

March 4, 2023 – Weekly Review

For a (welcomed) change, a Friday rally put gold and silver prices higher for the week; with gold ending \$43 (2.4%) higher and with silver finishing up by 60 cents (2.9%) – partially reflecting the roll to May. As a result of silver's slight relative outperformance, the silver/gold price ratio tightened in by a half point to 87 to 1. This still leaves gold at nose-bleed levels of overvaluation relative to silver – although the tea leaves in gold look mighty bullish to me. It is just that the tea leaves in silver are much more bullish.

This past week was the first up week in seven for silver, about the longest downswing in memory and for gold it was the first up week following four down weeks. On the downswing, silver penetrated all three of its key moving averages (the 50-day, 100-day and 200-day ma's), while gold only penetrated one of its key moving averages (the 50-day ma). As a result of silver's marked relative underperformance over the past two months, the silver/gold price ratio blew out from 75 to 1, by more than 12 full points to nearly 88 to 1.

Therefore, a reasonable observer might wonder what was it that accounted for silver's pronounced price weakness, both on an absolute basis (down more than 15% from year-end) and on a relative basis to its centuries and millenniums-old precious metals partner, gold (which is up YTD)? Had silver's actual supply/demand fundamentals suddenly turned sour? Not according to any published statistics. In fact, silver's actual fundamentals were much more positive than ever, as recorded inventories fell and physical turnover remained frantic. Certainly, there was no observable increase in mine supply or decrease in silver fabrication demand. Then what the heck accounted for the pronounced price weakness in silver over the past two months?

The answer and only answer is the same answer as for every single significant price selloff in silver (and gold) for the past 40 years, namely, manipulative positioning of paper contracts on the COMEX, the largest precious metals exchange in the world. As has occurred on every other of the scores and more of significant selloffs over four decades, the paper positioning consisted of the commercials (banks) deliberately rigging prices lower so that their main counterparties, the managed money traders (who happen to abide by technical price signals), would sell – allowing the commercials to buy. This manipulative game is so repetitive that it has become relatively easy for me to predict, fairly accurately, just how much of this positioning took place before the COT reports get published – enough to offer predictions that tend not to be embarrassingly wide of the mark.

Case in point – on Wednesday, I attempted to tone down a bit my previous predictions for the delayed COT report published yesterday for positions held as of February 7 (the reports are still delayed). This was the week that gold fell by \$100 and silver by \$2 in a matter of two days. After considering the strong price action in the days up to and including the start of the two-day selloff, while I was still convinced that 30,000 net contracts of gold and 10,000 net contracts of silver were sold by the managed money traders on the selloff that week, I was concerned that these traders bought even more into the top of the rally, so that the full extent of their selling might not be fully-reflected in the COT report.

As it turned out, that happened to be the case in gold, where the managed money traders – only – sold just under 25,000 net contracts (the commercials bought 27,600 net contracts), making my last

minute hesitation spot on. In silver, I'm happy to report, I underestimated the Pavlovian-like response of the managed money traders to the commercial rigging of lower prices, as these nitwits sold close to 18,000 net silver contracts (the commercials were only able to buy 10,800 contracts, thanks to buying competition by other speculative traders). As it turns out, my further prediction that the managed money traders in silver likely sold 20,000 net silver contracts on a current basis (as of last Tuesday), also now looks quite happily underestimated.

In the past, this is where I've tried to suggest that hey, I'm not some gifted mathematician or data geek my estimates of what the likely positioning will be on COT reports to be published is simply a rote process learning from repetition. This darn manipulative COMEX positioning has been so repetitive that I do not understand why everyone that follows to COT report positioning (now more observers and commentators than ever) don't offer the same predictions on a number of contracts basis as do I. Even more significant is how those that do follow the COT report closely, cannot manage to see the manipulative intent of the commercials leading the managed money traders around at will by rigging prices.

The important point here is not me patting myself on the back for an accurate prediction it's something infinitely more significant this is at the core of the COMEX silver manipulation that has lasted for 40 years. How so? Well, consider what I just wrote, namely that the managed money traders sold nearly 18,000 net silver contracts over the reporting week ended Feb 7, as price fell as much as \$2 in two days. That's the equivalent of 90 million oz of silver dumped on the market in a relative blink of an eye. That is more than 10% of total world silver mine production suddenly dumped on the market by traders identified as pure speculators.

I don't care what the commodity may be, as the sudden dumping of more than 10% of total world production will cause the price to crater. That the dumping is done by traders clearly identified as speculative (not legitimately hedging) just makes it that much more manipulative. As to the suggestion that these are only paper contracts come on man, are you serious? The COMEX is the price maker and everyone else in the price taker including all producers and consumers and investors. It is the paper positioning on the COMEX that sets the world price of silver (and gold) period.

The tricky part is that the managed money traders are being openly deceived by the commercial price rigging (because they are slaves to technical price signals), and the collusive and crooked COMEX commercials can always say hey man, don't look at us for causing the selloffs as we always buy on these selloffs (that we create). But that is nonsense and it shouldn't be up to me to point this out there exists a taxpayer-funded federal agency expressly created to prevent this obviously illegal price manipulation. The problem is that the CFTC should have caught this repetitive scam decades ago and having failed to do so, is too embarrassed and ashamed to do so now. I just hope the new Enforcement Director, Ian McGinley, has the gumption to ask his counterparts at Market Oversight and Surveillance if this Butler-guy is on the level.

But there is a very bullish side to all this commercial price-rigging and the continued hoodwinking of the managed money traders, which I'll get into a bit later. Just be sure to adjust your thinking as to what determines silver (and gold) prices as having nothing to do with interest rates, inflation, the dollar, the stock market, the war, or anything not directly related to paper positioning on the COMEX.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to a moderate (for silver) 5.1 million oz this week. For any other commodity,

such frantic turnover would be head line news, but for silver a ho-hum affair. Total COMEX silver holdings fell by 1.4 million oz, another four-year low. Holdings in the JPMorgan COMEX warehouse fell a slight 0.1 million oz to 147.6 million oz. In gold, total COMEX warehouse holdings slipped by 0.1 million oz to 21.6 million oz, while holdings in the JPM warehouse were unchanged at 7.82 million oz.

Attention was created by a marked increase in the registered category of silver (from the eligible category) as JPMorgan transferred around 7 million oz (not physical movement) in order to make delivery on the March contract â?? half for customers and half for its own house account. Clearly, the crooks at JPM needed to supply silver to keep prices under control. I would be lying if I dismissed this lightly, yet I am not hitting the panic button.

While I am convinced that JPMorgan could continue to suppress silver prices all by itself, since it (or affiliate accounts) hold a billion oz of physical silver and another billion oz in OTC derivatives (courtesy of the dummies at Bank of America) should it so desire, I donâ??t anticipate that JPM would continue to suppress silver prices indefinitely, for two reasons previously given. One, JPM is still operating under a deferred criminal prosecution agreement with the Justice Department for precious metals manipulation and should it continue to dump silver, it should show up in the data â?? just like it has this week. Two, the crooks at JPMorgan are among the greediest pigs in the world and will benefit more than anyone else when silver explodes in price.

There were continued light redemptions in the gold ETFs, mainly GLD, of less than 0.2 million oz this week, and about 2 million oz of redemptions in SLV. Iâ??m still of the opinion that we are still scraping the bottom of the barrel in combined COMEX warehouse and SLV holdings, now at 766 million oz, as compared to the 750 million oz level when I first started this combined inventory watch. After studying the new COT report and estimating the likely positioning changes since Feb 7, Iâ??m now also of the opinion that weâ??re scraping the bottom of the barrel in terms of how many more managed money contracts the commercials can trick them into selling.

For the delayed COT report of Feb 7, as discussed above, the results were as expected or much better. Importantly, the price action since Feb 7, was largely a case of egregious â??salami-slicingâ?• in which the collusive COMEX commercials pulled off a remarkable string of slight new price lows, with the unquestionable intent of luring as much managed money selling as possible. Therefore, itâ??s easy to conclude market structure conditions are not only much better than indicated in the report of Feb 7, itâ??s now hard for me to see how such conditions can get better. In other words, it looks like the price bottom to me.

In COMEX gold futures, as of Feb 7, the commercials reduced their total net short position by 27,600 contracts, to 153,000 contracts. This is the lowest (most bullish or least bearish) position since Dec 20. The only potential fly in the ointment is that the 4 largest commercial shorts did add around 2400 new shorts to a short position now amounting to 136,324 contracts (13.6 million oz). The next 5 thru 8 largest commercial shorts bought back an impressive 7900 short contracts and the big 8 short position fell to 205,296 contracts (20.5 million oz). This is the lowest big 8 short position since Dec 13. By far, the biggest commercial buyers were the gold raptors (the smaller commercials apart from the big 8) which purchased 22,000 contracts, increasing their net long position to 52,800 contracts, their largest long position since Jan 3.

On the sell side of gold, the managed money traders sold 24,871 net contracts, consisting of the sale and liquidation of 22,604 longs, as well as the new sale of 2267 short contracts. The resultant

managed money net long position fell to 59,576 contracts (115,521 longs versus 55,945 shorts), the lowest in a more than a month. Somewhat surprisingly, the other large reporting traders were substantial net sellers of around 6600 gold contracts, while the smaller non-reporting traders were net buyers of around 3900 contracts.

In COMEX silver futures, as of Feb 7, the commercials reduced their total net short position by 10,800 contracts to 29,700 contracts. This is the lowest level of total commercial net shorts since November 29. Potentially significant and unlike the case in gold, the 4 largest commercial shorts reduced their concentrated short position by more than 3000 contracts to 40,214 contracts (201 million oz).

This is the lowest big 4 posted short position since August and it's quite possible that a managed money trader may have entered into the ranks of the big 4 shorts, effectively reducing the true commercial component even further. But even if that's not the case (yet), it may turn out to be the case when subsequent delayed COT reports are published. Most importantly, nothing matters more than the level of the commercial concentrated short position in COMEX silver futures as far as the ongoing manipulation is concerned and the question of whether this concentrated short position increases on the developing rally is all that matters.

The next 5 thru 8 silver shorts bought back around 1600 contracts and the big 8 short position fell by 4600 contracts to 60,788 contracts (304 million oz). This is the lowest posted big 8 short position since November 8 and I can't help but wonder if a managed money trader might be the ranks of the big 5 thru 8, if not in the big 4 category. The lower the true commercial-only component to the concentrated short position in silver, the better as long as they don't turn around and add heavily to shorts on the next rally.

On the sell side of silver, the managed money traders out-did themselves in selling a whopping 17,970 net contracts, consisting of the sale and liquidation of 9,635 long contracts and new sale of 8,335 short contracts. The resultant net managed money long position fell to 5817 contracts (35,026 longs versus 29,209 shorts), the lowest (most bullish) managed money net position since November. Explaining the difference between what the commercials bought and the managed money traders sold was pronounced net buying by the other large reporting traders of around 4000 contracts and by the smaller non-reporting traders of 3000 contracts.

Of course, all these positioning changes were as of Feb 7, and don't take into consideration the three reporting weeks thru this past Tuesday, Feb 28. And it has been over these three yet-to-be reported weeks that the series of slight new price lows occurred. Plus, in silver, only its 50-day moving average had been penetrated to the downside in the Feb 7 COT report, and later penetrations of the 100-day and 200-day moving averages occurred over the last three reporting weeks yet to be published. In gold, its 50-day moving average (gold's only key moving average penetrated) was not penetrated until the reporting week ended Feb 14.

As a reminder, I couldn't care less about moving average penetrations, as I worship at the holy church of actual supply and demand and the sacred religion of COMEX positioning, but the managed money traders are devout worshippers of the cult of moving averages and that's what determines price. Therefore, it is just about guaranteed that there was more managed money selling in both silver and gold thru Feb 28. As always, the key question is not if the managed money traders sold, but by how much did they sell. Since I'm mindful that total open interest has not increased in either silver or gold thru the 28th, I'm not convinced truly significant further managed money selling has since

occurred. Pushing my predictive luck, I would venture another 10,000 net contracts of managed money selling has taken place in silver and 20,000 contracts or so in gold. I would go higher, had there been an increase in total open interest.

Having said that, based upon the late rally yesterday, I'm inclined to conclude that we have reached the end of managed money selling in silver, gold, platinum and copper and I apologize in advance if I turn out to be wrong temporarily. My reasoning that we've seen the peak of managed money selling in all these commodities is that enough time and price erosion has occurred and now that prices have stopped moving lower, the path of least price resistance looks to be on the upside. Already silver is back above its 200-day moving average, while gold is only \$12 below its 50-day moving average, the only moving average the commercials were able to penetrate to the downside.

Most importantly, while all this silly (but deadly serious) moving average penetration nonsense is occurring, the drumbeat of physical shortage grows louder. An example is in copper, where I don't believe there has been a single day over the past month and longer when COMEX copper warehouse inventories haven't declined. The tightening supply situation in silver is so well-advertised so as not needing to be repeated.

More than ever, what matters most is what the big commercial shorts in silver do as the rally unfolds. Will they add aggressively to shorts as they have done in the all but the most recent past, or will they stand aside and let the price of silver run free for the first time in any of our lifetimes? I guess you pay your money and takes your chances, but if there's a different explanation to what determines silver prices, then that explanation has managed to escape me for nearly 4 decades. The good news is that we shouldn't have to wait long to see which it will be either a garden variety rally of a few dollars in silver or the big one. I would expect you know which one I am betting on.

Ted Butler

March 4, 2023

Silver – \$21.35 (200-day ma – \$21.00, 50-day ma – \$22.99, 100-day ma – \$21.99)

Gold – \$1860 (200-day ma – \$1783, 50-day ma – \$1872, 100-day ma – \$1799)

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