May 17, 2022 – Revisiting An Old Premise

I wasnâ??t planning on publishing an article today, but Iâ??ve been preoccupied with an old thought that I believe I should share. So, not only am I publishing an article after stating there would be no article, Iâ??m publishing it a day early. Next article will be the weekly review on Saturday. My reason for the unscheduled article falls under the category of speaking up before what may be an unusual occurrence, rather than after the fact.

Many years ago (I canâ??t remember when), I first opined that one way the 4 big shorts in COMEX silver futures could reduce a good-sized chunk of their concentrated short position was to wait until the raptors (the smaller commercials) built up a large long position that the 4 big shorts could then rush to buy on higher prices before the managed money traders also rushed in to buy. The raptors have demonstrated a reliable pattern of selling out long positions on higher prices in order to book profits. My premise was a special take based upon the never-varying pattern of the commercials buying and managed money traders selling on lower prices and vice versa on higher prices.

As Iâ??ve been reporting recently, while the decades-old pattern of the commercials vs the managed money traders has continued to play out, the raptors have been running rings around the big 4 and big 8 commercial shorts. The recent sharp drop in silver prices over the past few weeks featured extraordinarily large commercial buying and managed money selling â?? as would be expected. However, the vast majority of the commercial buying (85%) was by the raptors, the largest percentage in memory. Quite literally, I have been astounded by the lack of big 4 and big 8 short-covering to this point.

While itâ??s true that the 8 big commercial shorts on the COMEX in gold and silver have seen a dramatic reduction of billions of dollars in their overall total loss as a result of the recent sharp drops in price, itâ??s even more remarkable how little the big 4 have reduced their short position in silver â?? less than 4500 contracts or 14% of the 32,800 commercial contracts bought over the last three reporting weeks. In pondering what has been holding the 4 big shorts from buying back more of their concentrated short position, my old premise kept popping into my head. By comparison, the commercial buying in gold has been much more evenly divided between the 4 big shorts and the gold raptors.

In searching for why the 4 big silver shorts have refrained from more aggressive short-covering to this point, letâ??s first agree that had the 4 big shorts been more aggressive in buying back shorts, it is unlikely that silver prices would have declined as much as they have. In turn, had silver prices not declined as much as they have, it is unlikely that the managed money traders would have been as aggressive in selling the near 40,000 contracts they did sell over the past three reporting weeks. So, the question becomes what prevented the 4 big shorts from buying or attempting to buy back more of their concentrated short position â?? was it accidental or deliberate?

Under the thinking that the 4 big silver shorts would very much prefer not to hold the largest concentrated short position in the one commodity that is the cheapest in the world and be done with a predicament they would prefer they would not be in, something had to be holding back the 4 big shorts from attempting to buy back more of their short position. And it goes without saying, it would take some type of underhanded collusion or plan for which the COMEX commercials are famous. Further, it might be a plan that involves only one big 4 short, undoubtedly the largest short which could be holding 25,000 contracts short.

So, hereâ??s my revisiting of an old premise â?? the reason the 4 big shorts have largely stood aside and not tried to buy back shorts more aggressively is that they wanted the managed money traders to sell (and sell short) as many contracts as possible, along with allowing the raptors to add as many long positions as possible because the big 4 thought that would enable them to buy back many of the big 4 short positions on a price rally â?? and before the managed money traders rushed to buy as well.

First, let me be clear that what Iâ??m suggesting, even though itâ??s an old thought of mine, is highly speculative and a bit far-out. For sure, it has never happened before, so I canâ??t pretend it wouldnâ??t also be unprecedented. Still, something has to account for the fact that the 4 big shorts have been mostly non-participants on the buy side on the silver price smash â?? something never seen to this extent previously. There is something quite different about the silver big 4â??s behavior this go-around and considering everything, itâ??s hard to imagine an innocent explanation.

If my speculation is correct, the ramifications for silver prices are profound. Were the 4 big silver shorts (or the biggest silver short) move to buy back short positions on higher prices, not only would that be for the first time ever, it would also, by definition, be an abrupt end to the decades-old silver manipulation.Â Quite simply, it would be the most significant price event in silver in modern times (the last 50 to 100 years). Again, Iâ??m speculating as to whether it occurs, but should it occur, it will prove to be a discontinuous price event in silver â?? a game changer of epic proportions.

If the big 4 move to buy back silver short positions to the upside and succeed in reducing a significant percentage of the concentrated short position, it would seem to suggest they would no longer be interested in adding new shorts on still-higher prices, as has always occurred in the past. By my estimation, should the big 4 move to buy back shorts aggressively on higher prices for the first time ever, that would amount to a near-sudden jump in silver prices of several dollars (or more) that should quickly spiral higher if no new shorts were added at that point.

And it would seem to make little sense for the big 4 (or big one) to release the price death-grip they have had for 40 years for a few dollars, only to turn around and try to reimpose their price control on slightly higher prices thereafter. Itâ??s my opinion that should the big 4 rush to buy back silver shorts on higher prices â?? thatâ??s it, namely, the end to the silver manipulation.

Please remember, Iâ??m not talking about a random â??black swanâ?• event that suddenly bursts onto the scene catching near everyone shocked and surprised, although thatâ??s what it would appear to be should the big 4 rush to cover on higher silver prices. Instead, this would be an event that should have occurred years and decades earlier, although the outward appearances would suggest otherwise. The single most important factor behind the long-term silver price manipulation has been the excessive size of the concentrated short position and the refusal of the big shorts to move to buy back that short position on higher prices. Any sudden change would be a shock to the system.

Maybe Iâ??m all-wet and imagining things and none of the above is about to occur, in which case, I suppose, weâ??ll still see a significant silver rally ahead, just not the intense price explosion Iâ??m suggesting. But if it does play out as it seems to me, then I would have been remiss not to have spoken up beforehand. Also, please remember, if it does play out as it appears possible or likely to me, that this will be a price event uniquely exclusive to silver, in that it will have nothing to do with anything else â?? like world events or other financial markets, the dollar, inflation, or oneâ??s political beliefs or anything else. Should we get the silver price explosion and buyback of big 4 shorts positions for the first time ever, it shouldnâ??t be conflated with other things. The good news is that all this should become clear in the immediate future and not over an extended period of time.

As far as what to expect in Fridayâ??s COT report, lower gold and silver prices over the reporting week ended today suggests continued managed money selling and commercial buying, although we would appear to be running out of truly significant market structure improvements beyond this report. Also, Iâ??ve been meaning to mention, in addition to the bullish market structures in COMEX silver and gold, the market structures in COMEX copper and NYMEX platinum are also unusually bullish.

Ted Butler

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Silver – $21.70Â Â (200 day ma – $23.70, 50 day ma – $24.35, 100 day ma – $23.91)

Gold – $1818Â Â Â Â Â (200 day ma – $1837, 50 day ma – $1925, 100 day ma – $1884)

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