May 31, 2023 – A Remarkable Development

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Sometimes, you can be so close to an issue on a daily real-time basis, so as not to recognize significant changes that may have occurred over a longer time frame â?? a variation on not seeing the forest for the treeâ??s kind of thing. A combination of recent factors prompts this line of thinking.

First, Iâ??m still reeling from the development over the past couple of months when, for just about the first time ever, the largest COMEX commercial shorts failed to add aggressively to their short positions on the $6+ silver rally that commenced in early March (and ended in early-May). The data in the COT reports indicate the 4 biggest COMEX commercial silver shorts have also bought back and covered a number of their existing short contracts on the $3+ decline in silver prices over the past few weeks, but thatâ??s much less of a surprise in light of their past behavior.Â

The combination of the 4 big commercial silver shorts not adding on the $6 rally and buying back existing shorts on the price decline to date has resulted in about the lowest total concentrated commercial short position in memoryÂ – no small matter for someone (me) who has ranted about the concentrated short position as a key to the 40-year COMEX silver manipulation.Â

But it was only when it was suggested to me that it might be about time to once again petition the regulators about the ongoing silver manipulation and I sat down to do just that, that I realized what a remarkable development had occurred over the past couple of years –Â right under my nose. As I began to formulate in my mind just what I would write this time to the CFTC about the ongoing COMEX silver manipulation, I thought it imperative to review what I had written to them previously â?? no, not over the decades, just more recently. It was only then, when reviewing what I had written to theÂ Commission over the past two years that it struck me like a lightning bolt.

The â?•itâ?• that Iâ??m referring to is in just how much the concentrated short position of the 4 big COMEX commercials had been reduced since I first wrote (through my congressman) to the chairman of the CFTC about the size of this short position on Feb 2, 2021, when it hit 65,262 contracts (326 million oz) â?? the highest it had been in years and at a peak that was the precise top of silver price at just over $30. The Commission wrote back (again through my congressman) in May 2021, that it would refer my allegations to its divisions of Enforcement and Market Oversight. A copy of the letter I sent to the Commission and its response can be found in this public article â??Â

https://silverseek.com/article/cftcs-response

Last May (2022), I wrote to each of the four new commissioners that had been recently appointed to the CFTC, both congratulating them on their appointments and taken the occasion to, once again, point out the circumstances of the ongoing COMEX silver price manipulation and urging them to root out the ongoing manipulation. I also included, in addition to the excessively-large concentrated short position, the fact that the commercials on the COMEX were obviously colluding among themselves, as they never collectively bought silver futures contracts on higher prices, nor sold on lower prices â?? a red flag for collusion.Â

A few weeks after my letter to the new commissioners last May, the concentrated short position of the 4 largest shorts in COMEX silver futures hit 51,113 contracts (256 million oz), down 14,000 contracts (70 million oz) from where it was on Feb 2, 2021 and the highest it has been since then. The most recent concentrated short position of the 4 largest traders in COMEX silver futures of last Tuesday, May 23, when calculated on a straight mechanical basis, was 36,514 contracts (183 million oz), down another more thanÂ 14,600 contracts (73 million oz), from last May and down 28,600 contracts from the peak on Feb 2, 2021.Â

And if you adjust the current short position of the 4 largest shorts for the presence of a big managed short, the commercial-only component of the concentrated short position is only 27,500 contracts â?? an astounding 37,762 contracts â?? less than half of what it had been on Feb 2, 2021 and down by nearly a third from where it was when I wrote to the new commissioners a year ago.

The bottom line on all this is the undeniable and quite remarkable drop in the concentrated short position of the 4 largest commercial shorts in COMEX silver futures, starting and continuing precisely from the last two times I petitioned the CFTC over as many years. I donâ??t think I need to remind anyone about just how critical Iâ??ve maintained over the decades the concentrated short position has been to the ongoing silver price suppression, despite nothing but rebuttal from the CFTC all along â?? until suddenly two years ago, when the Commission agreed to refer the matter to its divisions of Enforcement and Market Oversight.Â Â

I know I have been a consistent critic of the CFTC over the years and decades, but I believe my criticism has been of a constructive nature in trying to prompt the agency to fulfill its most important mission of preventing and ending price manipulation in COMEX silver. I also knew that after decades of denying that a price manipulation of the type I alleged existed in silver, that the agency could never come out and announce that it had â??changed its mindâ?• and that, yes, it had been negligent in not heeding my warnings, starting more than 37 years ago. No way, Joseâ??.Â Â

I am not privy to any behind the scenes considerations by the regulators, be those regulators the CFTC, the SEC, the OCC, the DOJ or any other agency. All I can do is the petition them on the merits and facts and hope to influence them. In this case, it sure looks like the CFTC has responded in a way I hoped it would, namely, just deal with this darn issue of concentration on the short side of COMEX silver in the only manner I deemed reasonable – behind the scenes. At this point, a reasonable conclusion of the facts and timeline would indicate thatâ??s precisely what the Commission appears to have done.

Of course, should the commercial component of the big 4 short position increase significantly on the next silver rally, then that would be an indication that what I just wrote was highly incorrect and that no such commendation should be afforded the CFTC. As an analyst and not a fortune teller. I would suggest awaiting the bloodless verdict of which it will be before either high-fives or the weeping and gnashing of teeth. In the interim, should the big commercial shorts refrain from aggressively adding to short positions on the next silver rally (as they didÂ on the recent rally), it would appear to be advisable to have been holding as much of a long silver exposure as possible.Â

I never made that letter last year to the new commissionersâ?? public, but in light of subsequent events, I will do so today, along with another new letter that I sent today.

https://www.butlerresearch.com/wp-content/uploads/2023/05/Letter-to-New-Commissioners1-2.pdf

https://www.butlerresearch.com/wp-content/uploads/2023/05/May-31-Dear-Commissioner4.pdf

Moving on to other developments, Iâ??m still contemplating the lack of greater liquidation of managed money long positions, in both COMEX gold and silver futures, in the latest COT report, for positions held as of last Tuesday, May 23. Somehow, in light of what I just finished writing above, my sense is that there may be new and different dynamics at play, particularly in silver, that might argue against a complete flushing out of the managed money longs to levels seen at the price lows of early March. In other words, the rather remarkable development that I just wrote about may make a full flush out to the downside unlikely.

As far as what this Fridayâ??s new COT report may indicate, as of the close of business yesterday, I hope youâ??ll understand that Iâ??m not feeling as certain as I sometimes do, in light of last weekâ??s misses and what I wrote above. Still, both gold and silver prices fell to new recent price lows and were lower by roughly the roughly the same amounts, $40 and 80 cents respectively, that they were lower in the prior reporting week â?? suggesting structural improvement (managed money selling and commercial buying).Â

There was, also once again, a significant drop in total gold open interest, of just under 30,000 contracts, but I would imagine that included a fair amount of phony spread liquidation, as occurred in the prior reporting week (but which I failed to mention in the weekly review). I would imagine managed money selling and commercial buying in Fridayâ??s report, but I am disinclined to prediction how much â?? but the more, the better.

In light of what I can only describe as an unexpected and sudden revelation of something quite significant, I am intentionally keeping this article somewhat brief to allow you some time to review the links Iâ??ve enclosed, which I hope youâ??ll read.Â

Ted Butler

May 31, 2023

Silver – $23.67Â Â (200-day ma – $22.02, 50-day ma – $24.50, 100-day ma – $23.46)

Gold – $1967Â Â Â Â Â (200-day ma – $1838, 50-day ma – $2000, 100-day ma – $1942)

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