

## July 17, 2021 – Weekly Review

For a second week and on the infrequent side, the price of gold ended higher, by \$4 (0.2%), while the price of silver fell fairly sharply, by 48 cents (1.8%). Silver's distinct relative underperformance caused the silver/gold price ratio to widen out by nearly a full point and a half to 70.5 to 1, right at the tippy-top (if not over) of the five-point trading range of the past six months. Short term, where the ratio goes is still a crap shoot; longer term, betting that silver will outperform is like shooting fish in a barrel.

I'll get into why I believe that silver was so weak the past two weeks, particularly relative to gold in a bit, but I did devote some time to this likelihood in Wednesday's article. I'll also try to outline what to expect next, including a very interesting take on silver from the technical side – something not often postulated on these pages. 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 came in slightly above the weekly average for the past ten years, as just over 5.1 million oz were moved this week. Total COMEX silver warehouse inventories fell by a slight 0.3 million oz, to 350.6 million oz, enough to establish a new 10-month low. There was finally some movement in the JPMorgan COMEX silver warehouse and the total there also fell a slight 0.1 million oz to 187.4 million oz.

All eyes are still focused on the near 50 million oz reduction in the COMEX silver warehouses from January, as well as a similar increase in the Sprott silver ETF over that same time, both for very good reasons. At the same time, however, I'm still convinced a bigger story remains the incredible but easily documented physical movement of what amounts to 2.5 billion oz (that's with a capital B) that have been physically moved both into and out from the COMEX silver warehouses over the past ten years. There has never been such a large physical movement in any other commodity in history and the silence around the COMEX warehouse movement in silver is deafening.

Nothing special to report in the COMEX gold warehouses, where the total level remained at 35.4 million oz for a third week running, although there was movement during the week. No big change in the JPM gold warehouse holdings, still holding at 13.1 million oz.

I'll skip over the COMEX silver deliveries this week as the July deliveries continue to wind down and it appears destined that this month will feature the lowest deliveries of any traditional delivery month in a year or longer – quite different from the fanfare and anticipation going into July. No activity in deliveries by JPMorgan in its house account is good activity, as far as I'm concerned.

There continues to be notable physical movement in the holdings of silver in the world's silver ETFs, with some slight continued declines in SLV, the largest, and inflows into other silver ETFs, this week most notably SIVR and the Deutsch Bank version and not PSLV for a change. On balance, silver ETF holdings are mostly unchanged this week and holding onto the massive 500 million oz inflow that started 16 months ago.

Fully 60% (1.2 billion oz) of the world's total inventory of silver in good-delivery, industry-standard 1000 oz bars (2 billion oz) are held in the world's silver ETFs and other recognized storage programs (ex the COMEX warehouses). Since this is the form of silver that has and will determine the

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price of silver once the COMEX silver manipulation is cast aside, the percent of the world's good delivery bars in ETF ownership should stun you – save for the fact that it has taken more than 15 years to reach this state. What's that expression about a frog in a pot of water coming to a boil?

Here, of course, we are still indebted to my good friend, Carl Loeb, for coining the term, "Death Star" to describe the affect that the SLV would have on the world's supply of silver 15 years ago. But who knew that the SLV would propagate a line of offspring along the way, also with a ravenous appetite for physical silver? No knock on GLD, the big gold ETF, and all the gold ETF offspring it brought into the world, but the gold Death Stars don't appear as hungry as their silver counterparts, having only "eaten" less than 4% (115 million oz) of the world's supply of gold bullion (3 billion oz). Of course, to be fair, in dollars and cents, the amount of gold in the world's gold ETFs is more than \$200 billion, while the dollar amount for silver is only \$30 billion or so. But that just reinforces just how cheap silver is.

Turning to yesterday's new Commitments of Traders (COT) report (already slightly old news in silver), the actual results were close to expectations in silver (no big deal given price action and changes in total open interest), and uncannily close to my hopes in gold, where the massive increase in total open interest over the reporting week (30,000 contracts) was largely attributable to market-neutral spread creation. Some 25,000 non-economic (although not necessarily illegitimate) gold spreads were created, even more than I was hoping for.

To be clear, there is a very big difference – like night and day or fire and ice – between 25,000 net contracts of non-commercial buying and commercial selling, which would be a meaningful change in market structure and 25,000 contracts of new spread positions (long one month and simultaneously short another month) which has absolutely no bearing on price – away from the almost unnoticeable differentials between the various futures trading months. That's why I raised the issue of spread creation in the first place.

The real lesson is because of spreads and other factors, one cannot always rely on changes in total open interest as a reliable indicator for true net positioning changes. The majority of times, changes in total open interest tell most of the story, as was the case in silver this week. Other times changes in total open interest are downright misleading, as was the case in gold this week. As always, the whole purpose of me handicapping expected and hoped-for changes in net positions in upcoming COT reports is strictly to determine for myself if I'm looking at things the way they should be looked at.

In COMEX gold futures, the commercials increased their total net short position by 6300 contracts, to 221,000 contracts, still very much on the bullish side of things, market structure-wise. With such a small relative overall change, there wasn't much to report by commercial categories. The 4 biggest gold shorts added slightly more than 200 contracts to a concentrated short position amounting to 142,294 contracts (14.3 million oz), as of Tuesday. The next 5 thru 8 largest shorts added around 300 new shorts and the resultant big 8 short position grew slightly to 212,202 contracts (21.2 million oz). The smaller commercials (the raptors) added 5600 new shorts and are now net short 8800 gold contracts.

Similarly, there wasn't much to report on the buy side of gold, as the managed money traders were net buyers of 8331 contracts, fairly-evenly divided with 4720 new longs and the buyback and covering of 3611 short contracts. I would imagine there has been some further deterioration (non-commercial buying and commercial selling) since the Tuesday cutoff which creates the possibility of a quick but

shallow selloff, but the overall market structure in gold is still highly constructive.

In COMEX silver futures, the commercials reduced their total net short position by 2200 contracts to 60,900 contracts, quite close to the 2500 contract decline in total open interest. I would note, in sharp contrast to what occurred in gold, there was virtually no spread creation in silver, nor was any expected, as the spread creation phenomenon largely occurs up to two weeks before the first delivery day of a traditional COMEX delivery month and then those spreads get liquidated into first delivery day. Why this pattern exists is one of the great mysteries of the universe for me, as it makes no sense that I can uncover.

By commercial categories, the 4 big shorts bought back less than 100 short contracts and now (as of Tuesday) hold 52,288 short contracts (261 million oz). While this is still the largest concentrated short position of any commodity in real world terms, as has been the case just about since the dawn of civilization, it also happens to be the lowest big 4 concentrated short position in more than a year. This gives me hope that the CFTC did talk to these crooks, as was implied in its May 3 response to my allegations. If, as and when these big COMEX commercial short crooks add aggressively to short positions on the next rally, I'll revisit banging on the CFTC's door again, hopefully with your help.

The 5 thru 8 next largest silver shorts went the other way from the big 4 and following last weeks pronounced short covering (of 2000 contracts), this week the big 5 thru 8 added around 400 new shorts, increasing the big 8 concentrated short position to 68,532 contracts (342.6 million oz). The smaller commercials in silver (the raptors) added 2500 new longs to a net long position amounting to 7600 contracts. Undoubtedly, the silver raptors's net long position is much larger as a result of yesterday's selloff.

One thing the small net change in the big 4 short position in silver this week reinforces is that the CFTC made an obvious and significant reporting error in depicting the big 4 short position over the two previous reporting weeks. You'll recall that the COT report of June 29 indicated a 5000-contract net reduction in the big 4 short position, only to be followed by a 4000-contract increase the week of July 6. This week there was a 65-net contract decrease. Huh? The 5000-contract decrease was the largest actual short-covering by the big 4, followed by one of the largest increases ever and all on relatively minor silver price changes.

Such large changes are virtually impossible and the most plausible explanation is that the changes were due to reporting errors. In some ways, I suppose it is no big deal, as it all washes out in the end; but in other ways, such reporting errors should be acknowledged or, at the very least, defended when challenged. For the Commission to bury its head in the sand and pretend to ignore the matter, while expected, only diminishes its standing (if that's possible). I also suppose I should be happy that the Commission responds to my other more serious allegations, but then only under the pressure of having to respond to elected officials.

Finishing up on the silver COT report, the sellers to the commercials included the managed money traders to the tune of 844 net contracts, consisting of the sale and liquidation of 1334 long contracts and the buyback of 490 short contracts. The smaller non-reporting traders were net sellers of 1430 silver contracts.

As far as why silver took a serious price spill yesterday, I would direct you to my comments in Wednesday's article. No, I'm not angling to be some hot-shot short term trader, as trying to do

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that consistently is a mug's game, but I did express my fear that the commercials would resort to a quick price blast lower in silver to take prices below the recent lows and penetrate the 200-day moving average and thereby induce the possible last tranche of non-commercial selling. The bad news is that the commercials did just that.

The good news is that I am no longer fearful of that occurring, since my fears were realized. There can't be any doubt that what we witnessed yesterday was a calculated and violent shaking of the silver apple tree designed to shake as many speculative silver apples off the tree as possible — both the liquidation of long positions and the establishment of new speculative short positions. Even though preliminary total open interest for yesterday's trading hardly changed, my sense is that the real net positioning change was large. Remember, if some managed money and other speculative traders liquidated longs and added shorts, that would show up as no change in total open interest — as would big commercial short covering and new raptor long positioning.

While I believe the net positioning changes in silver yesterday were substantive and possibly all the commercials could generate, there can be no guarantee some future additional non-commercial selling and commercial buying may be at hand, particularly if the commercials resort to lowering the price boom on gold. In any event, I don't anticipate we're at the start of a pronounced price move lower and remain convinced this will be the last downturn before a major move higher.

Along these same lines, I ran across a fascinating interview with Michael Oliver, a well-known market analyst who has been a market observer for as long as I have (some 50 years or so). Although his approach is strictly along technical lines, as opposed to the fundamental approach that I employ, his observations in the interview should be of interest to everyone here when he speaks of gold and silver. Despite looking at gold and silver with as different a methodology as is possible from mine, Oliver's conclusions are near identical to mine. Specifically, he refers to silver as the next Bitcoin and projects a price of \$200 or so by the end of next year. Since I try to avoid interpreting what anyone else says, I would urge you to listen for yourself. (The specific discussion on silver starts around the 11 to 12 minute mark)

<https://www.youtube.com/watch?v=rofx0HfgEvQ>

Based strictly upon his technical approach, which involves measuring price change momentum, he projects a monster move higher as and when the \$1860 or so level in gold and \$28-ish level in silver are taken out. Eventually, he expects to see \$8,000 to \$10,000 in gold by the end of 2022 and \$200 or so in silver. Oliver also anticipates a serious decline in the stock market by then and a sharp up move in commodities in general. As I said, I don't like to interpret what others have said, so if you feel I've misstated anything he did say, please let me know and I'll make amends.

Perhaps most fascinating of all is that Mr. Oliver suggests that silver investors ignore the interim selloffs in price (I assume like yesterday's) and focus on the coming major price liftoff — most unusual for a non-fundamental (actual supply and demand) approach. I do get the sense that Oliver does not consider himself a technical trader in the usual sense of the term.

Having stated that I basically agree with everything he said, at least about silver, I'd like to explore what strikes me as an uncanny and quite specific agreement on a matter, coming from almost completely different perspectives. — Certainly, I've always disclosed I'm not given to technical analysis, although I reference it often since it has such obvious impacts on prices. And there is some

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overlap in the terminology both Oliver and I use – for instance, market structure – although we are clearly referring to different things.

I must say that I found Oliver's take on silver to be most reassuring and he certainly spared no detail or lacked any conviction in his forecast. While I refrain from specific price targets and timelines (even though I know that is what most want to hear), that's due to not wanting to appear full of hubris (or anything else). Still, how is it possible to come up with nearly the same specific price expectation when coming from two very different perspectives? Aside from the obvious, namely, that it remains to be seen if both of us will prove to be right or wrong, I do believe there is a common denominator uniting both forecasts, even if that denominator is not fully disclosed. The denominator of which I speak that connects the two different approaches is the ongoing COMEX price manipulation.

In fact, I would go so far as to say that anyone bullish on silver, which includes just about everyone who has seriously considered its future price path, is knowingly or unknowingly acknowledging the COMEX manipulation. Where do I get off making such a statement? To be sure, I am not asserting that Oliver knowingly has evaded knowledge of the ongoing manipulation, but any market analyst relying on price patterns as the basis for their analysis would have a very difficult time acknowledging that prices were manipulated. After all, artificially-derived prices (manipulation) would render any approach relying on price change as suspect. At the very least, it would require an explanation as to why artificially-derived prices would be the same as prices derived from free market forces.

Admittedly, it's much easier for me to point to the COMEX silver manipulation as the cause behind why silver prices are still so cheap in the face of provable supply/demand forces that call for much higher prices. But that's not just a handy and convenient excuse – I'm employing to deflect criticism for why silver prices haven't exploded by now – or I hope that no one thinks that. There has to be an explanation for why silver has not responded to the forces in play obvious to everyone.

Certainly, there has been no explanation that I'm aware of that comes close to reconciling the extremely bullish actual supply/demand forces in silver and the lack of a free-market price response. Even the federal commodities regulator had every opportunity to reject my allegations of concentrated short selling by a few big COMEX traders and explain why that excessive short selling wasn't suppressing silver prices. Instead, it punted and implied it referred the matter to its divisions of Market Oversight and Enforcement.

I understand why anyone employing the analysis of price change as wanting to avoid questions about the validity of the price itself, just as I understand how those who initially rejected the idea that silver could be manipulated in price long ago, are reluctant to admit it now – who likes to admit to being wrong about anything? Unfortunately, this avoidance and reluctance plays right into the hands of the manipulators and enables the manipulation to continue.

I'm certainly not picking on Oliver (actually, I respect his work and think he will be proven correct), but when he depicts a chart showing a price decline in silver for nearly the past ten years as portending a monster move higher when it breaks \$28, does he not wonder in the least why silver was so sluggish for so long? It's one thing to simply dismiss a depressed price for a decade as saying its time had not yet come – but shouldn't some further thoughts have crossed one's mind? When I look at that same decade of depressed silver prices, all I see is the hand of JPMorgan being the biggest COMEX short seller, all while accumulating the world's largest hoard of silver in history – which I chronicled on a twice-weekly basis and notified the regulators and JPM about in every article I wrote

over this time.

My point is that I find it most remarkable that there seems to be near-universal agreement that silver is destined to move shockingly higher from every possible perspective – technical, fundamental, in reaction to growing unprecedented monetary and fiscal expansion and currency concerns – and all with an unspoken common denominator, namely, that its price is dirt cheap. All I’m trying to do is get others to recognize the underlying cause for the cheap price, just as Izzy Friedman challenged me to uncover in 1985. In essence, silver would not be so cheap if the 4 big shorts on the COMEX weren’t as short as they are – and for no legitimate purpose to boot.

In the apropos of nothing department, I would direct your attention to the latest missive from John Hussman, which features some select quotes from another wise man, Jeremy Grantham. Everyone has their dreams; one of mine is interesting each of them sufficiently in the particulars of silver to get their learned opinion.

<https://www.hussmanfunds.com/comment/mc210715/>

The price weakness in silver this week, coupled with the slight gain in gold, resulted in the 8 big shorts in COMEX gold and silver futures having a slight reduction in their total loss (from June 2019) of less than \$100 million to \$10.8 billion.

Ted Butler

July 17, 2021

Silver – \$25.70 (200 day ma – \$25.87, 50 day ma – \$27.10, 100 day ma – \$26.49)

Gold – \$1812 (200 day ma – \$1829, 50 day ma – \$1838, 100 day ma – \$1791)

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