells shares in SLV or any other silver security. It's purely a case of monitoring developments in the largest stockpile of physical silver in the world, as SLV currently holds nearly 480 million oz of silver or nearly 25% of all the metal in 1000 oz bar form in the world. Not to focus on such a large component of world inventories in the one form of silver that matters most would amount to negligence on the part of anyone purporting to be a silver analyst.

As far as explaining what was behind the massive physical deposit of 20+ million oz into SLV the past two days, I've narrowed it down to one of two things – it was due to the covering of the excessively large short position in SLV (which I have pointed out and complained about for the past six months) or a very sophisticated off-the-exchange purchase by a large investor. Overwhelmingly, I favor the short covering premise, as I'll try to explain. The good news is that either explanation would appear to be very bullish for prospective price movement – not that any additional bullish points for silver are required at this point.

As a coincidence, the new short report on stocks will be published later this evening, but any short covering related to the last two days of massive deposits of metal into SLV, will not be part of tonight's report, which covers trading through January 13. The next short report on February 9, for positions held as of January 31, will reveal if the deposits of the past two days were intended to cover short positions in SLV.

Please understand that while my explanation does, necessarily involve a large amount of speculation, I prefer to consider it reasonable speculation based upon as many facts as can be uncovered. For starters, there is a very large short position in SLV of some 47 million shares or 43 million oz, as of Dec 30. I began to complain in earnest to the Securities & Exchange Commission (for this go-around) on

August 11, 2022, when the short position on SLV reached 47.5 million shares at the end of July. Since then, the short position grew to just over 60 million shares, the highest it had been in the 16-year existence of the trust, before pulling back to current levels. I did complain on three additional occasions since Aug 11 to the SEC, including to BlackRock, the trust's sponsor in later complaints. So, in a sense, we're back to where I started complaining this time-around, from August.

My chief complaint about the short position in SLV is that there shouldn't be a short position at all, except perhaps for the shortest time and smallest amounts. SLV, along with every other "hard metal" ETF, like PSLV, SIVR, ZKB, etc. in silver, as well as hard money gold ETFs, like GLD, should not have substantial short positions for the simple reason these are incredibly unique securities whose prospectuses promise that there will be a fixed amount of metal held for each share outstanding. No other, of the many thousands of securities out there, offer such a promise. I realize I am perhaps the only one to ever raise this issue, but that matters little to me because I know that those shorting shares of SLV are not depositing the appropriate metal as required by the prospectus; and, in fact, are shorting the shares to avoid having to deposit physical metal. This is fraud and manipulation in its purest sense. No one from the SEC or BlackRock has responded to or has disputed my complaints.

Getting back to the big metal deposits of the past two days, it looks certain that one entity was responsible for, at least, Monday's increase in shares outstanding of 20 million shares — this is too "round" of an amount to allow for many entities being involved. In fact, if there were a number of entities responsible for the round number of shares issued and metal deposited, it would be a clear-cut case of collusion and conspiracy. Let's face it, the SEC and BlackRock are more than capable of uncovering the identity of the big short(s) in SLV, as well as the particulars of this massive deposit. I can't help but think that perhaps my complaints may have had something to do with the unusually large deposit, which I claim is to cover shorts.

As I've maintained all along, the big increase in the short position of SLV from 30 million shares to as much as 60 million shares last year was never about a legitimate attempt to make a profit. Silver was too darn cheap as the short position was established to allow for that. As it stands, if this large deposit is designed to cover much of the large short position in SLV, my estimate is that the 22 million share covering came at a cost of around \$4 or so, the better part of a \$100 million loss.

A short position in SLV can only be covered and closed out (remember all short positions are open positions that must be closed out someday) in two ways — either by buying back shares in the open market or by depositing metal to create new shares which can then be used to cover or close out the short position. Since silver prices got smashed lower at the time of the big deposit in SLV, it is easy to conclude that no big buyer(s) came in to buy 20 million shares. The sudden purchase of such an amount would have sent prices of SLV and silver flying higher, not smashed lower as was the case. We have to use a little common sense here. That's why I favor the big arranged deposit of metal to create shares to apply against the short position as opposed to the sophisticated buying of shares alternative. Hopefully, the short report of February 9 will clarify things.

Of course, in the interim, certain questions arise, such as OK, Butler, how the heck did someone rustle up 20 million oz of physical silver when you claim we're running on fumes? Fair enough. Please remember that while the holdings in SLV are close to 25% of the total 2 billion oz in existence in the form of 1000 oz bars, and while the remaining silver ETFs and the holdings in the COMEX warehouses, along with SLV, add up to nearly 1.4 billion oz or 70% of all the silver in the world — that

still leaves 600 million oz in existence outside the reported silver holdings. Â Getting 20 million oz from 600 million oz would not appear to be impossible, even in the tightest physical market of our lifetimes.

OK, OK, the next question is who would be so dumb as to sell 20 million oz to the big short that I claim just deposited the 20 million oz to create shares to cover the short position in SLV? Would not the provider of the 20 million oz know how things are so tight and why would he provide the silver so cheaply? More than fair enough. Here I must speculate further. The only one that I can imagine that is capable of providing that quantity of physical silver to a short seller looking to close out a big short position in SLV is none other than – you know who â?? JPMorgan.

By virtue of its remarkably successful and criminally-genius plan to acquire as much physical silver (and gold) over the past decade by keeping prices depressed through excessive short-selling on the COMEX, JPMorgan is the only entity that could provide 20 million oz to the big short seller looking to close out the big short position on SLV. Iâ??ve considered the possibility that JPMorgan could have been the big short on SLV, but these guys are too smart to have done that in my opinion. Donâ??t get me wrong, JPMorgan is crooked enough to do just about anything, but being the big short on SLV doesnâ??t strike me as particularly smart for these market criminals. After all, JPM has put to bed all the criminal complaints of metal manipulation and for it to risk stepping back into the fray by shorting 20 or 30 million shares of SLV wouldnâ??t seem a smart thing at this point.

Instead, I believe JPMorgan arranged for the same type of deal it pulled off with Bank of America in OTC dealings, only this time on a much-reduced basis. Whereas I claim JPM snookered BofA to the tune of borrowing and obligating BofA to pay back a billion oz of silver at some point â?? here the deal was for a piddling 20 million oz or so of silver for whomever was short SLV to borrow the 20 million oz to close out much of the short position on SLV.

The beauty of such a transaction is that it allows the big short seller in SLV to close out the short position (remember, weâ??re talking about close to 50% of the total short position) and, if the SEC has been applying pressure (as it should have) then that gets the regulators and BlackRock off the backs of the big short (if they ever were on their backs). Basically, the short position still exists in a different form, namely an obligation to pay back JPM and not to â??oweâ?? silver to the shareholders of SLV and I admit to being happy with that.

I believe none of the 20 million oz deposited into SLV was moved an inch in the physical sense, since weâ??re talking upwards of 34 full container truckloads moved in little more than a day or two, a highly improbable occurrence. Instead, the large size of the transaction points to this being the type of lease transaction I just described. Remember, a large portion of the 600 million oz not posted in ETF holdings or on the COMEX are held in London and, essentially, neednâ??t have been physically moved to complete this transaction.

I further believe all this is bullish for a number of reasons. For one, I would think this diminishes the likelihood that big shorting in SLV will occur in the future, both because the short seller just got his fingers burned. It also confirms the physical shortage of silver in that it took extraordinary measures for the short seller to arrange for what I believe was a pact with the devil in the short seller now being obliged to return the silver to JPMorgan.

Turning to other matters, at least we got an answer to my question of whether we would explode straightaway in silver or only after another COMEX-trademark smack down in price. At least thatâ??s

the way I see it. At the same time that special arrangements were put into place to deposit 20 million oz into the SLV, the vermin of the COMEX put on display another one of their copyrighted middle-of-the-night deliberate price smashes starting Sunday night/early Monday morning. It's no coincidence these price smashes typically occur in the wee hours when liquidity is at its thinnest. About the only ones still refusing to see this blatant manipulative practice that is now in its 40th year are the CFTC and the CME Group, or the ones designated to root out such illegal market practices.

This leads to the new question of whether the silver price smash this week, which built upon the price weakness of late last week after the cutoff to the reporting week was sufficient in persuading as many managed money traders to sell longs and add to shorts as possible or is there further such selling that can be arranged by the collusive COMEX commercials? Answering questions about future events, particularly in the short term, is the work of prophets and not analysts.

Analyzing the situation and circumstances, I suppose it's always possible the commercials can induce further price weakness in silver, but as before, I choose to ignore the potential of further price weakness and concentrate instead on what I believe will be an inevitable price explosion. No one is more aware of the duplicity and capability of the crooked COMEX commercials than me, but what makes me inclined to throw caution to the wind and ignore the ever-present threat of suddenly-induced price downdrafts (air-pockets as a subscriber recently noted) are the remarkable developments in the physical market.

Simply put, physical conditions are now tighter in silver than in any of our lifetimes. To a basic commodity supply and demand guy, nothing could be more important. Superimposing a COMEX price suppression I have personally lived with for what is now going on 38 years with the tightest physical market in memory and beyond doesn't leave much room to be tentative.

And on top of everything and as I've been reporting, there doesn't seem to be a widespread collective opinion throughout the investment community that such an historic surge may be at hand, which to a true contrarian is inherently bullish on a sentiment basis. It dawns on me that the recent almost complete shutdown in demand for retail forms of silver, despite a sharp drop in premiums (excepting Silver Eagles), illustrates the general negative price sentiment. Since it's true that once everyone is loaded up and prepared for a great price advance (in anything), it is rare for such an advance to arrive. Conversely, very big moves can and do occur when least expected.

As far as what to expect in Friday's new COT report, since the price action in gold and silver were markedly different over the reporting week ended yesterday, it's reasonable to expect different positioning results. Since gold's price action was mostly higher, with a series of slight new highs and an overall advance of \$35 or so, I would imagine deterioration (managed money buying and commercial selling) of some hard to predict degree.

In sharp contrast, silver's price performance over the reporting week ended yesterday was rather punk, with no new highs and instead a series of price lows, including the sharp selloff Monday which took prices below (temporarily) silver's 50-day moving average for the first time in months. As rotten and depressing as was silver's price performance to silver investors, in terms of improved positioning (managed money selling and commercial buying) it was nothing but good news (I know, I know, enough good news already). The only question is how much managed money selling and commercial buying the commercials were able to arrange in silver and was it enough to satisfy the collusive commercials?

Silver prices have been blatantly capped and contained for the past couple of months, while gold has been allowed to rise without such obvious constraints. At some point, however, silver will breakout to new highs, say somewhere over \$25 or so, and considering all the bullish developments I've chronicled for months, it's hard to imagine prices continuing to be contained.

Ted Butler

January 25, 2023

Silver – \$23.95 (200-day ma – \$21.18, 50-day ma – \$23.04, 100-day ma – \$21.17)

Gold – \$1942 (200-day ma – \$1787, 50-day ma – \$1820, 100-day ma – \$1750)

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