

## March 9, 2024 – Weekly Review

Gold and silver prices surged higher for a second week, with gold exploding by \$90 (4.3%) to yet another all-time price high and with silver adding \$1.19 (5.1%) and achieving fresh year-to-date price highs (but still lower by half from its long-ago all-time price highs). Even though silver managed to keep up with gold percentage-wise the past two weeks, its relative price performance looked quite ragged. An associate reminded me that I had written previously that gold would lead the way and “support” silver, but such thoughts were not front-of-mind in watching silver “struggle.”

As a result of the slightly stronger relative percentage performance of silver relative to gold (and despite feeling otherwise), the silver/gold price ratio did tighten in by a fraction to 89 to 1, but it sure didn’t feel that way. Is silver still vastly undervalued relative to gold? Does a bear poop in the woods?

At least we don’t have to look far to understand the two-week surge in gold and silver prices, as aside from all the bullish factors at play in both metals and repeated consistently on these pages (centered around physical tightness in gold and out-right physical shortage in silver), the latest results in yesterday’s Commitments of Traders (COT) report removed any doubt of what caused the recent price surge. Managed money buying and commercial selling of near-massive proportions in both gold and silver COMEX futures stood out as the sole price driver, not completely unexpected by any means.

In essence, the roughly 50,000 contracts (5 million oz) of net position change in COMEX gold futures is the only plausible explanation behind the historic gold price surge – for the simple reason that, despite these being “paper ounces”, they were, by far, the largest such gold positioning over the reporting week and week ended Friday. I keep reading stories about the imminent demise of the COMEX, but the actual facts and data suggest otherwise. Similarly, the positioning changes in silver were just as dramatic, with the managed money traders buying nearly 19,000 net contracts (95 million oz) through the Tuesday cutoff, but with tantalizing hints surrounding my long-term key price determinant, namely, the big 4 and 8 short position (more on that in a bit).

However, there can be no question as to what drove gold and silver prices higher and that same managed money buying also creates, for the first time in a while, the possibility of a set-back in prices. Of course that’s not written in stone by any means, and seems particularly odd in silver, which has “struggled” to keep up with gold – but in objectively trying to measure things, if what caused prices to surge (the managed money buying) is able to be reversed by what we know to be the collusive COMEX commercials, then prices will selloff. By the same token, there are still other important forces in play, particularly in silver of a deepening physical shortage, that could and should overwhelm the paper forces on the COMEX, so there’s no guarantee as to which way prices go in the short term. To summarize the situation in silver, it comes down to can and will the collusive commercials rig prices low enough to induce the brain-dead managed money traders to sell again before the physical shortage takes over (as well as the role of the big 4)?

Mindful of apparent coincidences, I can’t help but note that the sharp price rallies of the past seven trading days, which have amounted to more than \$150 in gold and \$2 in silver, came to the day of the response from the CFTC, after more than three and a half months, to my question of whether the recorded silver inventories on the COMEX and in SLV were being double-counted. An objective review

of the CFTC's response would reveal that, yes, indeed there was double-counting. Left alone, that might be a mere coincidence of unusual timing. However, taken with my speculation before the response was issued that it was possible that the CFTC was delaying its response in order to give the collusive commercials the time and opportunity to arrange their COMEX positioning (both in gold and silver) in the most favorable terms beforehand, that's one coincidence too many for me.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses snapped back from last week's ultra-low movement, as just over 4.9 million oz were moved (quite close to the 13-year weekly average), and as total inventories rose again, this week by 3.1 million oz, to 285.2 million oz. This is the highest level of COMEX warehouse silver holdings in a year. No change in the JPMorgan COMEX silver warehouse holdings, stuck at 129.8 million oz. You'll forgive me, but I'm still coming to terms in how to report the COMEX, SLV, JPM and combined silver holdings in light of the CFTC's official response about double-counting because with that effective confirmation, total COMEX holdings and JPM COMEX holdings must be reduced by 103 million oz.

The holdings in the COMEX gold warehouses took a fairly sharp decline of 0.2 million oz to 18 million oz (somewhat overstated due to rounding), but still the lowest gold inventories in several years. The holdings in the JPM COMEX gold warehouse were unchanged at 6.65 million oz.

Ongoing deliveries in both gold and silver contracts on the COMEX remain active, most notably in the continuing number of new contracts being created and delivered upon, but aside from the obvious additional confirmation of ongoing physical tightness, it's near impossible (at least for me) to understand who is taking advantage of who, based upon the names involved in the deliveries.

The highly-counterintuitive metal outflows continued in both the world's gold and silver ETFs. This week, another 0.5 million oz departed the big gold ETF, GLD, in the face of the run to record high gold prices. And it was even more extreme in silver, where more than 12 million oz departed the silver ETFs, mainly SLV, but also others, like the 200,000 oz from the PSLV, despite higher silver prices. Since the large one-day deposit of more than 5 million oz into the SLV, close to two weeks ago, close to 15 million oz have departed the trust. As to the explanation for the steep withdrawals in the face of higher prices, when the apparent collective net investment buying should be resulting in large deposits, not withdrawals, the only plausible version I can come up with is that is where the metal is coming from to meet the growing demands for gold and the deepening physical shortage in silver. I'm reminded of the words of Willie Sutton, the celebrated bank robber of nearly a century ago, when asked why he robbed banks, responded "because that's where the money is". In silver, particularly, the ETFs are where the metal is.

The combined totals in the COMEX silver warehouses and in SLV, fell this week by nearly 10 million oz to 703.5 million oz, as despite the increase in COMEX warehouse holdings to one-year highs, SLV holdings fell to multi-year lows. Then again, since we now know that there is double-counting to the tune of 103 million oz, knock the totals down to 600 million oz, a not-so-slight adjustment.

Turning to yesterday's new COT report, we did get the largely-expected deterioration (managed money buying and commercial selling) pre-ordained by the greater than \$100 rally in gold prices, along with the greater than \$1.50 rally over the course of the reporting week ended on Tuesday.

Considering the large increase in total open interest in gold, more than 60,000 contracts, over the reporting week, it was also mostly baked into the cake that there would be hefty increases in the big 4

and 8 short positions, although that question was much â??iffierâ?• in silver, mostly due to the drop in total open interest by 3000 contracts over the reporting week. As it turned out, the additional short selling by the big 4 and 8 in gold werenâ??t particularly aggressive in gold and downright skimpy in silver.

In COMEX gold futures, the commercials increased their total net short position by 48,400 contracts to 206,800 contracts, the largest since Jan 16. Only around half of the total commercial selling was in the form of new short selling, as the smaller commercials apart from the big 8, the raptors flipped from a net long to net short position. The big 4 gold shorts added just over 17,300 new shorts to a short position amounting to 132,052 contracts (13.3 million oz) as of Tuesday, while the next 5 thru 8 largest shorts added a further 4400 new shorts, which saw the big 8 short position climb to 201,852 contracts (20.2 million oz), as of Tuesday. The gold raptors sold 26,600 contracts flipping a net long position of 21,700 contracts into a net short position of 4900 contracts.

While the increase in big 4 and 8 shorting in gold can hardly be called minor, considering just how low these concentrated short positions had gotten prior to the gold price liftoff, neither do I consider the increases to be excessive. For sure, there have been further increases in big 4 and 8 short selling since the Tuesday cutoff on theÂ continuing surge in gold prices and further hefty increases in total open interest and as a result, the gold market structure can no longer be considered as bullish as it was a week or so ago, but not yet flat-out bearish â?? call it neutral.

On the managed money side of gold, these traders bought a bit more than the commercials sold, in buying 53,610 net contracts, consisting of the purchase of 41,221 new longs and the buyback and covering of 12,389 short contracts. The resultant increase in the net managed money long position to 109,763 contracts (145,106 longs versus 35,343 shorts) can no longer be considered bullish, but neither is it flat-out bearish by historical standards â?? again, more neutral, in keeping with the counterparty commercial net short position. Explaining the difference between what the commercials sold and the managed money traders bought was the equivalent net selling by the other large reporting and smaller non-reporting traders. To be sure, should gold experience a sharp selloff ahead, it will certainly be due to the commercials rigging prices lower to â??harvestâ?• the new managed money longs. Then again, thatâ??s not written in stone, all things considered.

In COMEX silver futures, the commercials increased their total net short position by 12,600 contracts, to 45,000 contracts. However, very little of the commercial selling was actual new short selling, as the big 4 short position increased by just over 1500 contracts, while the big 5 thru 8 short position actual fell by around 1000 contracts, meaning the big 8 short position only increased by a bit over 500 contracts – Â a development it took me some time to fully appreciate.

Letâ??s face it, for more years (decades actually) than I care to recall, I have made the biggest deal possible out of what the 4 and 8 largest shorts in silver will do in the end â?? as in the end of the 40-year COMEX silver manipulation. Since these few traders have been at the center of the ongoing manipulation for all this time, always adding aggressively to short positions on rising prices and then buying back those added short positions on price rig-jobs lower, it would be necessary for this clearly manipulative price pattern to change in order for silver prices to shed the yoke of the COMEX price manipulation.

The only real question was the manner in which the big 4 and 8 positioning would change, namely, would it be (somewhat) voluntary, in which these traders would choose not to aggressively add new

short positions and that lack of aggressive new short selling would result in the inevitable silver price explosion (that I favored) or would it be the version (full pants down) favored by my long-departed friend and silver mentor Izzy Friedman, in which the big 4 and 8 were forced to start covering in the face of an insurmountable physical shortage. As you know, I never dismissed Izzy's version out-of-hand and even at this point his might be the version closer to the truth. And even more than that, I've come to accept that there's no real difference in our respective versions.

But I would be lying if I said I wasn't more than intrigued (and excited) by the refusal of the big 4 and 8 to add aggressively to short positions in the latest COT report, since it so closely parallels my core premise. I still think there's a big managed money trader, holding around 6000 short contracts now in the big 5 thru 8 short trader category, so the true commercial-only component of the big 8 short silver position is close to 56,000 some-odd contracts, making the raptor net long position close to 11,500 contracts or so, down by 10,000 contracts for the week. These are not intended as precision numbers, so please don't view them as such, but the bottom-line conclusion is that if the collusive commercials fail to rig a sharp enough price selloff soon in silver and the big 4 and 8 continue to refrain from adding new short positions, then it could be "watch out above". As I hope you know, I don't prefer being wishy-washy, saying if we don't go down, then we'll go up, but sometimes (like now) that's unavoidable.

There was certainly no lack of aggression on the part of the managed money traders in buying silver, as they bought 18,895 net contracts, consisting of the purchase of 7264 new longs and the buyback and covering of 11,631 short contracts. The resultant managed money net position swung from short to long to the tune of 14,812 contracts (40,556 longs versus 25,744 shorts), nowhere near as bullish as it had been in the prior reporting week, but then again, we did blast up through all the key moving averages, so to expect anything less wouldn't have been realistic.

Explaining the difference between what the managed money traders bought and the commercials sold was quite-hefty net selling by the other large reporting traders of 5100 net contracts, as well as another 1200 net contracts of selling by the smaller non-reporting traders. In essence, the silver raptors and these other traders did nearly all the selling required by the massive managed money buying "sparing the big 4 and 8 the necessity of adding aggressively to short positions. Now, whether this is a one-week fluke or a harbinger of things to come, should be known in the relative near future. Also, the rather rotten relative price performance of silver after the Tuesday cutoff and rather minor increase in total open interest since the Tuesday cutoff, particularly when compared to gold, suggests to me that there was little big 4 and 8 short selling in silver.

To summarize, as a result of the change in market structure due the price rallies in gold and silver, the possibility for a commercial rig-job lower now exists, whereas it had not. At the same time, other COMEX market structure considerations, particularly in silver, might suggest otherwise, with there being no question as the upward price pressure being exerted in the physical market, particularly in silver. As a result, the worst case in silver suggests the possibility a quick and sharp sell-off of \$2 or so, followed soon afterwards by the big move higher. For the best case, just eliminate the quick selloff.

I'd like to clarify some comments I made about the Department of Justice I made on Wednesday (no, not because I'm "scared" of it). I'm not at all sure of the DOJ's involvement in silver to date. What I do know is that I first complained to the DOJ on Jan 17 about the potential double-counting of recorded silver inventories, because the CFTC had refused to respond by then and that it

appeared to be such a clear case of the continued sending of false price signals by JPMorgan, in complete violation of the terms of its recently-expired deferred criminal prosecution agreement. I've since followed up with the DOJ in this and other matters, including allegations that JPM is dumping physical silver to suppress silver prices. My point is that, considering it has only been less than two months since I first contacted the DOJ, it operates on a different and longer timeline than I do. I don't want to give any impression that I think the DOJ is compromised in any way, despite knowing that others feel otherwise. Everyone, I suppose, is entitled to their own conclusions but I wouldn't wish to add to concerns about the Justice Dept being some compromised deep state operation, because that's far from the truth in my opinion.

Much more likely, again in my opinion, is that the Department of Justice is a highly-deliberative organization, not prone to rush off willy-nilly, even in the face of allegations that seem substantive and serious. Most likely, despite what look like quite substantive and serious allegations (otherwise I wouldn't have made them), by the time the Department of Justice ever deals with them, the results would have already played out in market terms. That's just the way it is.

Ted Butler

March 9, 2024

Silver – \$24.55 (200-day ma – \$23.44, 50-day ma – \$23.13, 100-day ma - \$23.32)

Gold – \$2185 (200-day ma – \$1985, 50-day ma - \$2052, 100-day ma – \$2030)

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