
March 6, 2021 – Weekly Review

Precious metals prices got smashed this week, quite deliberately, I might add, as gold prices ended \$33 (1.9%) lower and with silver ending a much sharper \$1.40 (5.2%) lower.

As a result of silver's sharp relative underperformance, something not seen much recently, the silver/gold price ratio widened out by more than two full points to 67.2 to 1, from last week's strongest close for silver relative to gold in 7 years. Still, to this point, the standout feature is how much weaker gold has been than silver (or silver has been much stronger than gold) since both hit important price highs last August.

To demonstrate that point, the price weakness in gold has set a number of notable benchmarks. In pure price terms, gold is down \$350 (17%) from its all-time high 7 months ago and down \$200 (10.5%) from its yearend close. Those percentage declines are not particularly exceptional, but the technical nature of the decline since yearend has put gold more oversold on a technical basis than I can recall. Admittedly, I'm not a union card-carrying technician, but on typical technical indicators (RSI and MACD) gold is the most oversold in history. And I never can recall a time when gold was so far below its 200 day moving average, as it is now (\$160).

The really crazy thing is that given everything going on in the world today, in terms of money and debt creation, gold should be going up or at least not selling off like it has. Not for a moment do I not understand why gold has been so weak, namely, manipulative price setting on the COMEX, but even knowing the how and why of the gold price decline, I still remain amazed how the crooked commercials have been able to pull it off in full view, as you'll see in the COT report discussion.

Notwithstanding this week's sharper move in silver lower, it still is remarkable how much stronger it has been relative to gold. From yearend, while gold is down \$200 (10.5%), silver is down \$1.20 (4.5%) and as I've been pointing out, there has never been a time when the silver/gold price ratio has tightened on lower absolute prices. But the real comparison is in terms of total market capitalization or value. The \$200 price decline year-to-date in gold means that \$600 billion was wiped off the value of the 3 billion oz of gold in bullion form (half the amount of metal in all forms). The \$600 billion wiped out (temporarily, I believe) is 12 times greater than what the 2 billion oz of silver in bullion form is worth in total (\$50 billion).

Can the COMEX commercial crooks inflict still-lower prices on silver? You should know the answer to that question (of course, they can). Will they? Only the Shadow knows. But with \$5 trillion worth of gold in bullion form alone and only \$50 billion in silver bullion (1000 oz bars) and with demand for physical silver never having been greater, there is a very practical limit as to how much lower silver prices can be rigged and a literal open sky for how high silver prices can climb, once the current rig lower is over. Remember, you have to skate to where the puck (price) is going to be and not where it is now.

There is quite a lot of ground to cover today and I doubt I'll be able to include it all, but let me press on. The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained elevated this week as 7.6 million oz were moved. Total COMEX silver inventories fell a sharp 4 million oz to 389.1 million oz. Silver in the JPMorgan COMEX

warehouse fell one full truckload (0.6 million oz) to 195.2 million oz.

This is the lowest total level in more than 3 months and is strongly counterintuitive given that we are still only a week into a big COMEX delivery month. Generally, although not always, COMEX inventories tend to increase into big delivery months and with 9344 total silver deliveries (46.7 million oz) made so far in March (more than December's total) and more to come, the reduction in total COMEX silver inventories does stand out as odd. Moreover, there have been many millions of ounces transferred from registered to eligible, counterintuitive on its face and the most plausible explanation being the owners of that silver intend to hold for the long term and are interested in saving money on storage fees. I'm convinced the owners of this silver are in the friends and family circle of JPMorgan. Bottom line is that the vast majority of the near 400 million oz in COMEX warehouses is owned by the friends and family of JPM, as is most of the silver bullion in the world.

COMEX gold warehouse inventories fell 400,000 oz this week to 39 million oz. There was a 150,000 oz reduction in the JPM COMEX warehouses, now sitting at 13.57 million oz.

There continue to be big changes in the physical metal holdings in the world's gold and silver ETFs that are mirror images of each other. In gold, it's rather straight forward - the sharply lower gold prices brought about crooked commercial positioning on the COMEX has resulted, as it usually does, in pronounced plain vanilla investor liquidation and redemptions in gold ETF holdings. The gold ETF liquidation has been most prominent in GLD, the biggest gold ETF, but has also occurred in just about every other gold ETF as well. All told, some 6 million oz of gold, worth more than \$10 billion have been sold in gold ETFs since yearend.

In silver, it's much different. Even though there has been a remarkable amount of silver that has been redeemed from the big silver ETF, SLV, since the price spike and massive physical metal inflows of 110 million oz of early February and since yearend, there has been no real overall decline in total silver ETF holdings. Although some 80 million oz have been redeemed in SLV since the price peak of early February, there is still more than 35 million oz in the SLV than there was at yearend. In other silver ETFs, like SIVR, PSLV, ZKB and the Deutsche Bank version and others, every single ETF holds record amounts of metal.

While silver prices have retreated from the price peaks of early February thanks to crooked commercial dealings on the COMEX, there is not the slightest hint of physical selling, where such physical selling is quite apparent in gold ETFs. Where I get off concluding that the metal that has been redeemed from SLV (80 million oz) is due to conversions from shares to metal, rather than plain vanilla investor liquidation is two-fold. One, every other silver ETF has added metal and two, SLV is the only conceivable ETF where such conversions are most practical, being that SLV is, by far, the most liquid silver ETF which automatically bestows on it as being the place where large investors would go first for large quantities of physical silver.

It's not that the other silver ETFs don't have share to metal conversions features, because they all do and it is precisely these conversion mechanisms that validate the legitimacy of ETFs in general. It's just that in practical terms, conversions of shares to metal is currently most "doable" in SLV. Remember, the whole purpose of converting shares to metal is to stay below SEC reporting requirements and maintain anonymity while acquiring a large and non-reportable position in physical silver. There's nothing illegal about this and if it is in the process of being done, it would be done in the largest and most liquid silver ETF, which is clearly SLV.

Clearly, the bottom line on all this is very bullish for the price of silver as it strongly suggests silver is in "play" and being acquired by large and strong hands. If anyone has any questions about this, please contact me.

Turning to yesterday's Commitments of Traders (COT) report, there was little question that there would most likely be significant improvements (commercial buying and non-commercial selling) due to the sharp drop in prices over the reporting week and I'm happy to report the improvements were double what I expected in silver and triple what I expected in gold. The only wonder is how the commercials were able to wring so much speculative blood out of the previously washed out market structure stone. Then again, I recall someone saying you'll never go broke by overestimating the treachery of the commercials.

In COMEX gold futures, the commercials bought and reduced their total net short position by a very hefty 29,500 contracts to 222,200 contracts. This is the lowest (most bullish) commercial short position since June 2019, as gold prices were starting to rise from the \$1300 level (and on the way to \$2050 little more than a year later). I have no reason to believe that whenever this deliberate price spike lower is completed (and maybe already completed), the next gold price rally won't run faster and further than the rally from June 2019 to August 2020. And considering the continued price rig lower since Tuesday's cutoff, the market structure would seem to be more washed out as of yesterday's trading.

By commercial category, the buying was pretty much evenly divided (as if collusively decided beforehand). The 8 big shorts bought back 13,400 contracts and hold 205,017 contracts short (20.5 million oz). The 4 big shorts accounted for 4400 contracts of that and now hold 147,108 short gold contracts (14.7 million oz). The smaller commercials (the raptors) were very aggressive buyers and bought back 16,100 short contracts. As was the case with the total commercial net short position, the concentrated short position of the 8 largest traders and the raptors are at lows no seen since June 2019.

I'd peg JPMorgan's net long position as having increased by a thousand contracts or so and that the bank is now long around 6000 gold contracts. My distinct impression is that JPMorgan is "laying low" in both gold and silver in COMEX dealings, almost as if it is prepared for some unusual fireworks to the upside to come and wants to have as low a profile as possible. Nothing in the Bank Participation report suggested otherwise.

The sell side of gold was dominated by the managed money traders which sold 23,163 net contracts, consisting of the sale and liquidation of 18,516 long contracts and the new sale of 4647 short contracts. The resultant managed money net and gross long position is now the lowest (most bullish) since June 2019.

You may recall that in the prior week's COT report, which also featured significant net commercial buying (23,300 contracts), the managed money traders weren't net sellers at all, and in fact, were small net buyers. In that prior reporting week, the standout feature was unexpected net selling by the other large reporting traders, including more than 18,600 contracts of long liquidation. My only question was whether these other large reporting traders sold on the gold price rally over \$1800 in that prior reporting week or on the sharp selloff that same week.

I said I would have a better idea when yesterday's report was published and seeing no further long liquidation from the other large reporting traders in the current report (they did add 2900 new shorts), it strikes me that these other large reporting longs may have played gold perfectly - lightening up on a rally to put them in a better position to buy on price weakness. I'll know more in next week's report.

In COMEX silver futures, the commercials bought and reduced their total net short position by 11,200 contracts to 59,200 contracts (I had been expecting less than half that amount). As was the case in gold, it was a pretty evenly divided commercial effort, with the 4 big shorts buying back exactly 5000 short contracts, reducing their concentrated short position to 56,372 contracts (281.9 million oz). Thus, the 4 big shorts have bought back all of the 8,000 contracts (40 million oz) they added into the Feb 1 price high and now hold their lowest net short position since late November.

The next 5 thru 8 largest silver shorts bought back an additional 1300 or so short contracts and the big 8 are short 73,632 contracts (368 million oz) as of Tuesday. The smaller raptors added to their net long position by 4800 contracts. JPMorgan appears to have bought a thousand contracts or so and is now flat and laying low.

On the sell side of silver, it was mostly the managed money traders which sold 7977 net silver contracts, pretty evenly divided between the liquidation of long contracts (3738) and new short sales (4239 contracts). The resultant managed money net and gross long position are now the lowest (most bullish) since August. The other large reporting traders didn't do much, but the smaller non-reporting traders did sell 3200 net silver contracts.

The gold market structure remains much more washed out than is the case in silver, but then again, the actual fundamentals are much more pressing in silver. No one can rule out a further price and market structure washout, but it's much closer to a certainty that the rally, whenever it comes, is destined to be a humdinger in both gold and silver.

It gets to be a bummer in observing the commercials having their way with prices on the COMEX and for the regulators to be fiddling while all this is occurring in full view. It's obvious the commercials are still able to rig gold and silver prices after what have been decades of prior manipulation. Late last week, I received an email from a reader (not a subscriber) suggesting I take the time to spell out what anyone might do about it in light of the explosion of interest in social media circles about a silver short squeeze. The reader's point was that there was much enthusiasm and rhetoric to do something, but

aside from buying silver, little in the way of specific and practical advice.

I decided to take the reader's advice and put together a simple and direct letter to the CFTC, including email addresses of all the commissioners. I posted the letter and reasons for copying and pasting the letter yesterday.

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

While I certainly mentioned in the preface to the suggested letter, I want to empathize for subscribers the importance of also contacting your elected representatives and senators if you are a US citizen. The CFTC may or may not respond to individual members of the public who contact it, regardless of the significance of the issue at hand. But everyone has a boss and the boss of every federal agency, including the CFTC, are the 535 members of congress. Each and every elected official who refers a constituent concern to the CFTC will get a response from the agency and that response will be sent back to the constituent by the elected official. That's just the way things work. I learned this from practical experience.

While I did succeed in getting enough people to write to the CFTC in 2004 and 2008 that the Commission did provide full 16 page public responses each time, I forgot to ask folks to contact their elected representatives when I asked them to write to the CFTC in September of 2008 when the August Bank Participation report indicated a shocking increase in the short position of a US bank in gold and silver.

Luckily, a number of readers contacted their elected representatives despite my failure to recommend that they do so. It was only when the CFTC responded to those elected officials, which in turn, forwarded the CFTC's response to their constituents and them to me, that I was able to ascertain that Bear Stearns was the big short until taken over by JPMorgan.

Accordingly, I can't tell you how long the agency might take in responding to any elected officials contacted on this matter (there is a normal time) or what the CFTC might say, but I can assure you that each and every request by an elected official to the CFTC will get a response and that response will be referred to the constituent. And I don't care that the CFTC might take issue with the facts as I laid them out in the letter, as that will only come back to haunt it as things play out in silver. Besides, what the heck do you have to lose by contacting your representative and senators? Five or ten minutes of your time?

Please be sure that the takedown in silver prices doesn't alter in any way the facts and premise of the letter and, in fact, only further cements and confirms the whole premise of manipulation and price fixing by the big shorts on the COMEX.

Finally, it has now been less than a week since the publishing of that extraordinary article on Bloomberg Law by the attorneys from Clifford Chance that I discusses at length in Wednesday's missive. A number of commentaries have been written about the Clifford Chance opinion piece, with most missing the mark in my eyes. I do know the attorneys in question are at the very top of the food chain when it comes to matters of commodity law right up there with the Justice Department, CFTC and even JPMorgan.

About the only thing I can't figure out is why the article was posted. It was a serious message to

someone, maybe everyone, but that only makes its intent much more of an enigma. Further compounding the mystery is the near-certainty that we are only a relative razor's edge away from a dramatic upside resolution in silver and gold and we'll be there (if we are not already there) once the commercials have induced the very last of the speculative COMEX paper contracts to be sold that can be induced into being sold.

I do know that these apex lawyers from Clifford Chance weren't looking to kill some idle time in publishing this article or to show everyone how smart they are, but aside from that I just can't put my finger on why they wrote it. Maybe someday we'll learn.

Another big down week means the losses to the 8 big shorts are lower still and that they are succeeding in whittling down their concentrated short positions, particularly in gold. From the COT report of Jan 5 (\$1900 gold), the total commercial short position is down by close to 100,000 contracts (10 million oz) and the big 8's share of that was 75,000 contracts (7.5 million oz). Over that same time, the total commercial short position in silver has dropped from 77,500 contracts on Jan 5 (\$26.50 silver) by more than 18,000 contracts (90 million oz), with the big 8's short position dropping by 7000 contracts (35 million oz) to 73.632 contracts (368 million oz).

First the big shorts put on the new shorts to cap the price and then they rig prices lower to buy back the added shorts at a profit (or less of a loss). It's always the same one-two punch that has absolutely nothing to do with legitimate hedging. . Some claim there's nothing wrong with the commercial's buying as prices move lower and if those purchase are looked at in isolation, I suppose that makes some sense. But the adding of the shorts to cap prices can't be overlooked as it is part and parcel of the wash, rinse and repeat cycle.

In dollar terms, this week the 8 big shorts reduced their total losses by a hefty \$1.2 billion to \$8.5 billion, their best showing in more than 6 months. While this wouldn't appear to be good news, in one very important way it may be just that. I don't believe there can be any doubt that the losses over the past year and longer to the 8 big shorts were known and of serious concern to them. Certainly, they appear to be doing everything possible to rid themselves of the liability, especially now that JPMorgan has slipped out the back as a willing co-conspirator on the short side.

They only thing standing in the way of the big shorts totally closing out their entire short position is the ability and willingness of the non-commercial traders to continue to sell. No one knows how many more contracts the non-commercials are willing and capable of selling and we are in the precise process currently of finding out. Rather than tell you that I don't think there is much more to go (I don't), let me instead put it a bit on fast forward to that time when the last speculative contract that can be sold is sold. Then what?

It would seem to me, with everything going on in the world and everything I just discussed that the 8 big shorts are highly unlikely to put their heads back in the lion's mouth and begin to short aggressively as the next gold and silver rally commences. Should that be the case, as I strongly suspect, that rally will be like no other we've seen to date. Now to you US citizens, please get off your duff and write to your elected officials – at the very least you'll get answers on some fancy letterhead that you are paying for anyway. You have my promise that you will treasure the responses on that fancy letterhead forever.

Ted Butler

March 6, 2021

Silver – \$25.30 (200 day ma – \$24.04, 50 day ma – \$26.51, 100 day ma – \$25.45)

Gold – \$1700 (200 day ma – \$1860, 50 day ma – \$1831, 100 day ma – \$1853)

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