March 23, 2024 – Weekly Review

Over a week that featured fresh all-time price highs for gold and fresh multi-month highs for silver, by weekâ??s end, gold finished virtually unchanged, with silver ending 54 cents (2.1%) lower. As a result of goldâ??s outperformance, the silver/gold price ratio widened out by two full points to 87 to 1. Please remember that these changes in the price ratio are purely mathematical, as the amount of actual shifting of metal positions by investors is so infinitesimal so as to be meaningless. Â This is all a paper COMEX affair, just like everything related to price.

As the new Commitments of Traders (COT) report makes clear, gold and silver prices (along with copper and other commodities), are set and determined by paper positioning on the COMEX. I keep hearing commentary that forces outside the COMEX, like China, is overtaking the price influence of the COMEX, and while that may prove true in time, in the present, such talk is poppycock, when looking at the documented evidence. I do believe that one day the physical forces will determine silver prices (as in cocoa), but that day is not this day.

Before getting into the usual weekly format, let me discuss the initial sharp upward move after the Fed pronouncement late Wednesday, only to be followed by the sharp price smash on Thursday. In many ways, it was a summarization of the ongoing COMEX silver price manipulation in force for 40 years. First, the price gyrations had absolutely nothing to do with this or any Fed pronouncement over the years. Letâ??s face it, what do interest rates, the dollar, or prospects of either have to do with silver â?? other than fill the basic human need to attribute price movement to something we can relate to?

The explanation for the sharp up and down was COMEX positioning in a low-liquidity time (just after the day session closed at 1:30 PM EST) and the Fed announcement at 2 PM. Iâ??m not saying the collusive COMEX commercials donâ??t use Fed announcements and other events (monthly employment reports) as cover stories and excuses to rig prices to make the managed money traders dance to the tune that that are set by the commercials, because thatâ??s as obvious as the nose on your face. But thatâ??s all it is and must be recognized as such.

A subscriber wrote to congratulate me on warning of the sharp selloff, but I had to point out that this wasnâ??t the selloff I was concerned about. Instead, the premise of â??drop first, then pop, or pop with no dropâ?• involves a drop below the key moving averages, now some $2 to $3 below current silver prices and more than $100 to $150 below current gold prices. A price drop of that magnitude is what would be required to induce the managed money traders to sell and reverse all the contracts they bought that drove prices higher.

Am I stating without question that the collusive and crooked COMEX commercials will, for sure, be able to do what they have always done before and rig prices lower to that extent? No â?? Iâ??m just quantifying the extent of the price drop I fear and the reasons behind it. Against the price rigging on the COMEX that has set prices for 4 decades, now exists the most bullish physical supply/demand set up in history. This set up creates the potential for a failure, for the first time ever, of the commercials being able to rig prices sharply lower (Izzyâ??s full pants down).

The price gyrations this week may be a prelude to the larger selloff I fear, but then again, maybe not. Sorry to speak out of both sides of my mouth, but thatâ??s unavoidable, given the run up in prices on

big managed money buying. I certainly wasnâ??t speaking out of both sides of my mouth before the recent rally and before the manged money traders bought aggressively and the commercials sold. Then, it was only a matter of time before prices popped higher. Obviously, conditions have changed on the COMEX market structure front. I will point out, that should we see the manipulative selloff of the magnitude I fear, it will crush the spirits of many, but in reality, will be only a fraction of the much larger gains that will follow.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged to 7 million oz this week, the highest level in seven weeks, as total inventories fell by 1.1 million oz to 284.3 million oz. No change (again) in the JPMorgan COMEX warehouse, still stuck at 129.8 million oz (or 27 million oz when adjusted for the double-counting of 103 million oz in the SLV). The massive and unprecedented physical turnover in the COMEX silver warehouses, now in force for 13 years, continues to be completely ignored for some reason, but a stronger sign of physical tightness is hard to imagine.

Total holdings in the COMEX gold warehouses fell, once again, this week by 0.2 million oz to 17.7 million oz, another new near 4-year low, with withdrawals from the JPM accounting for the decline and with holdings in that warehouse falling to 6.65 million oz.

There were mostly inflows into the gold ETFs (about time) this week, despite yesterdayâ??s withdrawal in GLD. I say â??about timeâ?• because there had to be net investor buying on the surge in price to new all-time highs. Once again, the simple formula is that paper positioning on the COMEX sets the price, to be followed by net investment buying in the ETFs, which then require metal deposits equal to the amount of new net investment buying.

In the silver ETFs, it was nothing short of wild, with unprecedented movements in specific ETFs normally overlooked, such as the 30 million oz inflow into the Wisdom Tree Â silver ETF, which looks to me to be an accounting adjustment, rather than a one-day purchase. Last nightâ??s 8 million oz deposit into SVR, is a head-scratcher, but squarely in Â the unprecedented physical turnover argument I harp on. In terms of SLV, the largest silver ETF (as well as the most-hated ETF by those dealers offering competing alternatives), after Mondayâ??s 12 million oz deposit, some 6 million oz have been removed, leaving a net deposit of 6 million oz for the week. While COMEX paper positioning is still the unchallenged silver price setter, these silver ETF movements are the most-likely single factor set to upset the COMEX price manipulation applecart â?? with the only question being when.

The combined holdings in the COMEX warehouses and in SLV amounted to 705.3 million oz, up close to 5 million oz for the week (if, like the regulators, you ignore the 103 million oz double-count). Thus, the low of 700 million oz set six to 8 months ago, still holds, which is kind of remarkable when you consider the hundreds of millions of ounces that have been turned over and moved into and out from these two holdings over that time. I still maintain the physical turnover is a key story in silver and a story, for some reason, completely overlooked.

Turning to yesterdayâ??s new COT report, the headline number of the total commercial short position fell in the mostly-expected range in both gold and silver, based upon price action over the reporting week â?? mostly flat price movement in gold and new highs in silver. Of course, there were some notable developments in both markets under the hood.

In COMEX gold futures, the commercials actually reduced their total net short position by 700 contracts

to 217,500 contracts (as close to unchanged as possible). However, the 4 big shorts added 7000 new shorts, never a welcome development, to 152,488 contracts (15.2 million oz). The big 5 thru 8 bought back 800 shorts and he big 8 short position rose to 217,764 contracts. The raptors were big buyers, in covering around 7000 shorts and ending up with a net long position of 300 contracts or so.

The managed money traders didnâ??t do much in gold (how could they with such a small net change in total commercial positioning?) and ended up as net buyers of 1813 contracts, consisting of the sale and liquidation of 1406 longs and the buyback and covering of 3219 short contracts. The net managed money long position in gold of 147,896 contracts (172,588 longs versus 29,692 shorts) must be considered bearish by historical standards.

In COMEX silver futures, the commercials increased their total net short position by 8900 contracts to 64,000 contracts. This is the largest such short position in nearly two years and must be considered bearish in traditional COT positioning terms. The only possible redeeming feature is the relative lack of big 4 shorting, an issue of utmost importance to me for decades. Yes, the big 4 did increase their net short position by 1700 contracts this week, but in the prior week, they bought back 2100 short contracts. The fact is that over the past 4 reporting weeks, in which the total commercial short position increased by more than 31,000 contracts on the $3 rally in silver, the 4 big shorts only accounted for little more than 1000 contracts â?? something I donâ??t recall previously on such a past rally in silver.

On the managed money side of silver, these traders bought another whopping 11,328 net contracts, consisting of the purchase of 7963 new longs and the buyback and covering of 3365 short contracts. The resulting net managed money long position blew out to 37,122 contracts (53,484 longs versus 16,362 shorts), the largest (most bearish) position in two years. Explaining the difference between what the commercials sold and the managed money traders bought was around 2500 contracts of net selling by the smaller non-reporting traders.

I would ask you to step back a bit and try to put the above numbers into proper perspective, as they are most remarkable. Over the past 4 reporting weeks, the managed money traders (led by price signals arranged by the collusive commercials) have purchased (by new buying and short-covering) more than 41,000 net contracts, the equivalent of 205 million oz of silver. Thatâ??s 25% of total world annual mine production. That silver prices rose only $3 is something of a wonder, as such large buying in any other commodity would have caused the price of that commodity to soar. Â But the real wonder is how could such purely speculative massive buying be allowed in the first place? Where the heck areÂ the regulators (the CFTC and the CME Group) while this massive speculation buying is occurring? By definition, this isnâ??t hedging, so by default, it is price manipulation. Yes, I know the commercials are true price manipulators and have induced the managed money traders to buy, but it takes two to tango, even if one of the dancers are being duped.

So, on the face of it, the silver market structure (along with gold and copper) is now at that ugly point where what usually follows is a sharp selloff orchestrated by the collusive COMEX commercials to bag the hapless managed money traders which just bought an immense amount of contracts, now ripe for selling on lower prices. If that occurs, no one should be surprised. Outraged, sure, but not surprised. Being mindful of the dangers of saying this time might be different, there are some factors that are different at this point from previous times on past such occasions.

For starters, of the 41,000 net contracts bought by the managed money traders over the past 4 reporting weeks, the commercia as a whole, â??onlyâ?• sold a bit over 31,000 contracts, with 10,000

contracts of selling by the other large reporting and smaller non-reporting traders. Importantly, of the 31,000 contracts of commercial selling, 2600 contracts were sold by the big 8, with around 1000 contracts of that sold by the big 4 â?? an unusually small amount by historical standards. Â The vast bulk of commercial selling was by the raptors (the smaller commercials apart from the big 8). In fact, as of the Tuesday cutoff, the raptors are only net long by 400 contracts, their lowest net long position in years. What makes this so important is that such a low raptor net long position basically eliminates the raptors as heavy net sellers on higher silver prices, since these traders have traditionally avoided going short to any significant degree.

The practical elimination of the raptors as sellers on higher silver prices from here would put the onus for commercial selling on the big 4 and 8, something over the past 4 weeks these traders have been extremely reluctant to do. Should that reluctance continue and we do see higher silver prices, that would create the selling void or vacuum that could result in a silver price explosion.

Thus, we are at the â??do or dieâ?• point in silver for the commercials, where higher prices amid big 4 continued reluctance to short would lead to a price explosion. Thatâ??s the â??dieâ?• part for the commercials and is what would lead them to â??doingâ?• something about it. Doing something about it would involve collusively conspiring to rig prices lower to induce managed money selling, the same thing they have proven extremely proficient at over the past 40 years. And even though the big 4 and 8 have been reluctant to add shorts over the past 4 reporting weeks, you can bet your bottom dollar that should the commercials succeed at lowering the boom on the managed money traders, the big 4 and 8 will most definitely join with the raptors in the collusion for the purpose of reducing big 4 and 8 existing short positions, low as they already are.

About the only thing I can see capable of upsetting the usual pattern of a managed money flush out to the downside is the highly unusual developments on the physical side of silver, particularly the large changes in the silver ETFs and the recent massive imports to India. These developments should have driven silver prices $5 or $10 higher on their own and would have, except for the heavy commercial selling on the COMEX. I have a new thought on this situation.

In addition to the COMEX paper positioning being the sole price determinant in silver (and gold and copper, etc.) and an outrage and against US commodity law in and of itself, the COMEX is an incredibly limited trading venue, with little more than 200 total reporting traders (with 150 contracts being the criteria for being a reporting trader) and, in reality, no more than 20 or so traders accounting for the vast bulk of positioning. So, in addition to the COMEX being a very private betting and price-controlling venue, the actual number of traders controlling things are so limited as to boggle the mind. And, I would contend, that is not about to change.

What I mean is that should silver prices explode, as they will someday (hopefully soon), there will beno massive rush of new participants on the COMEX. Great numbers of new traders are not about torush out and open futures trading accounts to buy COMEX futures. What will likely change is that atsome undetermined higher price, say $27 to $30, newly-motivated price momentum traders will rush tobuy the various silver ETFs and such new net investment buying will automatically require thepurchase and deposit of physical metal to meet the new share creation. This is the great incentive forthe collusive COMEX commercials to contain prices and to prevent and delay the inevitable rush to buythe silver ETFs. Itâ??s as illegal as all get out, but illegal doesnâ??t matter much if the those in chargeof applying and adjudicating the law choose not to do so.

I guess the commercials making one last stand is what the â??drop first, then popâ?• premise is all about. Again, as painful as that will be, it will clear the way for the price explosion. The â??pop firstâ?• part is still intact, based upon the physical set up.

I forgot to mention copper in Wednesdayâ??s missive, but changes in total open interest, as well as volume on the surge in prices, indicated there would be massive positioning changes. In the course of little more than a month, copper prices surged by nearly 50 cents or 14%, as the managed money traders bought close to 70,000 net COMEX contracts, the equivalent of 875,000 tons or 4% of world annual production (not the 25% of silver production, but still extraordinary). In the process, the managed money traders swung from their largest net short position in 4 years to their largest net long position in a year.

The problem with this, as is the case in silver, is that the managed money traders are purely speculative, which means the copper price jump of 50 cents over the past month had nothing to do with the popular association that somehow copper is Dr. Copper, a reliable indicator of future economic activity. On the contrary, according to COT data published by the CFTC, copper prices have been driven by purely speculative buying. Why am I the only one pointing this out and where the heck are the regulators?

So, will the collusive commercials smash prices or not? They will if they can. The only thing that will prevent them from doing so, is further physical tightness that canâ??t be overcome. As far as I can tell, we are on the edge and it will be one or the other.

Ted Butler

March 23, 2024

Silver – $24.84Â Â Â Â Â (200-day ma – $23.51, 50-day ma – $23.41, 100-day ma – $23.6)

Gold – $2160Â Â Â Â Â Â Â Â (200-day ma – $1995, 50-day ma – $2075, 100-day ma – $2055)

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