July 27, 2022 – Why I’m More Bullish Than Ever

Just yesterday, a subscriber asked if his suspicion that I was more bullish on silver than ever was correct. I told him that he was correct. A couple of days earlier, another subscriber found it odd that I hadnâ??t mentioned buying kamikaze call options in a while. I told him I just bought some a day earlier, but had given up talking about them, as I wanted to spare readers the pain of flushing money down the toilet. But both inquiries set me aback and it dawned on me that I may not have properly conveyed my current feelings on silver (and gold), so let me try to do so now.

Admittedly, I do tend to get hung up on the â??dryâ?• details of the Commitments of Traders (COT) report and other assorted data series, the role of the commodity exchanges and the regulators and I know that goes over the head of many. I also know it may be more appealing to talk about the popular topics de jour, like inflation, interest rates, the dollar, the Fed, the stock market, domestic and geopolitics or how the world is going to hell in a hand-basket and do breathless interviews expounding on everything under the sun in the aim of attracting new subscribers (or milking the old ones).

Obviously, Iâ??ve chosen not to do so, but this is not at all at odds with my current very strong feelings that silver may soon explode in price (and drag gold along with it). So why donâ??t I just lay out the reasoning behind my current strong feelings and leave it to you to decide if it makes sense. First, a short stroll down memory lane in order to put things in proper perspective.

Back in 1985, some 37 years ago, my now-dear departed friend and silver mentor, Izzy Friedman, challenged me to explain silverâ??s then-current low price ($5 or so), which was down 90% from the Hunt Brosâ?? induced high of five years earlier and in the face of a documented structural physical deficit. Such a deficit means the world was not producing enough new silver to satisfy current demand and had to resort to the depletion of existing inventories to balance supply and demand and is â?? hands down â?? the most bullish circumstance possible in the world of commodities. Since I was a commodity broker by profession, I took Izzyâ??s challenge quite seriously and it took me a full year to come up with the answer to the dilemma of why the price of silver wasnâ??t responding to the most bullish circumstance possible.

It simply dawned on me one day (and yes, that precise moment is etched in my memory) that the cause of silverâ??s low price was due to excessive short selling in COMEX futures contracts. When you converted the amount of outstanding open contracts in COMEX silver futures contracts into what the contracts represented in actual ounces and did the same thing for all other commodities, you quickly realized there was a mismatch in silver unlike what existed in any other commodity in terms of annual world supply and demand. Further, it was then very easy to uncover that the biggest and most concentrated COMEX shorts were mostly banks.

Remarkably, for the next near 37 years, this same condition, a large and concentrated short position held by banks, which always increased as silver prices rallied and fell when prices fell, was an integral component of the COMEX silver (and gold) market. No matter how hard I tried to convince the regulators that this represented a bold-faced price manipulation (and the record is quite clear on this), my allegations were dismissed out of hand and the silver price manipulation continued unabated.

So regular became the pattern of the silver concentrated short position of the largest bank traders increasing as prices rose and shrinking as prices fell, that many subscribers (and others) began mimicking the actions of the commercials on the COMEX and this largely explains the growing popularity of COT reports as a market guide. But manipulation is still manipulation and one of the surest things to be said about any manipulation is that it must end and end suddenly and dramatically. The only question was the manner in which the silver manipulation ended.

My late mentor, Izzy, insisted the silver manipulation would end when the biggest commercial shorts were most fully exposed â?? his famous â??full pants downâ?• premise. I, on the other hand, insisted the silver manipulation would end when the big commercial shorts were the least exposed on the short side, as that would be to their greatest advantage. I always acknowledged that Izzyâ??s premise could turn out to be correct, but the hard fact is that neither of us were correct to this point.

As Iâ??ve been writing of late, I think the recent default in LME nickel was a seminal event and it occurs to me that this event (and others) has particular bearing on Izzyâ??s â??full pants downâ?• premise to the point where he might revise his original take were he still with us. As demonstrated by the LME, any short big enough that was caught too exposed in a genuine short squeeze (with his pants down), would be bailed out â?? even if it meant an actual default. Otherwise, the consequences to the exchange itself and its clearing members would be so devastating so as to cause the possible demise of the exchange and its key members.

Likewise, were the COMEX (the CME Group) to ever experience a similar circumstance in silver (or gold), namely, a large commercial short threatened with insolvency that could lead to the COMEX or its leading clearing members facing insolvency due to an inability to meet margin calls, the CME would move heaven and earth to bail out the big silver shorts. It would have no choice. In fact, this is not some theoretical premise as it now dawns on me (with the benefit of hindsight) that this circumstance has already occurred on the COMEX in silver and gold.

Back in early 2008, Bear Stearns was in the exact same position as the big nickel short on the LME was back in March, as it was the biggest short seller in COMEX silver and gold and was caught in a devastating short squeeze to the point where it had to be taken over by JPMorgan at the USGâ??s request to avoid bringing insolvency to the COMEX and its leading clearing (guaranteeing) members. Quite simply, had Bear Stearns been allowed to fail â?? the ultimate full pants down â?? the COMEX could have failed. I wish Izzy was here today, as Iâ??m sure he would come to see why the consequences of his full pants down premise would have been so severe so as to make it impossible to occur. And by logical extension, this is why I am more bullish on silver (and gold) than I have ever been.

After nearly 40 years, I believe the silver manipulation is coming to an end, an end that will result in an explosion in its price. All price manipulations must end and the longer they last, the more powerful and dramatic the end will be. Since it is crystal clear to me now that the financial entities and regulators alike would never tolerate a free-market solution to the silver manipulationâ??s end with a large commercial concentrated short position, like Izzyâ??s full pants down short covering, the only possible alternative is for the former big COMEX concentrated commercial shorts to have reduced their short positions as much as possible before prices liftoff. And that is precisely what they have done over the last four months.

So aggressive and deliberate have the COMEX commercials been in buying back shorts and establishing longs, not only in silver and gold, but also in platinum, copper and palladium, that there canâ??t be any question on what theyâ??ve accomplished, namely, to put themselves in the best possible position for the silver manipulationâ??s end. I suppose itâ??s possible for the current setup to get resolved in a strong price rally, but not the end of the four-decade COMEX silver manipulation and if that turns out to be the case, it will be revealed in the coming price action and data flow and will be acknowledged by me.

However, the purpose of this piece is to explain why I am more bullish on silver (and gold) than ever before and to remove any confusion or doubts about that. Certainly, Iâ??ve even laid out, in advance, the key factor that will determine whether my take will be accurate or not, namely, whether the former big commercial concentrated shorts add aggressively to new shorts on the next rally. Please remember, itâ??s not up to me, itâ??s up to them.

All the major events and discoveries Iâ??ve uncovered over the decades are pointing to this being the end of the silver manipulation, starting with JPMorgan embarking on the greatest physical accumulation of silver and gold beginning in 2011, to it settling all possible charges with the CFTC and the Justice Department in 2019 and by completely abandoning the short side on the COMEX in March 2020. JPMâ??s actions left the remaining big COMEX shorts double crossed and in a bind since March 2020 and they were stuck with a concentrated gold and silver short position, resulting in losses that exceeded $15 billion at times. Â But over the past four or five months, the remaining big COMEX commercial shorts have whittled those losses down by two-thirds and their remaining open short positions by nearly as much. Â Then thereâ??s the snookering by JPMorgan of Bank of America in OTC dealings over the past couple of years.

Therefore, I believe we are on the launchpad for an upward historic revaluation in the price of silver and gold. When will the moment of ignition be? I hope you know that no one can answer that question with precision in advance, as being an analyst is different than being a prophet. While I do believe the liftoff can come at any time, at this late stage and low price, exactly when that will be is the wrong question to ask – with the right question being how to best prepare to participate fully.

Considering the obvious intent and deliberation by which the collusive COMEX commercials rigged prices lower so much over the past several months and succeeded wildly in buying so many contracts, can anyone declare that there might not be some additional price rigging and induced managed money selling on even lower prices immediately ahead? I canâ??t, but as I pointed out Saturday, the managed money shorts are now holding record shorts on a true risk-adjusted basis and on the first serious upturn in price will behave like a thousand panicky bar patrons trying to all get through one narrow door after someone yelled fire. The gatekeepers to that narrow door are the very same collusive commercials who deliberately packed the room with patrons they knew were prone to panic.

Make no mistake, none of this has anything to do with any of the wider issues discussed daily, in my opinion. This is strictly the possible ultimate resolution of a manipulation I discovered mostly by accident, and on a dare, nearly four decades ago. While I never thought the manipulation would last this long, how could I not be sensitive to the strongest signs ever that those responsible for the manipulation have taken verifiable steps to get out of harmâ??s way like never before? No doubt, if silver and gold do explode as I expect, a wide variety of reasons will be given, although I doubt what I just described will go mainstream (at least not initially).

Finally, even though the wait has been interminable, I have been comforted by the complete absence of any plausible alternative explanation that fits with what has transpired in silver both price-wise and event-wise. The thought that free market developments in actual silver supply and demand account for price movement over the decades is preposterous. I would also point out that after years and decades of referring to those most responsible for the COMEX silver manipulation, such as JPMorgan and the CME Group, as crooks and criminals (and sending those allegations directly to them), Iâ??ve never so much as heard a peep from any of them. Whenâ??s the last time large, publicly-owned financial institutions shrugged off such allegations?

So let there be no doubt, this is a time for maximum silver exposure. Not only is the price extremely low on every possible relative and absolute metric, which automatically greatly enhances its risk/reward equation, itâ??s hard to imagine what world event could possibly derail silverâ??s future date with the destiny for sharply higher prices. I understand the natural reluctance of investors to buy anything moving lower in price on an emotional basis, but that flies against the old saw that the cure for low prices is low prices.

In a perfect world, we would all (including me) just be learning or becoming aware of the true story in silver at this very moment and not (speaking for me), decades earlier. That way, we would be embracing silver with all the enthusiasm and promise reserved upon the initial discovery of a truly unique investment. So, if you happen to be fortunate enough for being relatively new to silver, then count yourself as being lucky to be learning of its true story now and please donâ??t delay in securing as much as you can reasonably afford.

If you have been around the block a couple of times and have become tired of the years and decades of COMEX price manipulation, you must shrug it off by focusing on the profound recent changes that point to the manipulationâ??s coming end and with that end, the final opportunity for securing cheap silver. Please remember, in order to sell high to make a large profit, you must first buy low.

As far as what to expect in Fridayâ??s COT report, gold and silver prices were relatively flat thru yesterdayâ??s cutoff, although fresh new lows were hit in gold before a rebound. I donâ??t expect significant positioning changes, particularly compared to the changes recently, certainly nothing that would negate what I wrote about today.

As far as the changes to the big remaining COMEX commercial shorts, there wasnâ??t much change since Fridayâ??s close, although prices are bouncing around in the wake of the Fed meeting, with an upward tilt as get ready to hit the send button, so let me peg the total loss as up by $100 million to $4.9 billion.

Ted Butler

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Silver – $18.90Â Â Â (200 day ma – $23.02, 50 day ma – $20.67, 100 day ma – $22.59)

Gold – $1730Â Â Â Â Â Â (200 day ma – $1841, 50 day ma – $1801, 100 day ma – $1866

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