May 13, 2023 – Weekly Review

Gold prices fell modestly for the week, down $10 (0.5%) and still holding above $2000; while silver prices got crushed by $1.80 (6.9%), to a seven- week low. As a result of silverâ??s extreme relative underperformance, the silver/gold price ratio surged higher by nearly five and a half full points to 83.5 to 1, also the most undervalued silver has been relative to gold in seven weeks. I would venture to say, however, that very little, if any, actual physical or even paper silver was sold in order to buy gold.

Then what in the world could possibly account for the pronounced two-day price smash in silver against a news background that didnâ??t include the slightest hint of justification for such a large and sudden price smash? There is only one possible explanation and that explanation was highlighted in Wednesdayâ??s article. Even though the COMEX market structure in gold was more bearish than the structure in silver, whenever all the collusive commercialsâ?? interests are aligned to benefit from a price smash, such a smash is more than possible.

It matters not that the list of reasons for silver exploding higher in price is almost unlimited and are aligned against but a single reason for prices to get hammered lower – as long as the collusive COMEX commercials stand a chance of mutual benefit by rigging prices sharply lower, a price swoon can never be ruled out. It goes beyond outrage that the federal commodities regulator, the CFTC, as well as the designated industry self-regulator, the CME Group, stands by and does nothing while these brazen manipulative episodes are repeated in full view, but the really sick thing is that it has not only persisted in COMEX silver for decades, but has actually spread to and infected just about all CME markets, including metals like gold and copper and crude oil and financial futures.

Proof of this is evident in this weekâ??s announcements by the CFTC of severe fines, once again, for manipulation in the financial swaps market by HSBC to the tune of a total of $75 million andÂ $15 million fine for Bank of Nova Scotia for illegal communications among staff. No markets were mentioned, by as far as I know BNS only deals in precious metals (despite vowing years ago it was getting out of the business). I suppose this shows, just like the proverbial blind squirrel coming across an acorn now and then, that the CFTC can stumble upon infractions it can prosecute â?? while managing to miss what is obvious to everyone else â?? like this weekâ??s manipulative price smash in silver. Great work guys.

https://www.cftc.gov/PressRoom/PressReleases/8702-23

https://www.cftc.gov/PressRoom/PressReleases/8701-23

https://www.cftc.gov/PressRoom/PressReleases/8699-23

Most importantly and as was included in Wednesdayâ??s missive, any purposeful move by thecrooked COMEX commercials to collusively lower the boom on silver prices, while painful, would alsoput in place the necessary pieces for what appears to me to be the final liftoff for higher prices. In fact,there are suggestions that given the price action and trading volume on Thursday and Friday, much ofthe necessary cleanout of managed money technical fund longs may be behind us. Declaring the worstis over always seems to cut sharply when catching falling knives (and when dealing with the thoroughly corrupt COMEX commercials and market regulators), but later Iâ??ll outline the positive case when discussing the latest COT report and trading after the cutoff.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged to nearly 7.4 million oz this week, the highest weekly movement since mid-January. Total COMEX silver holdings rose this week by 0.9 million oz to 270.4 million oz â?? just slightly above last weekâ??s five-year lows. Holdings in the JPMorgan COMEX silver warehouse went the other way, falling 0.6 million oz to 139 million oz â?? a fresh five-year low.

COMEX gold warehouse inventories edged higher, for the eighth straight week, by 0.1 million oz to 22.6 million oz. An increase in the JPM COMEX gold warehouse of 60,000 oz, to 8.78 million oz accounted for much of the total increase.

While there continues to be rapt, and generally well-deserved, attention given to the declining levels of COMEX silver warehouse inventories (as well as declining levels of holdings in SLV and other silver ETFs), I remain stunned by the apparent lack of commentary about the unprecedented physical turnover in the COMEX silver warehouses (and in SLV and other silver ETFs). Not only is the physical turnover in the silver inventories much larger than the actual reductions, the turnover has existed for 12 straight years, not just the last two years. You would think that every silver analyst and commentator would comment in some way on a circumstance highly unique to silver. For my part, I continue to conclude the physical turnover represents a physical demand nearly out of control, with silver prices kept in check by the same crooked COMEX commercial manipulation that has existed for 40 years.

Not much to add about the ongoing May COMEX deliveries, other than the deliveries in gold are much larger than in silver, contrary to the fact that May is a traditional delivery month for silver, not gold, so the size of the deliveries â??should beâ?• greater in silver. Iâ??m just glad that so far, the crooks at JPMorgan didnâ??t issue any more than the 369 silver contracts issued from its house account on first delivery day and that JPM has stopped close to 800 net silver contracts on behalf of customers. Thatâ??s because Iâ??m always looking for signs that JPM is dumping some of its massive physical silver and gold holdings.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

In ETF physical metal flows, the gold ETFs continue to add metal, as more than 0.5 million oz of gold were deposited this week, principally in GLD, the big gold ETF. This is as it â??should beâ??, given the gains in the gold price. Bucking what should be (par for the course), were inflows of more than 5 million oz this week into the worldâ??s silver ETFs, mainly into SLV, the big silver ETF, despite the extreme price weakness at weekâ??s end. I suppose we may still see redemptions as a result of the severe price weakness on Thursday andÂ Friday, but generally, redemptions in SLV are made quicker than deposits, although the trading volume in SLV was relatively light on the Thursday price smash compared to very heavy COMEX trading volume. This further cements the conclusion that the silver price smash was an exclusive COMEX intentional paper positioning phenomenon â?? same as ever.

Turning to yesterdayâ??s Commitments of Traders (COT) report, the results were as fully-expected in Wednesdayâ??s comments and, actually, a bit better. After witnessing the highly-deliberate price beatdown on Thursday and Friday, I began to imagine that there might have been much greater deterioration (managed money buying and commercial selling) in silver than I expected, but that didnâ??t turn out to be the case at all â?? which I count as a positive (if that is possible). Let me run through the data before incorporating the likely positioning after the cutoff on Tuesday.

In COMEX gold futures, the commercials increased their total net short position by 4900 contracts to 222,500 total net contracts. While well-within the expected range of deterioration, it still represents the largest (most bearish) level of total commercial shorting in a year, about midway in a price decline that still had $200 more to go at the time. Yes, I am concerned that the COMEX commercial crooks could still use gold price weakness to influence silver lower, despite not having to do so to date (I worry about a lot of things).

Likewise, the breakdown of gold commercial categories features a further increase in big 4 shorting, as these traders added more than 2700 new shorts to a concentrated short position of 179,038 contracts (17.9 million oz), the largest big 4 short position in more than a year. The next 5 thru 8 largest gold commercials added a few hundred new shorts and the big 8 short position grew to 237,161 contracts (23.7 million oz), also the largest big 8 short position in a year, but also masking a marked reluctance by the big 5 thru 8 largest gold shorts from adding to short positions on goldâ??s close to $250 rally since early March.

Rounding out the commercial gold selling this week, the raptors (the smaller gold commercials apart from the big 8) sold off 1800 longs, reducing their net long position to 14,700 contracts. From March 7 and on the subsequent near-$250 gold price rally, the raptors accounted for nearly 69,000 contracts of the total of 103,000 contracts of total commercial net selling, with the 4 largest shorts adding just over 42,000 new gold shorts. This leaves the big 5 thru 8 largest gold shorts as being net buyers of 8000 contracts of short-covering, while the big 4 and the raptors were aggressive sellers. I can only conclude that the big 5 thru 8 commercial shorts saw or sensed something that dissuaded them from adding new shorts â?? as they have always done on previous large gold price rallies.

On the managed money side of gold, these traders were actually net sellers (along with the commercials) of 2804 net contracts, consisting of the new purchase of 272 long contracts and the new sale of 3076 short contracts. The resultant net managed money long position stood at 110,986 contracts (143,463 longs versus 32,477 shorts). Explaining how both the commercials and managed money traders could both be net sellers, was combined net buying of roughly 7700 contracts by the other large reporting traders and the smaller non-reporting traders.

In COMEX silver futures, there was a slight 1000 contract increase in the total commercial net short position to 46,200 contracts. There was an increase in the short position of the 4 largest shorts of 1800 contracts, to 39,270 contracts, the largest such short position since early February, but it appears the bulk of that increase was on the part of the managed money trader I have been reporting as having entered the ranks of big 4 shorts in silver.

This increase in the gross managed money short position (found in the disaggregated COT report) was the key bullish surprise this reporting week. As such, it turns on its head the brand of COT analysis I have advanced over the decades. Prior to the $6 price rally that occurred starting on March 7, every single significant silver rally over the past 40 years featured an increase in total commercial selling and, specifically, a marked increase in big 4 commercial shorting (excepting, as always, the run to $50 in 2011). But as I have been observing for the past two months, this recent silver rally is markedly different, in that the 4 big commercial shorts hardly increased their concentrated short position on the rally thru April 4.

Moreover, as a result of the now-obvious inclusion of a managed money trader into the ranks of the big 4 on the continuing silver rally from April 4 thru the latest COT reporting week, it appears the actual commercial-only component of the big 4 concentrated short position has shrunk notably on the total rally since March 7 â?? an event so unusual as to be beyond proper description. That this is the precise development Iâ??ve held out as to being the key determinant to whether the decades-old COMEX silver manipulation would continue or end is, hopefully, not something I have to reestablish at this point (as it would involve far too many pages of past reference).

I canâ??t say, of course, that I ever claimed that the occasion of the 4 big commercial shorts not adding to short positions on a silver rally would also include the emergence of a big managed money short into the ranks of the big 4, as that was, to my mind, not possible to predict. But at least I was in-tuned enough to recognize almost immediately that the unprecedented lack of big 4 commercial-only shorting on the entire $6 silver was joined mid-way by the highly unusual appearance of a big managed money short into the ranks of the big 4.

Rather than dwell on the identity or motivation of the big managed money short (both nearly-impossible tasks in my mind), my key question is how this new member of the big 4 community is likely to behave from this point forward. In other words, were the commercial-only big 4 concentrated short position to have increased aggressively on this silver rally (something that has yet to have occurred either with or without the presence of a big managed money short), I would have expected it to be most likely resolved in typical past manner, namely, only when prices sold off. I wouldnâ??t have expected a purely commercial-only increase in big 4 shorting to end with these commercials rushing to buy back short positions for the first time ever. Thatâ??s largely because the regulators always accepted, hook, line and sinker, the old commercial malarky about them only hedging.

But no one, not even the extremely incompetent regulators, could begin to accept the notion that a managed money trader could possibly have any legitimacy to holding a massively concentrated silver short position as and if silver started to run higher. Therefore, it will be more than a passing interest to see how theÂ big managed money short position gets resolved.

Getting back to silver COT report, I would calculate that the big managed money short held as much as a 9500-contract short position on the cutoff, meaning that the commercial-only component of the big 4 short position (adjusted) is just under 30,000 contracts net and the big 8 posted short position of 63,850 contracts is less than 54,400 when adjusted for the big managed money short. This would also result in a true raptor net long position of 8,000 contracts, largely unchanged on the reporting week. This is markedly different than the situation in gold, where the big 4 commercials have been aggressive sellers, along with the gold raptors, leaving only the gold big 5 thru 8 as bucking the commercial selling tide.

The managed money traders in silver were also actual slight net sellers (as was the case in gold), as these traders sold 225 net silver contracts, consisting of the purchase of 1242 new longs, as well as selling 1467 new shorts â?? the key highlight of the report. The resultant net managed money long position amounted to 25,389 contracts (56,217 longs versus 30,828 shorts). Again, it is no surprise to see a large managed money net and gross long position after a $6 rally; the standout is the extremely large gross managed money short position after the same large price rally. Explaining both the commercial and managed money traders both being small net sellers, was small net buying by the remaining trader categories (same as in gold).

So, as of Tuesday, the paper positioning was, once again, as expected and even a bit better than that, although there has been notable deterioration overall since March 7; with the key difference between gold and silver being the large commercial-only component of the big 4 short position in gold, versus the extremely small adjusted commercial big 4 concentrated short position in silver, along with the emergence of a big managed money short in silver – two earth-shattering developments. Now what?

In some ways, I am not surprised by the far-deeper selloff in silver rather than in gold in the sense that the commercial short position is far more critical in silver than in gold. Thatâ??s been true for 40 years and until this day, just based upon the basic metrics, including the relative price difference and total market cap in each metal (as discussed on Wednesday), as well as relative size of the concentrated COMEX short positions in each. In gold, the less than 18 million oz short position of the 4 largest shorts against total gold bullion of 3 billion oz looks much less than the 150 or 200 million oz (depending whether you are measuring commercial-only or otherwise) against 2 billion oz of total silver bullion in the world. Plus, there are numerous signs of a physical silver shortage, whereas a physical gold shortage appears highly-improbable at best.

But it is when you add in the recent highly-provable and predicted unprecedented lack of aggressive concentrated commercial short selling on the recent silver rally, as well as the equally unprecedented, but not predicted increase in shorting by a big managed money short, that sets things so apart in silver. Knowing in advance that any potential silver price smash, should it occur, would only lead to what looked to be the final cleanout of a commercial short position already looking very lean in concentrated terms, sends expectations soaring after such a price smash is realized.

The most likely â?? scratch that, near certain â?? result of Thursdayâ??s and Fridayâ??s high volume price smash was managed money selling in the form of long liquidation and commercial buying. I say this because the bulk of the 25,000 contractsÂ of new managed money longs bought on the price rally came in largely above the $25 level â?? the level that was first penetrated to the downside last Thursday. My sense is that these managed money longs were quite tentative in adding longs, making them even more skittish and willing to sell on the first signs of a price down draught.

As far as which commercials were buying, I lean towards the big commercial shorts being eager buyers, despite them holding a rather small concentrated short position. I confess to not really sensing how the silver raptors and existing managed money shorts may have behaved, although I concede their roles to be important (and likely to be learned on next Fridayâ??s release of the new COT report). It is possible that the silver selloff is largely behind us or nearly-so, although you must understand that is speculation on my part.

What is not speculation is that the reason for the sharp silver selloff is, as always described on these pages, namely. the result of highly-intentional and collusive commercial behavior on the COMEX to induce managed money selling (so that the commercials can buy).Â Some things never change and to this point every significant selloff in silver and gold involves collusive commercial buying and price rigging.

Whatâ??s very different and quite exciting is the prospect that the big commercials will continue to avoid adding aggressively to the short side of COMEX silver, continuing the sea change in their behavior started for the first time on March 7. I think theyâ??ve already tipped their hand and as soon as the current manipulative rig job lower is finished â?? hold on to your silver horses.

Ted Butler

May 13, 2023

Silver – $24.13Â Â (200-day ma – $21.84, 50-day ma – $23.97, 100-day ma – $23.50)

Gold – $2015Â Â Â Â Â (200-day ma – $1828, 50-day ma – $1980, 100-day ma – $1925)

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