

May 10, 2023 – The Mismatch of All-Time

A curious thing has developed over the past twenty years or so, regarding gold and silver. It seems to me that since the turn of the century, the attention on precious metals has evolved from a decidedly gold-centric focus to one that is much more gold and silver. One proof of this is in the near universal commentary nowadays that mentions gold and silver as complimentary precious metals, whereas not that long ago, the focus was near-exclusively on gold. Sure, there are still some gold-only commentators out there, but their numbers are now vastly outnumbered by those who include silver.

Having been bitten by the “silver bug” nearly 40 years ago, this is one of those quirky things that sticks out to someone as old as the hills in market terms. Not at all intended as a knock on gold, my interest was always on silver, due to that darn challenge presented to me by my late friend and mentor, Izzy Friedman, to explain silver’s low price and which led to my discovery of the COMEX silver manipulation. I’m not sure if I’ve ever mentioned this before, but Izzy had a particular disdain for gold, to the point we couldn’t even discuss it rationally (I was more neutral) – this despite the fact that his father’s secret stash of a few gold coins was what helped his family escape the Nazis. His disdain was due to the fact that gold was not utilitarian – the same disdain he had for diamonds – despite the fact that diamond cutting was his business. Go figure.

Thirty-five years ago, when our daily discussions about silver were all-consuming, silver was barely mentioned in the popular dialogue, as gold took center stage. That’s why I am so taken aback by the near-universal current inclusion of silver as a near-equal partner of gold as a precious metal. Certainly, any discussion of price manipulation in gold without mention of silver’s manipulation would be absurd, since the evidence of a silver manipulation is far more compelling. Regardless of the reasons that silver has risen to near-equal status with gold in current precious metals commentary, the transformation is a sight to behold for these old eyes.

Now, having just expressed my amazement of how far silver has come as the precious metals equivalent of gold over the past quarter century, please allow me to flip the tables by pointing out just what a mismatch exists for any realistic comparison between gold and silver. For one thing, what was behind Izzy’s contempt for gold was for it being, essentially, a non-utilitarian commodity, and the fact that the world supply of gold increases continuously; whereas silver’s industrial and other fabrication demands restrict the growth of world silver inventories, at times even resulting in a reduction of world silver inventories – something that has never occurred in gold.

The net effect of this key difference between gold and silver can be seen over the scope of history. Eighty-five years ago, at the onset to WW2, there were roughly 10 billion oz in above ground silver inventories, with the US government accounting to nearly half the total. At that time (circa 1940), there were roughly one billion oz of gold bullion in world inventories, mostly in central bank holdings.

Today, the relative inventory situation has reversed with there now being around three billion oz of gold bullion equivalent in the world (with the same one billion oz held by central banks) and two billion oz of silver bullion (and virtually none held by governments or central banks). This despite much greater (by a factor of 8) silver mine production than gold mine production (due to silver’s industrial consumption). It should be noted that there are 3 billion oz of gold and close to that amount of silver in non-bullion form (jewelry, coins and other artifacts), but an ounce of scrap gold will fetch \$1000 or

more, whereas an ounce of scrap silver will fetch perhaps \$10 or Â so â?? a strong impediment for converting unwanted silver into bullion form.

Most importantly, because of the great price difference between gold and silver (80 times), the 3 billion oz of gold bullion in the world is worth more than \$6 trillion (thatâ??s with a â??tâ?•), while the value of the 2 billion oz of silver bullion is around \$50 billion â?? meaning the total value of all the gold bullion in the world is worth more than 120 times the value of all the silver bullion in the world. I keep hearing how gold is a tiny market when compared to other asset classes, like stocks, bonds and real estate and while that may be true, where the heck does that leave silver in the comparison, except microscopic in relative terms. Consider this â?? a \$17 move in the price of gold represents a change of \$51 billion in the value of all the gold bullion in the world â?? a dollar amount equal to the total value of all the silver bullion in the world. Please think about that for a moment. The total dollar value of all the silver bullion in the world is so tiny relative to the total value of the total gold bullion in the world that a \$17 move in the gold price is equal to what all the silver bullion is worth.

As such, I would submit that many who now include silver as a precious metals equivalent to gold must not fully realize the massive mismatch between the two metals in terms of their relative total valuations. Yet, it is precisely this mismatch that makes silver a much better investment than gold under the simple premise that it will take a much smaller dollar flow to propel silver higher than for gold. And if there is one thing in the world that exists for sure, it is a more than ample supply of potential investment buying power.

Please donâ??t misinterpret what Iâ??m saying. Iâ??m not in the least suggesting gold will be a poor investment going forward and in fact, believe, aside from the same short-term risks that exist in silver (due to another possible COMEX manipulative price smack down), from everything I see, I believe gold should do just fine in the future. But I also believe that the â??just fineâ?• future performance that I expect in gold will pale in comparison to what I envision for silver. And it seems elementary to me that if one is putting his or her hard-earned investment dollars at risk, the trick is to place those dollars in the asset promising the greatest potential return, commensurate with the risk also assumed.

Thatâ??s why I have always favored silver over gold, to the point of suggesting that if someone only owned gold and nothing else, that such investors should switch a portion of their gold holdings to silver. At the same time, I recognize there are very few investors holding a gold-only portfolio and anyone in that position isnâ??t about to part with gold for any reason, including buying silver. So, what Iâ??m really saying is buy silver â?? regardless of the source of funds for doing so. Silver is such a tiny market that the least amount of money flowing into it will have a disproportionate upward effect on its price than for any other asset class in the world, including gold.

Keeping this as simple as possible, potential investment flows are a prime criterion for buying and holding silver. With a little over \$50 billion worth of investment and industry standard 1000 oz bars in existence (2 billion oz), logic dictates the investment flows required to impact the price are much less than would be required to move a market already valued at \$6 trillion or more â?? such as gold. This isnâ??t smoke and mirrors; this is as clear as it gets. And this leaves out the fact that weâ??re staring down the gun barrel of a physical shortage in silver, which canâ??t happen in gold since it isnâ??t industrially consumed.

I can see gold climbing hundreds of dollars in price, but not the thousands of dollars required to equal what silver will return percentage wise. And if Iâ??m wrong and gold does climb by thousands of

dollars in price, then silver will most likely climb much higher than anything I've envisioned (and I envision very high prices for silver).

So, while I am (pleasantly) taken aback by the growing inclusion of silver as a near-equal of gold as a precious metal, I am also convinced that there yet to be the eventual discovery of just what a superior investment silver will turn out to be on a true risk/reward basis and dependent on future dollar flows relative to the size of each market. That day is coming.

Turning to other developments, last night's release of the new short report on stocks indicated an increase of 1.5 million shares in the short position on SLV, the big silver ETF, to 17.5 million shares, as of April 28. While the increase is but a fraction of the prior reporting period's massive decline of 25 million shares in the SLV short position, it was also contrary to what I expected, given the counterintuitive large deposit of 8 million oz in the reporting period, which I interpreted as a deposit to reduce the short position further.

<https://www.wsj.com/market-data/quotes/etf/SLV>

As you may recall, a few months back, on the occasion of a massive and counterintuitive deposit of as much as 25 million oz of silver into SLV, I had speculated that the deposit was intended to reduce what was a short position in SLV in excess of 40 million shares at the time, that I estimated to be as low as 16 million shares due to deposit. Yet, subsequent short reports failed to reflect my speculation of a massive drop in the SLV short position, which I attributed to a "short against the box" type transaction that delayed my expected decline in the short position.

Making a long story short (no pun intended), upon the occasion of the short position on SLV climbing to 47.5 million shares in March, I complained for a sixth time since August to the S.E.C. and BlackRock (the trust's sponsor) about the massive short position, alleging it was fraudulent to shareholders and manipulative to the price. Shortly thereafter, the short position in SLV did collapse, not coincidentally, to the 16 million share position I had speculated about months earlier. Even with the slight increase in the short position on SLV to 17.5 shares reported yesterday, from the 60 million share short position at its peak last August, the latest short position is now down more than 70% from the peak.

This leads me to two conclusions. One, perhaps emboldened by my past successful speculation about the massive metal deposit in January being intended to reduce the short position on SLV to 16 million shares being delayed by a "short against the box" transaction, that was finally executed after my last complaint – I now predict the same will occur with the 8 million oz deposit at some point. Two, I think the days of heavy shorting in SLV are behind us, due to both Gary Gensler, chair of the S.E.C. and Larry Fink, CEO of BlackRock, being smart enough to finally recognizing how much of a problem the excessive short position in SLV was, in terms of fraud and manipulation.

Of course, time will tell and if both these individuals are not as smart as I perceive them to be and the problem of excessive shorting in SLV recurs in the future, I will be sure to complain again. Needless to say, if my speculation about this being an issue that is behind us is correct, no future big shorting in SLV is yet another bullish factor on the already very long list of bullish factors in silver.

In fact, the list of bullish factors in silver is as long as can be imagined and there's not enough time or space for me to list them all today. Up against this remarkably long list of bullish factors in silver, there is one and only one bearish factor. The sole bearish factor is the potential collusion of the deeply

corrupt COMEX commercials to rig one final selloff before silver blasts off to the upside, as I have been concluding recently.

While it is still a man bites dog, rotation of earth and tidal reversal situation that the 4 big commercial shorts have refrained from shorting aggressively (or at all) on the recent \$6 silver rally for the first time in history; the reality is that these big commercials are still inherently crooked, as are the rest of the commercials on the COMEX (as well as CME Group and the CFTC). Therefore, even though the very biggest COMEX commercial shorts have not added to shorts on the rally, it is still to their advantage to cooperate and collude with all the other crooked COMEX commercials, including the raptors and the big 5 thru 8 commercial shorts, in rigging silver prices sharply lower to induce managed money technical fund long liquidation.

I'm not saying, because I can't say, whether the commercials will succeed in, once again, lowering the manipulative boom on silver prices, but whenever the commercials' interests are aligned, that can easily occur. As for the biggest commercial shorts who have managed not to have added aggressively for the first time in history on the rally, I'm sure they would welcome the opportunity to buy back shorts on an engineered price rig lower.

I will say that if the crooked COMEX commercials do succeed in manipulatively rigging prices lower, that should set up perhaps the most outstanding buy point in memory. I say this because I believe the biggest commercials have already tipped their hand by not adding to shorts on the recent rally for the first time ever. Even if they do succeed by buying back a good chunk of their already low existing shorts, their prior refusal to add shorts makes it most likely they will not add on future rallies. History has shown that all manipulations end at some point and after studying the COMEX silver manipulation for decades, the recent refusal of the 4 big commercial shorts to add for the first time ever is as big a tell as is possible in my book. In fact, I'm a bit torn on what I'm rooting for - one last selloff to buy even more or wishing for a by-pass of the drop and a straight move to higher prices.

As far as what to expect in Friday's new COT report, gold prices surged as much as \$60 (to new intraday all-time price highs) over the first two days of the reporting week ended yesterday, before declining nearly as much on Friday, before stabilizing Monday and yesterday. Plus, there is the matter of another large increase of 25,000 contracts in total gold open interest over the reporting week. Price action does suggest deterioration (managed money buying and commercial selling) in gold, but I'm hopeful the deterioration won't be extreme and that the increase in total open interest is due to phony spread creation, as we are in the prime period of phony spread creation - which matters not a whit to real price change.

In silver, the price pattern was similar to gold's, with prices rising as much as 80 cents over the first two days of the reporting week, followed by an even bigger smash and stabilizing to finish around 30 cents higher on the reporting week. Total silver open interest rose a bit less than 3000 contracts (we're no longer in prime spread creation or liquidation periods in silver) over the reporting week. As in gold, I'd be prepared for modest deterioration, with all eyes on the commercial categories and the gross managed money short position.

Today's immediate burst to the upside on the rather neutral CPI report looked suspicious from the get go, so the subsequent smack down wasn't particularly surprising (or perhaps I'm just becoming a bit jaded). But the last thing I care to do is to start sounding like I have a clue about what's about to transpire short term - mostly because no one knows for sure. Instead, I'm

girding myself for the pain and opportunity of a near term cleanout to the downside or the prospects for no big smash and up, up and away from here. No, I'm not just trying to call it in order to look correct no matter what happens it's just how I see it.

Ted Butler

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Silver – \$25.70 (200-day ma – \$21.74, 50-day ma – \$23.75, 100-day ma – \$23.74)

Gold – \$2040 (200-day ma – \$1823, 50-day ma – \$1969, 100-day ma – \$1919)

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