June 3, 2023 – Weekly Review/Mission Accomplished?

Another sharp Friday selloff resulted in pushing gold and silver prices well-off the weekâ??s highs, with gold managing to hold on for a one-dollar gain and silver able to hold on to a 26 cent (1.1%) weekly gain. This caused the silver/gold price ratio to tighten in by nearly a point, but this weekâ??s switch to the August contract from June in gold added (artificially) about $17 to the price of gold, so letâ??s call the price ratio at just under 83 to 1.

Iâ??m going to run through the usual weekly developments first, before getting to the matter that has absorbed all my waking time and that I wrote about in Wednesdayâ??s article, â??A Remarkable Developmentâ?•, concerning the possible (or probable) connection between the unprecedented Â change in the pattern of the concentrated short position in COMEX silver futures recently and over the past two years and my petition to the Commodity Futures Trading Commission back then. Suffice it to say, if Iâ??m correct in my analysis, this is the most important development in all the years and decades I have studied silver. Â (Howâ??s that for a build-up?)

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained fairly frantic over the four-day work week, as 5.8 million oz were physically moved and as total inventories rose by 1.3 million oz, to 273.4 million oz. Holdings in the JPMorgan COMEX silver warehouse inched up by 0.1 million oz to 141.4 million oz.

There continues to be endless commentary about the 125 million oz reduction in total, and particularly in registered holdings, over the Â past two and a half years and while this should have affected prices (just like the physical turnover I feature), a reasonable observer would have to admit that there has been little impact on price. That same reasonable observer would then be forced to conclude that something else had a much greater effect on prices and to save that observer much time and effort, that â??something elseâ?• was manipulative paper positioning in COMEX silver futures. Iâ??m just surprised that very little of the current commentary about COMEX silver warehouse data includes any reference to COMEX futures positioning as the explanation for why changes in actual inventories has little influence on price.

Total COMEX gold warehouse holdings were unchanged (when rounded) at 22.9 million oz this week. Holdings in the JPM COMEX gold warehouse were also unchanged at 8.77 million oz.

Deliveries on the traditionally large June COMEX gold contract have totaled just under 17,000 contracts over the first few delivery days and, as usual, the fact that customers of JPMorgan have been the biggest stoppers, at just over 6700 contracts (plus 500 in the JPM house account), is somewhat reassuring and bullish in â??feelâ?• â?? but, truth be told, I have no clue what the deliveries signify. There, I said it and feel good for doing so. Itâ??s why I donâ??t talk so much about deliveries â?? aside form watching what JPM, aka the â??kingfishâ?•, might be up to.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

In terms of metal flows in the worldâ??s gold and silver ETFs, there were slight redemptions in the gold ETFs, of around 250,000 oz or so, mostly in line with price action. In silver, there were slight redemptions in SLV (around 1.2 million oz), also mostly in line with price movement. However, I did note with interest that 300,000 oz were deposited in the PSLV this week after quite a spell of flat holdings, most likely indicating counterintuitive buying. Very little silver ever comes out of the PSLV, itâ??s more a question of when deposits are made. Not to make light of it (as my wife is a shareholder), PSLV reminds me of the roach motel, in that you can check in, but not out (more correctly, thereâ??s no good reason for silver to leave).

Turning to yesterdayâ??s Commitments of Traders (COT) report, while it initially looked like I missed in my estimates for a second week, a closer examination revealed that not to be the case. Given the move to new recent price lows in both gold and silver over the reporting week, I had expected managed money selling and commercial buying, with no attempt at quantities. We did get mostly expected managed money selling, but not counterparty commercial buying â?? largely due to unusually large buying from the other large reporting traders, particularly in gold. The other large reporting traders are impossible to predict (at least for me) and I never recall even attempting to guess what they might do.

In COMEX gold futures, the commercials actually increased their total net short position by 3000 contracts to 190,000 contracts (again, thanks to big buying by the other large reporting traders). The total commercial selling was almost an exclusive big 4 affair, as these traders added 2900 new shorts to a concentrated short position of 174,412 contracts (17.4 million oz), as of Tuesday. The 5 thru 8 largest gold shorts added 200 new shorts and the big 8 short position rose to 230,152 contracts (23 million oz). Rounding out the commercial categories, the raptors (the smaller commercials apart from the big 8) added 100 long contracts to a net long position amounting to 40,200 contracts.

Let me take a moment here to contrast the commercial category breakdowns in gold and silver. In gold, the big 4 short position is quite large and has been large for the past two months and must be considered the most bearish factor in gold currently. In contrast, the big 4 short position in silver is almost unbelievably low and so potentially bullish that it has me just about jumping out of my own skin. In gold, the big 5 thru 8 short position is extremely low, while the big 5 thru 8 position in silver is unusually large. In terms of the relative raptor net long position in each, goldâ??s looks a bit high, while the silver raptors net long position looks to be on the low side. Since my main interest is on the big 4 position, I am struck by how bearish this one factor looks in gold and how bullish it looks in silver.

The manged money traders in gold were net sellers of 6436 contracts, consisting of the sale and liquidation of 5646 longs and the new sale of 790 short contracts. The resultant managed money net long position of 86,703 contracts (122,904 longs versus 36,201 shorts) still looks bit susceptible to further long liquidation on lower prices. Explaining how the commercials and managed money traders could both be net sellers in gold this reporting week was unusually large net buying by the other large reporting traders of 15,020 contracts â?? fairly evenly split between new longs and short covering. Finally, the smaller non-reporting traders were net sellers of more than 5600 contracts, almost exclusively long liquidation â?? which is generally considered bullish. Finally, another 12,500 phony spread contracts were liquidated, marking the end, at this time, of the phony spread creation/liquidation cycle in gold.

In COMEX silver futures, the commercials reduced their total net short position by a scant 500 contracts to 34,500 contracts. With such a small total change, the commercial category changes wouldnâ??t be expected to be large and they werenâ??t. The big 4 short position, on a straight mechanical basis was lower by a tiny 36 contracts to 36,478 contracts (182 million oz). The big 5 thru 8 traders bought back just over 500 short contracts and the big 8 short position fell to 60,396 contracts

(302 million oz). The raptors sold off 100 long contracts and held a net long position of 16,900 contracts as of Tuesday.

Clearly, this was one of the smallest commercial weekly changes ever and with equally small changes in the managed money gross short position (down 661 contracts for the reporting week), I still conclude that there is a big managed money short in the big 4 short category, meaning that the true commercial-only component of the big 4 short position is around 27,500 contracts â?? once the 9000-contract managed money short position is reflected.

The managed money traders in silver did sell 4067 longs, in addition to buying back the aforementioned 661 short contracts, making them net sellers of 3406 net silver contracts for the reporting week. The net managed money long position of 9274 contracts (39,203 longs versus 29,929 shorts) looks a bit more bullish to me than the comparable position is gold, but not to the point where a selloff canâ??t occur.

Explaining the difference between the low number of contracts that were bought by the commercials and the larger number sold by the managed money traders was net buying of more than 2500 contracts by the other large reporting traders, mostly new longs. I also would point out that the net long position of the other large reporting traders in silver is, at 12,000 contracts, the highest it has been since September and up by close to 10,000 contracts over just the past two months. The total numbers of the other large reporting traders Â in silver are not particularly large in the overall scheme of things, but generally, they seem to have a pretty decent trading record. Again, in contrast to gold, despite this weekâ??s very heavy buying by the other large reporting traders, these traders net long position is still closer to the lows of the past year or so, than the highs.

Based upon all of the above, I am still concerned that future price weakness in gold might be used to bring down silver prices, but should we get a decent downdraft in silver, I am more convinced than ever that it will likely be the last such buying opportunity for some long time. Let me put it this way â?? a coming explosive silver rally looks more than likely, the question is if we will see one last shakeout to the downside or not.

Finally, as concerns COT positioning, I must mention, once again, the extremely bullish set up in COMEX copper futures, Â where the managed money traders are extremely net short and in NYMEX crude oil, where the manged money traders have been net sellers to the tune of more than 110,000 net contracts (110 million barrels) over the past two months (and more than 40,000 net contracts this past reporting week alone) and hold close to their lowest net long position in a few years. It wonâ??t take much to turn the copper and crude oil managed money traders into big buyers. In fact, all it will take is eventual higher prices.

As indicted on Wednesday and above today, I can think of little else but what looks to me to be the role of the CFTC in what Iâ??ve always contended to be at the core of the 40-year silver price manipulation, namely, the concentrated short position on the COMEX. Not to just stroll down memory lane for old timesâ?? sake, but after Izzy Friedmanâ??s challenge to me to explain how silver prices could be so low in the face of the most bullish supply/demand condition possible for any commodity â?? more demand than current supply, as Iâ??ve related numerous times, I discovered that the explanation was the unusually large commercial short position on the COMEX.

This was back around 1985 and perhaps the very first thing I did was contact the regulators, the CFTC and the exchanges, to what was clearly a price manipulation. Being much younger than I am today, I naively thought the regulators would jump on this and that would be that. Instead, I was greeted with a collective denial that anything was wrong and an extreme resistance that stunned me. For some reason, I turned stubborn (largely because I was convinced that I was correct and the regulators were wrong) and persisted in trying to set things straight. This was a big mistake on my part because it caused untold damage to my finances and to my family for many years.

All this took place before the Internet came into wide use in the mid to late 1990â??s and when it did, I got a new lease on life in trying to end the silver manipulation. Still, the CFTC would have no part in agreeing with my allegations, taking the extreme step of publishing two very lengthy public letters rebutting my allegations that the concentrated short position in COMEX silver had anything to do with suppressing the price, the last public letter published in 2008. Perhaps thereâ??s something wrong with me, but the agencyâ??s rebuttal was so devoid of actual substance (although it sure must have sounded convincing to anyone not knowledgeable of the whole story), that it only caused me to persist in my quest to expose the concentrated short position as the key manipulative device in COMEX silver futures.

Thatâ??s why I was, quite literally, stunned when I read the Commissionâ??s response to my letter to it in early 2021, when for the first time ever, it not only did not argue with my contentions about the concentrated short position in COMEX silver, it actually strongly suggested that it was looking into the matter. It also said it couldnâ??t provide any further update, as any actions or investigation would be confidential. Putting the pieces of the puzzle together, it seems the Commission may have done quite a lot since its response on May 3, 2021.

Please understand one thing â?? I write about silver on these pages and as a consultant for Investment Rarities as a â??side gigâ?•, much like a musician or artist works in a different job to support his music or art. Â This side gig is very important to me, as it allows me to pursue my main goal, which has always been to expose and end the silver manipulation. As such, there doesnâ??t appear to be any conflict I can see. At the same time, I donâ??t expect any subscriber or reader to hold the same fervor and determination I hold about ending the silver manipulation, although I am certain we all share a mutual objective of seeing it ended.

So let me not beat around the bush –Â this business of the sudden and marked change in the CFTCâ??s position on the concentrated short position of May 3,2021 and the subsequent distinct pattern of a sharp reduction in the concentrated commercial short position on the COMEX since that letter was written are the most monumental developments in my 38-year quest to terminate the silver manipulation.

Letâ??s face it, I was already agog at the failure of the big COMEX commercial shorts to add aggressively (or at all) to short positions on the $6 rally from early March to May for the first time ever and wrote about it non-stop, concluding it likely meant these big shorts would also not short aggressively on the next silver rally, whenever it commenced. I reasoned these big former shorts must have seen something that dissuaded them from adding aggressively to shorts for first time â?? most likely the developing physical silver shortage.

But only after thinking about it a bit and fitting the timetable appropriately, it seems highly plausible that the reason the big shorts refrained for shorting aggressively had to do with a time-sensitive directive from the CFTC to close out their excessive short positions in a manner that wouldnâ??t cause disorderly trading conditions. Had the CFTC ordered the big commercial shorts to immediately buy back and cover their excessive short positions back in 2021, silver prices would have immediately exploded, to perhaps $100 or $200 or more. Thereâ??s no way the Commission would or should have undertaken any such immediate directive â?? even if it finally dawned on the Commission that it should have addressed the manipulation decades sooner.

Whatâ??s also remarkable is that it has taken me two years to recognize the likely role of the Commission in directing an orderly dismantling of the concentrated commercial short position in COMEX silver futures â?? even though it was my letter that prompted it to take such action. I would point out that even though it took me two years to flush this out, it should go without saying that others had to aware of it long ago â?? such as the big shorts so ordered to reduce short positions. Therefore, thereâ??s no telling what other arrangements the traders so informed may have made over the pastÂ two years.

Here’s the dilemma â?? even if what Iâ??ve described is highly accurate (as I believe it to be) and the most basic conclusion is that this is monumental and bullish beyond belief, it doesnâ??t rule out a final downdraft and flush out in silver, knowing full-well how corrupt and collusive the COMEX commercials are. If it suits the commercialsâ?? best collective interest and ability to rig silver prices lower, prices will go lower before they explode. This assumes the commercials are in total control.

At the same time, what I just described above leaves open the possibility that there may be more than enough already in place that we may not get that final downdraft lower and silver may explode with no downdraft first. Please understand that I am not just trying to play it cute and cover all the bases so that I donâ??t risk looking wrong no matter what. Iâ??m certain weâ??ll explode in silver prices in the near future, I just canâ??t know if we get one final crooked commercial shake out first. I will say this â?? if we do get one final downdraft, the buying opportunity would be ideal.

This may seem a bit repetitive, but because I still find it monumental in significance, I plan on publishing the following article in the public domain early next week, after affording subscribers a chance to fully-digest it.

Mission Accomplished?

A set of readily-verifiable facts have combined to point to a stunning conclusion, namely, that thanks largely to enough people doing the right thing, that the federal commodities regulator, the CFTC, may have also finally done the right thing when it comes to the decades-old COMEX silver price manipulation. If my assessment is correct, the most logical conclusion is that we may be at the end of the long-running manipulation and set to rocket higher in silver prices. Let me present the facts and leave it to you to decide for yourself.

A bit over two years ago, on March 5, 2021, I wrote an article in which I solicited public support in writing to the CFTC and to elected representatives concerning a letter I wrote to the agency about an issue I advanced for decades â?? the concentrated short position in COMEX silver futures (which I consistently maintained as a key to the manipulation). While there were many naysayers who countered that writing to the Commission was a waste of time, even more observers took the time to write in.

https://silverseek.com/article/time-act

Fortunately, I took my own advice and also wrote to my elected officials and lucked out when through my local congressman and an extremely-competent staffer who diligently-followed up with the agency, received, two months later, an official response that stunned me. After always arguing with every single point I raised with the CFTC about the concentrated short position in COMEX silver futures, its response this time indicated that it had shared my concerns with two of its critical divisions, Enforcement and Market Oversight.

https://silverseek.com/article/cftcs-response

If you take the time to read all the references and facts contained in the above two articles, Iâ??m sure you will conclude that I have presented the case objectively to this point. But whatâ??s this business about mission accomplished and the end of the long-running COMEX silver manipulation being at hand? It has to do with another easily-verifiable set of facts since the date of the Commissionâ??s response (May 3, 2021) â?? the unprecedented decline in the concentrated short position in COMEX silver futures to this time, particularly concerning the commercial-only component of what I always considered at the core of the manipulation.

Thinking back on it, I was always intrigued by the way the Commission concluded its response to me in May 2021, namely, informing me that it could not offer further comment on what it might or might not do regarding the information I provided. This was the farthest cry possible from how it always treated my past complaints about the excessively-large concentrated short position in COMEX silver futures. But how could I possibly know whether the Commission was sincere in its response or whether it was just blowing smoke to bury the matter at hand?

Then, it dawned on me â?? it wasnâ??t words that would indicate whether the Commission was sincere or not â?? it was its actions; specifically, what would the concentrated short position actually do following its response? At this point, the record is quite compelling that there may have been strong action associated with the Commissionâ??s words.

From the high-point of 65,262 contracts (326 million oz) on Feb 2,2021 for the 4 largest COMEX shorts (which prompted me to write and encourage others to do the same), the short position of the 4 largest shorts has fallen to 36,500 contracts (183 million oz) as of the most recent COT report (May 30), and when adjusted to reflect the commercial-only component of this position, the concentrated position is down to 27,500 contracts (138 million oz), down close to a stunning 60% from Feb 2, 2021.

As Iâ??ve been reporting recently, for the first time ever, on the recent $6 silver price rally from early March to the beginning of May, the 4 big commercial shorts on the COMEX failed to increase their concentrated short position, as they always had in the past. I took this to strongly suggest that they would not do so on the next silver rally, whenever that rally commenced. Now, that Iâ??ve had a chance to think about the Commissionâ??s response of May 3, 2021 and measure that response against the actual record of the sharp reduction in the concentrated short position since then, I canâ??t help but see the connection even stronger and I feel more assured that the days of concentrated short selling containing silver prices may be behind us.

It now seems to me that back in April-May of 2021, as the Commission was preparing to respond to my letter of March 5, it not onlyÂ concluded that I was correct about the concentrated short position in COMEX silver futures being responsible for manipulating prices, it then informed the big commercial shorts to, essentially, knock it off.

Realistically speaking, had the Commission simply ordered the then-big silver shorts to cover their short positions immediately, all heck would have ensued, sending prices to the heavens. Instead, the Commission, most likely, gave the big commercial shorts some time (say two years) to work down their concentrated short positions. Can I certify that such a time-sensitive directive was given to the big COMEX silver shorts two years ago? Of course not, as how would I possibly be privy to such a directive? But Iâ??ll be darned if all the facts donâ??t fit better than the glove in OJâ??s trial.

Then why the question mark on the mission being accomplished? Because despite everything Iâ??ve alleged (or speculated about) to this point being as real as rain and easily verified by the actual record; whether we are actually at the end of the silver manipulation is dependent on whether the former big commercials shorts add aggressively to new short positions on the next silver price rally.Â If they do add aggressively to shorts, that suggest I am incorrect in what I written. In that case, there should be ample time to adjust my thinking and positioning. If they donâ??t add aggressively to such short positions, then that rally should prove epic and we wonâ??t have to sit around and wonder any longer about the silver manipulation.

(On a housekeeping note, Iâ??m switching to the August contract from June for gold pricing purposes, which, effectively, adds $17 to the price of gold. Iâ??ll go through the same process at the end of this month in silver. The reason the spread differences are so large is due to the high current short term interest rates).

Ted Butler

June 3, 2023

Silver – $23.70Â Â Â Â Â (200-day ma – $22.07, 50-day ma – $24.57, 100-day ma – $23.46)

Gold – $1967Â Â Â Â Â Â Â Â (200-day ma – $1840, 50-day ma – $2002, 100-day ma – $1946)

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