March 2, 2024- Weekly Review/The CFTC’s Response

It was a memorable price week in gold and silver, where a sharp two-day rally launched gold higher by $49 (2.4%), setting a new all-time closing high. Silver somewhat tagged along, ending 38 cents (1.7%), but still more than 50% below its former highs. As a result of goldâ??s relative outperformance, the silver/gold price ratio widened out by more than a full-point to 89.7 to 1. (And thatâ??s with silver gaining from the roll from March to May).

The increase in gold to new all-time closing price highs was somewhat overshadowed against the backdrop of surging price highs in other markets, such as stocks and crypto-currencies. That doesnâ??t detract from the new price highs in gold and to this point, and I believe I can state without the fear of contradiction that the surge in gold prices was very much in line with my expectations and certainly in line with the most recent COT report published yesterday. Of course, what happens from this point forward becomes a bit more difficult to predict, given the large surge in total open interest in gold over the past two trading days (more than 42,000 contracts), but everything considered, it still seems to me that gold still has quite a bit to go to the upside.

As for silver, despite its relative and absolute lackluster performance (to putÂ it mildly) to date, the overall set up still looks spectacularly bullish to me. And as the title of this review indicates, I did receive, early yesterday morning, the long-delayed response from the CFTC to my question, more than three and a half months ago, of potential double-counting in COMEX warehouse and SLV inventories. Iâ??ll provide a link to the actual response, as well as my commentary, separately, after running through the weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses fell sharply this week to one of the lowest weekly totals in years, only 1.4 million oz. The reduced level of turnover was, mostly, of the â??inâ?• variety as total COMEX inventories rose by 1.1 million oz to 282.1 million oz. Holdings in the JPMorgan COMEX warehouse were unchanged at 129.8 million oz, but as a result of my reading of the CFTCâ??s response, itâ??s hard for me to conclude otherwise than the holdings in the JPMorgan warehouse are â??overstatedâ?• by 103 million oz and the actual holdings are closer to 27 million oz â?? some 80% less than the CME Group reports daily. It also reduces the total COMEX holdings, effectively, to 179 million oz, some 37% less than reported.

As youâ??ll see when you peruse the CFTCâ??s official response, the agency tries to pretend that itâ??s not its job to question the veracity and composition of the recorded silver inventories and I wouldnâ??t be terribly surprised if the CME Group tried to adopt the same strategy â?? if it responds at all. All I know is that I asked a rather simply question of some significance , upon which no simple answer appears to be forthcoming.

One thing I would like to point out is that the apparent double-counting of the recorded inventories, contrary to some recent commentary elsewhere, doesnâ??t appear to be of particular concern to shareholders of SLV, as it matters little where the silver that backs the trust is located. I know that many retail dealers of silver like to cast stones at SLV and other silver ETFs, because of the competitive threat it represents to their business, but such thinking fails to consider the positive effects that SLV and the other silver ETFs have had. There are more than a billion oz held in the worldâ??s silver ETFs and despite the net effect of this buying failing to result in silver reaching a fair market price (thanks to the COMEX silver manipulation and dumping of physical silver), it is far, far better thatÂ a billion oz of silver are now publicly-held in the worldâ??s silver ETFs than otherwise. Plus, whenever collective investment demand returns to silver, new buying in the silver ETFs should lead the way and that new buying will require new physical metal deposits into those ETFs

While there was quite a decent physical turnover in the COMEX gold warehouse inventories this week, the totals were unchanged at 18.2 million oz (thanks to rounding). Holdings in the JPM COMEX gold warehouse fell very slightly to 6.65 million oz.

Turning to the deliveries on the March COMEX gold and silver contracts which began this week, there was relatively little to see, although there is a full month left to go. Many continue to get all worked up as major deliveries in gold or silver approach, as was the case in silver for March, pointing out the very large remaining open interest and likely clash on first delivery day. But invariably, when we do get to first delivery day, the open interest in the delivery month collapses and the drama is extinguished. Having had such concerns dating back decades, I no longer get excited about such things and have compared it to the â??Maginot Lineâ?• that France established to keep Germany from invading and in which the Germans simply went around, not through. In the COMEX first day deliveries, I believe too many expect the first dayâ??s deliveries to be the battle, but it just seems too obvious to me and too easy for the exchange to guard against.

There seemed to be a cessation in the big outflows from the gold ETFs this week and should the late-week rally to new highs persist, it seems toÂ me that inflows will commence given the basic operational set up of more net investment buying on higher prices must result in new metal being deposited. It was somewhat different in silver, as I described on Wednesday, as the big 5 million oz one-day deposit into SLV was whittled down by 2 million oz in subsequent days and offered further proof of the â??dumpingâ?• of metal by JPMorgan that I have recently been alleging. I did note a 600,000 oz reduction in the Sprott silver ETF (PSLV), as well as a 350,000 oz withdrawal from another related silver vehicle CEF (The Central Fund) â?? most likely due to the ongoing physical silver shortage.

The combined holdings in the COMEX warehouses and in SLV, after falling by a sharp 3.8 million oz last week, surged by an almost equally sharp 3.5 million oz this week to 713.1 million oz. Of course, after the CFTCâ??s response which, effectively, confirmed the double-counting of 103 million oz, the actual combined totals are 610 million oz, a haircut of some 15%. Iâ??m just glad that the price smash back into last Nov 13, offended me so much to get off my duff and question the regulators about a long-held opinion of mine that there was double-counting â?? otherwise, itâ??s hard for me to see how the issue would have ever been raised.

Turning to yesterdayâ??s new Commitments of Traders (COT) report, expectations for an improvement (managed money selling and commercial buying) were met and exceeded in silver and expectations for some deterioration in gold were mixed (we did get some managed money buying, but no net commercial selling), also more bullish than expected.Â But there was one particularly bullish development under the hood in gold.

The total commercial short position in gold fell by 1100 contracts to 158,400 contracts, bullish on its face. But what really stood out was the continued aggressive short-covering by the 4 largest commercial shorts of some 7000 contracts, which reduced their total net short position to 114,723 contracts (11.4 million oz). This is the lowest (most bullish) big 4 short position since Â November 15, 2022, shortly after gold prices had bottomed close to $1600, a price low not seen since. The next 5 thru 8 largest gold shorts also bought back close to 1800 short contracts and the big 8 short position fell to 180,103 contracts â?? also the lowest the big 8 position was since Nov 15, 2022. The raptors (the smaller commercials apart from the big 8) did all the commercial selling, in selling off 7800 longs and reducing their net long position to 21,700 contracts. I found this weeks and recent weeksâ?? individual commercial category performance to be nothing short of astounding.

I consider this big 4 (and big 8) behavior to be among the most bullish of all the bullish factors I see at play in gold and it is something rarely mentioned almost anywhere else because so few follow the concentrated positions of the largest traders in gold and silver. That the largest commercial traders on the COMEX have made a bee line for buying back and reducing their short positions seems extraordinarily bullish, but you wouldnâ??t see it if you werenâ??t looking for it. That gold prices have surged higher to new all-time closing highs following what is the most bullish big 4 and big 8 short position in nearly a year and half is one of the very few things that would appear to make sense nowadays.

The big question, of course, is how aggressive the big 4 and 8 may have been in adding new shorts on the sharp gold price rally on Thursday and Friday and in which total open interest rose a very sharp 42,000 contracts. It would appear that the biggest commercials would have had to have added new shorts, given the open interest increase, but some of the increase in total open interest may have been due to phony spread creation, as we are now in the time frame for such increases. We can all guess what the big 4 and big 8 shorts in gold may have done on the sharp rally, but we wonâ??t know for sure until next weekâ??s COT report.

While I suppose a selloff may now occur, it does seem to me that the two-day rally which put gold at new all-time closing highs is markedly different from the circumstance of the prior all-time high back on Dec 1. For one thing, back on Dec 1, gold had already advanced by some $300 from the October lows and was quite extended. Yesterdayâ??s new closing high occurred following a three month â??congestingâ?• period in which gold went sideways and instead of multi-week price advance leading into the Dec 1 high, this advance is only two days old. However, the biggest difference is that at the Dec 1 high in gold prices, the big 4 were net short nearly 50,000 more contracts than they were on Tuesday. I suppose the big 4 could have drastically increased their short positions on the past two-day rally, but weâ??ll only know for sure nest Friday.

The managed money traders did buy 6230 net gold contracts, consisting of the purchase of 5045 new longs as well as the buyback and covering of 1185 short contracts. While the net managed money long position in gold did increase to 56,153 contracts (103,885 longs versus 47,732 shorts), Iâ??m more concerned about next weekâ??s numbers. Explaining how both the commercials and the managed money traders could be net buyers was net selling from the other large reporting traders of more than 4800 net contracts, as well as around 2400 contracts of net selling by the smaller non-reporting traders.

In COMEX silver futures, the commercials reduced their total net short position by 5500 contracts to 32,400 contracts, a bit more than expected (and the managed money traders sold an even larger amount). Once again, there were only slight changes in the big 4 and big 8 short positions, this week a reduction by 600 contracts to 42,304 contracts for the big 4 and the big 5 thru 8 bought back an additional 500 shorts, reducing the big 8 short position to 61,795 short contracts. Continuing to complicate things (but in a good way) is the presence of a managed money trader holding at least 8000 short contracts in the big 4 category. That would place the raptor net long position at around 21,500 contracts, up around 3500 contracts for the reporting week and still quite low in the total scheme of things.

The managed money traders (bless their idiotic trading signals) were net sellers of 9008 silver contracts, consisting of the sale and liquidation of 2960 longs and the new sale of 6048 short contracts. The resultant managed money net position swung back to net short to the tune of 4083 contracts (33,292 longs versus 37,375 shorts). There has never been a managed money net short position in silver that didnâ??t lead to an eventual rally and neither will this one fail to do that (and may already have). Explaining the difference between whatÂ the commercials bought and the managed money traders sold was combined net buying of 3400 contracts by the other large reporting traders and the smaller non-reporting traders.

The question of how much deterioration may have occurred in silver on the rally into Friday is also unknown, but much less proportionately than what likely occurred in gold, based upon yesterdayâ??s rather muted increase in total open interest. For that reason, while I have been extraordinarily bullish on gold (for me) and not particularly surprised about the sharp two-day rally, I am still of the opinion that it will be silver that shocks the world by the extent of its prospective rally, all things considered.

Reports from the retail front indicate heavy retail selling and the throwing in of the towel in response to the absolutely rotten silver price action, particularly in the face of price surges in stocks and cryptoâ??s, which while understandable are still heart-breaking to me. I suppose such selling is understandable according to the words of that great intellectual force, Popeye the Sailor Man, â??thatâ??s all I can stands, â??cause I canâ??t stands no moreâ?•. Itâ??s just unfortunate that the forces of evil (mainly from JPMorgan) have resulted in long-time retail silver holders succumbing to the manipulated low prices and I would place the real blame on the regulators not going their job.

The CFTCâ??s Response

The long-awaited response from the CFTC to my congressmanâ??s office about my concerns of the possible double-counting of publicly reported silver inventories, originally sent to the agency in mid-November was received by me yesterday morning. To refresh you with the issue, I asked the CFTC (along with the S.E.C.) to make clear whether the 103 million oz reported in the I-Shares Silver Trust, SLV, as being held in New York by JPMorgan on behalf of the trust, was also being reported in the JPMorgan COMEX warehouse or whether these were two separate silver inventories . Hereâ??s an article I made public at the time, which included my original letter, as well as some commentary.

https://silverseek.com/article/answer-long-overdue

The S.E.C. responded within two weeks, but avoided answering whether the silver inventories in question were being double-counted. The CFTC has taken more than three and half months to respond and also has avoided answering what was a very simple question on my part, after telling my congressmanâ??s office on several occasions that it was â??working onâ?• a response. As is my custom, here is the agencyâ??s response in its entirety for you to review, before I share my thoughts.

Click here to view the CFTC response

The CFTCâ??s response included a literal word-salad of unrelated information describing the functioning of the agency not all related to my question and designed to put as many words in the response to make it sound like much deep thought went into the response. Â It did declare that the agency had no direct control of the reporting of silver inventories, but in declaring that, avoided its responsibility to deal with the dissemination of false market data that could mislead market participants. There have been numerous actions taken by the agency in the past related to false data and price signals being disseminated in other markets, so the implication that the sending of false price signals related to the misreporting of recorded silver inventories is disingenuous, at best.

Besides, I am sick and tired of those (particularly bureaucrats) whoâ??s standard knee-jerk response to any questionÂ is an automatic â??itâ??s not my jobâ?•. WTF? If it is not the federal commodities regulatorâ??s job to answer a direct and simple question about the potential sending of information creating false price signals â?? then who the heckâ??s job is it?

Letâ??s face it, if the silver inventories in question are being double-counted, as now appears obvious as a result of this response, that amounts to the sending of false price signals, period. There is not the slightest hint in the daily publishing of these two silver inventories, one covering the holdings in SLV and under the control of BlackRock, and the other reported by the CME Group, that the two inventories may be one and the same and, in effect, are being double-counted to the vast majority of market observers (including by me in my weekly reviews). Seeking clarity on the matter was why I asked the CFTC in the first place and now its response virtually guarantees the two inventories are double-counted.

Then there is the tantalizing boiler plate language (apparently added as an afterthought, as evidenced by the different type or font settings on each page) which promises that if this were to amount to the sending of false price signals, then the agency is more than capable to deal with it â?? except, of course, it canâ??t disclose that. Having heard this line from the CFTC in the past, youâ??ll forgive me if I donâ??t take the agency at its word. What I do know is this â?? the CFTC took the better part of three and a half months to offer a non-response, all the while that the silver price suppression remained firmly in place. Itâ??s hard not to conclude that the agency is up to its eyeballs in prolonging a manipulation that has existed for 40 years.

A number of weeks back, I did raise the ugly possibility that the CFTC was delaying its response to my question, in order to give the crooked and collusive COMEX commercials the time to arrange their affairs as best as possible before it would respond. Considering the weekâ??s results in the silver and gold COT reports, as well as the uneventful passage of the key first delivery days this week, Iâ??d be lying if I said those ugly thoughts of mine had departed.

What to do? Unfortunately, I canâ??t act in the CFTCâ??s place, because if I could, then this silver price manipulation would have ended long ago. So that leaves me with trying to work around the agency. Specifically, I have continued to complain to the Department of Justice, as recently as again yesterday. My allegations not only involve the sending of false price signals (now confirmed) by JPMorgan for silver inventories under its direct control (and in direct violation of JPMâ??s recently-expired deferred criminal prosecution agreement), but also my more recent allegation against JPM for the uneconomic and manipulative dumping of physical silver via SLV. Â Apologies to Tom Petty and his â??Yer So Badâ?•, but I canâ??t decide which is worse â?? the sending of false price signals by JPM or its dumping of physical silver to suppress the price.

https://www.youtube.com/watch?v=BzbmRJT58-U

I do know that both are clearly against commodity law and must come to an immediate halt. As things turned out, I believe the CFTC may have done us all a big favor (quite unintentionally) in its long-delay in responding to the inventory double-counting question, by elevating the matter to a higher level than if it had responded much sooner. This extreme delay allowed me to peruse the data in the interim in SLV, which uncovered my allegation of dumping. I guess what Iâ??m saying is that this response from the CFTC clearly confirms my allegation of double-counting, and thereby elevates my additional complaint about dumping. Iâ??d ask the CFTC about the dumping of physical silver by JPM in the SLV, but Lord knows how long it would take for it to offer a non-response, so Iâ??ll stick to the Justice Department on this matter.

As far as suggestions that the Department of Justice, just like the CFTC, will continue to allow JPMorgan to manipulate silver prices, either by the continued sending of the false price signals of inventory double-counting or the continued dumping of physical metal via SLV, Iâ??m not in a position to know with any degree of certainty. But again, what I do know that each activity is clearly against the law and should those illegal activities continue, I will do whatever is in my power to expose and, hopefully, end them. I canâ??t know if I will be successful, but I do know that I will keep trying to expose the scam and fraud of the silver manipulation. Please wish me luck.

Ted Butler

March 2, 2024

Silver – $23.36Â Â (200-day ma – $23.40, 50-day ma – $23.15, 100-day ma – $23.22)

Gold – $2095Â Â Â Â Â (200-day ma – $1981, 50-day ma – $2042, 100-day ma -$2017)

Date Created
2024/03/02