January 6, 2024 – Weekly Review

As a result of the particularly sharp price smash on Wednesday, gold and silver prices ended lower for the first week of the New Year, with gold down $20 (1%) and with silver down a sharper 65 cents (2.7%). As a result of silverâ??s relative underperformance, the silver/gold price ratio widened out again, this time by more than a full point to just under 88 to 1 â?? close to most extreme levels of relative silver undervaluation over the past year and longer.

Silver has been so thoroughly undervalued relative to gold for so long â?? years and decades â?? as a result of the ongoing COMEX price suppression and manipulation, that a good number of otherwise intelligent market observers have come to assume that the price of silver must somehow be â??rightâ?• â?? in both absolute terms and relative to gold â?? because the price of silver couldnâ??t possibly be â??wrongâ?• for so long. Of course, not one of the â??price must be right after so longâ?• advocates dig into the reasons why silver is so depressed in price â?? the COMEX silver manipulation.

Aside from being the title of a popular long running daytime TV game show (which my wife enjoys), when it comes to markets, the price isnâ??t always right. In fact, if the market price of every investment asset was â??rightâ?•, there would be little purpose to seeking out underpriced assets to buy and overpriced assets to sell. Â In this sense, the investment challenge is seeking out the assets that are priced â??most wrongâ?•, particularly targeting those assets most undervalued for purchase. If silver doesnâ??t lead the list of those assets priced more wrong than anything that comes to mind, then I donâ??t know what asset might be more undervalued. Of course, you couldnâ??t possibly see this without grasping the COMEX price manipulation, a common trait of those suggesting silver is priced â??rightâ?•.

My main argument for the price of silver being â??wrongâ?• is that a wide range of easily-verified facts and data in the real world of the actual silver supply and demand point to the conclusion we are in a pronounced physical shortage in the wholesale market â?? the market most critical to the price (as opposed to the retail silver market). I touch on those wholesale market developments each week and today Iâ??ll include some new speculation not mentioned before.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses picked up to 5.1 million oz over what was another 4-day holiday shortened week. Like last week, most of the physical movement was of the â??inâ?• variety, as total COMEX silver warehouse holdings rose by 3.2 million oz to 281.1 million oz, the highest level in 9 months. Once again, no change in the JPMorgan COMEX silver warehouse, stuck at 133.1 million oz. (And, no, I still havenâ??t heard from my congressmanâ??s office of any response from the CFTC to my question about whether the silver inventories in SLV and the JPM COMEX warehouse were being double-counted, with this Monday marking the eight week-mark since I first asked).

Total COMEX gold warehouse holdings were, yet again, flat at 20 million oz, as were the holdings in the JPM COMEX warehouse, at 7.34 million oz.

Over the past 5 weeks, total COMEX silver warehouse holdings have increased by 14 million oz. This physical metal inflow hasnâ??t occurred in a vacuum. For starters, the increase in COMEX silver warehouse holdings look directly related to the deliveries in the December and now January contracts in which customers of HSBC were the primary issuers and customers of JPMorgan were the primary stoppers (takers). One conclusion Iâ??ve made all along is that the existing inventories in place in the COMEX warehouses at the start of the Dec (and now Jan) deliveries werenâ??t available for delivery,Â and that explains why new stuff had to be brought in.

Additionally, considering that JPMorgan has just come off a three-year deferred criminal prosecution agreement with the Justice Dept for price manipulation (spoofing) in silver (among other metals), the customers that JPM is demanding and accepting delivery for on the Dec and Jan contracts Â would most likely be users as opposed to pure speculators, because it would be much harder to accuse JPM of potential wrongdoing if it were acting on behalf of bona fide silver users, rather than speculators.

Yesterdayâ??s large transfer of nearly 4.4 million silver oz from registered to eligible suggests the users taking delivery may be stockpiling metal to guard against future delays in regular silver shipments, as mentioned Wednesday. Also, it does appear that my hunch on Wednesday that JPMorgan had liquidated 350 January contracts was on the mark, based on official data later that day.

Among the other developments of what looked to be directly related to the unusual increases in the COMEX silver warehouses over the past month, were a quite close turnover of that same amount of silver in the holdings of SLV over this same time. I want to be clear here, back in the weekly review of Dec 2, the combined holdings in the COMEX warehouses and in SLV, fell to 700.5 million oz, the lowest in years. Now they are at 715.5 million oz, or 15 million oz more â?? with all the gain due to the increase in COMEX warehouses. While the holdings in SLV are, essentially, unchanged since Dec 2, there has been tremendous turnover â?? deposits and withdrawals alike.

It’s speculation on my part, but based upon the flow of data, I get the distinct impression that metal is being moved from London (SLV) to New York (COMEX) via air shipment, based primarily on dates of withdrawals from SLV and deposits in the COMEX. What stands out to me is not the method of air shipment, as much as the quantities involved and all the associated circumstances. Remember, speculation based upon facts and data is just another term for analysis. If what Iâ??m suggesting is correct (as I believe to be the case), and silver is being moved in great quantities from London to NY, due to user delivery demands on the COMEX, I donâ??t think there could be a greater indication of physical tightness and shortage in silver.

In my memory bank, the last time I read or heard of big shipments of silver by air, was back in late 2008 or 2009, when silver dipped below $9 and reports circulated about how demand from India was so strong (in response to the low prices) that cargoes of silver were being delivered by air almost non-stop. Of course, as it turned out, silver prices surged by more than five-fold with a few years.

Turning to yesterdayâ??s new Commitments of Traders (COT) report, I think I neglected to offer expectations for the report, however, I wasnâ??t expecting great change. Of course, I do believe there have been substantial positioning changes in silver since the Tuesday cutoff, involving managed money selling and commercial buying, due to the sudden plunge below the key moving averages. The only question is how much more in positioning changes amid lower prices may yet to occur.

In COMEX gold futures, the commercials increased their total net short position by 3100 contracts to 235,500 contracts. While this is the largest (most bearish) commercial short position since April 2022, it is not yet close to the most extremely bearish positions in history. I guess the real question is whether the collusive COMEX commercials can succeed in rigging gold prices $30 or so lower to downwardly penetrate the 50-day moving average and by $60 or so lower to penetrate the 200-day moving average. Time will tell.

While the total increase in commercial shorting in gold wasnâ??t particularly excessive over the reporting week, it was a bit concerning that the 4 big shorts accounted for all of the selling, in adding 4300 new shorts and increasing the big 4 position to 158,115 contracts (15.8 million oz), the largest big 4 short position since Dec 5. The next 5 thru 8 largest commercial shorts bought back 1100 shorts and the big 8 short position increased to 232,669 contracts (23.3 million oz). The raptors, essentially, remained unchanged at 2800 contracts net short.

The managed money traders came close to buying what the commercials sold, as these traders bought 2695 net gold contracts, consisting of the purchase of 1583 new longs and the buyback and covering of 1112 short contracts. The net managed money long position increased to 109,149 contracts (154,384 longs versus 45,235 shorts), about as bearish as the counterparty commercial short position. The other large reporting traders sold more than 2700 net gold contracts, offset by net buying of 3200 contracts by the smaller non-reporting traders.

From the bottom of gold prices ($1825) in October to this week, some 140,000 net managed money contracts (14 million oz) have been bought, with roughly the same number of contracts sold by the commercials and you donâ??t have to look further for an explanation in advance for any rigged price take downs ahead. Thatâ??s not the same, of course, as a firm prediction as to what will transpire price-wise, as there still would appear to be plenty of reasons for gold prices to rise. Itâ??s just that there is. virtually, only one reason for gold prices to fall.

In COMEX silver futures, the commercials reduced their total net short position by 2100 contracts, to 50,500 contracts. Once again, the 4 largest commercial shorts did little, in buying back less than 100 contracts, and holding a short position of 45,133 contracts as of Tuesday (226 million oz). The next 5 thru 8 largest shorts sold just over 200 contracts and the big 8 short position rose to 63,994 contracts (320 million oz). Obviously, the silver raptors accounted for almost all of the commercial buying. Since I still believe that a managed money trader holding around 3000 contracts short is in the big 5 thru 8 category, I would conclude the raptors were net long 10,500 contracts on Tuesday, up from 8,500 contracts in the prior reporting week.

The managed money traders in silver were net sellers, but only to the tune of 740 contracts, which consisted of the purchase of 1878 new longs and the new short sale of 2618 contracts (always an unusual occurrence). The managed money net long position fell slightly to 16,057 contracts (38,424 longs versus 22,367 shorts), still resulting in a much more bullish market structure in silver than in gold, which may or may not matter much if the crooked commercials succeed in taking gold down through its moving averages.

The one surprise to me in yesterdayâ??s report was the increase in managed money longs in silver, as I had expected a reduction. However, there is no doubt that the managed money longs sold off significant numbers of contracts on Wednesdayâ??s and Thursdayâ??s price rigs lower. The smaller non-reporting traders did sell close o 2800 net silver contracts from their near-record net long position of the previous reporting week.

So, on a strictly COMEX paper market structure, gold remains bearish and silver closer to neutral or at least much less bearish than gold and if we drop further in price, this market structure will be the cause. At the same time, there are a lot of supporting factors away from COMEX positioning Â in gold, and particularly so in silver.

Putting on my technical observerâ??s hat, however reluctantly, there havenâ??t been many times over the past year where one who bought silver (or gold) when it was below its 200-day moving average would have to wait terribly long before prices bounced above that same moving average. If anything, the time one must wait for silver to bounce above its 200-day moving average after falling below, seems to have gotten shorter. I would contend that is as a result of the deepening physical shortage.

Technical clues aside, the actual supply/demand factors in silver continue to astound me and they all have to do with the first genuine physical silver shortage in history. If planeloads of silver are being flown from London to New York in order to satisfy growing demands for delivery by silver users on the COMEX (as described above), itâ??s hard to see how this wonâ??t lead to much higher prices, sooner rather than later. Yes, lower prices in the very short term may cause significant paper selling by the managed money traders in gold and result in further managed money selling by the managed money traders in silver. But then what?

Is there anyone out there that can imagine the already-pronounced physical tightness and shortage in silver as possibly just going away under continued lower prices? Thatâ??s not how the law of supply and demand functions. Low prices cause lessÂ supply and more demand â?? the absolute last thing silver currently needs. Should the collusive and highly-corrupt COMEX commercials succeed in driving silver (and gold) prices lower in the immediate short term, that will only intensify the deepening physical silver shortage according to all the legitimate economic knowledge accumulated throughout history.

So, whether we do get the lower prices desired by the crooked COMEX commercials in the short term or not, it would seem anyone buying silver will have the full force and power of the law of supply and demand as a powerful companion and tailwind. Sometimes the price isnâ??t right and this is one of those times in silver.

Ted Butler

January 6, 2024

Silver – $23.38Â Â Â (200-day ma – $23.81, 50-day ma – $23.78, 100-day ma – $23.45)

Gold – $2052Â Â Â Â Â Â (200-day ma – $1976, 50-day ma -$2019, 100-day ma – $1973)

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