July 26, 2023 – The Pressure Continues to Build

A long-time subscriber asked a great question, namely, how was the recent sharp increase in commercial selling in COMEX silver, particularly the amount of new concentrated short selling, any different from all the previous instances of extreme commercial selling that was part and parcel of the continuous wash, rinse, repeat cycle of commercial price manipulation over the decades? Bob was kind enough not to directly question my Code Red alarm, but, obviously, I must see something different this time around to warrant the alarming tone Iâ??ve employed.

I did tell Bob that he (and anyone else) was free to ask away on this or anything else I write about because it was my responsibility to explain fully whatever I introduce. That is especially true in this case, since Iâ??m the only one raising the alarm about a pending COMEX silver market emergency and the very last thing I would ever want to do is issue false alarms. Again, this is complicated stuff, so donâ??t feel hesitant about questioning anything I write. By the way, I did publicly post an edited version of recent posts to subscribers.

https://silverseek.com/article/more-silver-code-red

Let me first stipulate that yes, from all outward appearances, the recent one-week increase in commercial selling (of longs) and new short sales does, at first, look like the same old, same old, namely, the classic commercial selling on rising prices into managed money buying. Further, I have stipulated that this familiar positioning could very well result in a take down in price ahead. Having said that, I obviously see (or think I see) something else that convinces me that this latest episode of commercial selling is far different from all the previous instances of commercial selling/shorting.

First, the increase in total commercial net selling in the most recent COT report (as of July 18) of 24,300 contracts (122 million oz), was the largest one-week selling in five years, while the increase in the concentrated short position of the 8 largest shorts at 12,100 contracts (60 million oz) was the largest in more than six years and perhaps in history. These increases in commercial selling occurred on â??onlyâ?• a two dollar increase in price, whereas all past such selling occurred over weeks or months and on much larger price advances. Â I would also point out that I started my alarming commentary about a sharp increase in such commercial selling a week before the COT report was published, so alarmed was I about the stunning increase in total open interest.

Two, every indicator up until this stunning one-week increase in both commercial net selling and in the concentrated new short selling by the 8 largest commercial traders came after a near two-year pattern of great restraint on the part of the short-selling biggest commercials on the COMEX (ever since I wrote to the Commission in early 2021). So, not only was the one-week increase of commercial selling and new short selling of historic proportions, it also came against a backdrop strongly suggesting the largest commercial silver shorts would be reluctant to add aggressively to shorts on the next silver rally.

Because this was definitely not the case, aside fromÂ coming as a surprise to me, a reasonable observer would have to ask what prompted such aggressive selling on a two-dollar increase, when the big 4, for instance, did not add to new shorts on the $6 rally from March to May? Iâ??ve already answered that the sole explanation was to cap and contain silver prices, so as not to let prices run higher to the point outside (ETF) buying kicked in.

But what I havenâ??t mentioned (until now) is that the roughly 6000-contract increase in both the big 4 and big 5 thru 8 commercial short positions (total 12,000 contracts) was so uniformly distributed, that it couldnâ??t possibly be the result of anything but the strongest collusion. Here is the clearest evidence to date, that not only are the commercials on the COMEX behaving in a manipulative manner, itâ??s now undeniable that they are coordinating and colluding among themselves.

Moving along, then thereâ??s the strange silence from both the federal regulator, the CFTC, as well as the designated industry self-regulatory regulator, the CME Group, to repeated private and public warnings from me of a market emergency in COMEX silver. Again, I should not be allowed to sound such alarms should those alarms not be well-founded.

For the record and as previously disclosed, I was somewhat hopeful in March/April 2022, upon the occasion of four new commissioners being appointed to the CFTC, as it suggested to me a unique opportunity for a fresh look at the allegations of an ongoing COMEX silver by the federal regulator. At that time, I wrote to each of the new commissioners, both congratulating Â them for their appointments and laying out the case for the ongoing silver manipulation. I also began sending each copies of my articles, since most or all deal with matters pertaining to the COMEX silver manipulation and federal regulation (or lack thereof).

All told, I have sent each new commissioner at least 125 articles through today, in addition to continuing to send my articles to the chairman and key officials in the divisions of Market Oversight and Enforcement, as well as to the CEO of the CME Group. I cannot know if any of my articles are read and I have received no acknowledgement of same, but if it does turn out that I am correct about my allegations of a developing market emergency in COMEX silver, there wouldnâ??t appear to be much question thatÂ all the regulators should have read what Iâ??ve sent to them and acted on it.

In the spirit of a constructive solution, I would urge the Commission to employ the services of its recently re-formatted Global Markets Advisory Committee, an outside volunteer advisory group comprised of 36 top-of-class private industry experts to consider the validity of my market emergency allegations in COMEX silver. If my allegations are baseless, this would surely be the source which could demonstrate that.

https://www.cftc.gov/About/AdvisoryCommittees/GMAC

By far, the most compelling argument that we face a market emergency in COMEX silver as a result of the historically large and collusive increase in commercial selling and concentrated short selling is that it comes at the same time a physical wholesale (of 1000 oz bars) shortage has never been more pronounced â?? according to every legitimate source available, like the Silver Institute, and the details I reference regularly. Who the heck goes heavily short into a physical shortage and in which the price is still half the levels of the peaks of 43 and 12 years ago? Â I believe in the law of supply and demand and I can see no way the current silver physical shortage can be resolved with continued suppressed prices â?? the cause of the shortage in the first place.

For all these reasons (and more), the situation in COMEX silver is very different from times past, to the point of constituting a Code Red market emergency. I am not at all dismayed that I am (for now) all alone on this matter, much like I was all alone nearly 40 years ago when I discovered the COMEX silver manipulation originally. Being alone in my contentions is bearable (although a bit lonely) until and unless a credible rebuttal is forthcoming. And if it does turn out that my allegations are legitimately disproved, I will admit I was wrong. Â But to this point, in terms of legitimate rebuttal, all that can be heard are the sounds of silence.

Turning to other matters, last nightâ??s release of the new short report on stocks, indicated a mostly unchanged short position on SLV, the big silver ETF, or an increase of around 200,000 shares to 22.8 million shares (20.9 million oz), as of July 14. I was bracing for a large increase in the short position on SLV, considering there had been a total increase of 8.5 million shares in the two prior short reports â?? but Iâ??ve learned this particular report in unpredictable (at least for me). While up from 14 million shares short six weeks ago, the short position on SLV is down from 60 million shares last August and as such is not worth complaining about at this time.

https://www.wsj.com/market-data/quotes/etf/SLV

However, it has evolved that the short position in SLV has become the only silver or gold ETF where the short position matters at all. My contention is still that short sales in SLV are strictly due to the short sellers (authorized participants) not being able (or willing) to secure the required physical metal for deposit into the trust and that is fraudulent and manipulative on its face.

For this particular reporting period, moreover, silver (July 5 thru July 14) prices rose by two dollars on big volume and metal holdings in the SLV fell by more than 8.5 million oz â?? highly counterintuitive to normal increases in metal holdings on net new investment buying. If the short data is correct, the only reasonable explanation is that the 8.5 million oz removed from the SLV was more urgently needed elsewhere or a large shareholder(s) converted shares to metal in order to increase shareholdings in the future without having to publicly report positions.

As far as what to expect in this Fridayâ??s new Commitments of Traders (COT) report, my crystal ball, unlike last week, is clouded to the point of not expecting much change. Unlike the prior reporting week, where the total open interest in silver increased by a massive 26,600 contracts on a two dollar jump in price, this week (thru yesterdayâ??s cutoff) prices were slightly lower on subdued trading volume and get this â?? a total open interest increase of just 35 contracts.

In gold, prices were also modestly lower thru yesterdayâ??s cutoff following the prior weekâ??s much larger up move which penetrated key moving averages and resulted in more than 32,000 contracts of net managed money buying. Iâ??m not expecting much change in net gold positioning and will instead be focused on what details I can uncover in both the silver and gold COT reports.

As I hope Iâ??ve made clear, the current market structure in COMEX gold and silver does suggest the chance of a price smash (same as always) whether my Code Red market emergency is accurate or not. On the other hand, itâ??s also quite possible that the commercials have bitten off more than they will be able to chew and the greater weight of the evidence (the deepening physical shortage) will prove decisive against the commercials for the first time. In many ways, the commercials appear to have a tiger by the tail, in that they may have taken on more than they will be able to handle. While I have been careful to allow for a price scenario that involves either a sharp price smash first, followed by a surge or a surge straightaway with no great price smash first â?? privately I have been girding mentally for the price smash first.Â Thatâ??s why I am somewhat surprised to see relative price strength so far this week, but I also know that day-to-day price swings generally are not to be relied upon.

While Iâ??ll continue to strive to explain the Red Code COMEX silver market emergency I see in silver, I would like to make a couple of points clear. One is that in addition to not knowing the direction of the immediate price path, itâ??s also impossible for me to put a precise timeline for the matter to be fully resolved â?? although I would characterize it in weeks or months and not years. Two is that I canâ??t help but come away with the impression that this silver market emergency premise is more serious and far-reaching than I ever imagined â?? meaning despite the silence (or maybe because of the silence) from official quarters to my quite specific claims (all based upon official data) â?? when silver finally blows its top, itâ??s going to be a very big deal.

Ted Butler

July 26, 2023

Silver – $25.05Â Â Â (200-day ma – $22.91, 50-day may – $23.79, 100-day ma – $23.85)

Gold – $1975Â Â Â Â Â Â (200-day ma – $1882, 50-day ma – $1960, 100-day ma – $1968)

Date Created
2023/07/26