

May 6, 2023 – Weekly Review

A sharp Friday selloff succeeded in trimming some of the week's gains in gold and silver prices, but prices still ended higher, with gold up by \$26 (1.3%) and silver up by a sharper 63 cents (2.5%). As a result of silver's relative outperformance, the silver/gold ratio tightened in by nearly a full point to 78 to 1, the most fully-valued silver has been relative to gold in nearly five months (and with a long way to go to even more fully-valued levels in time).

For gold, it was the second highest weekly close in a history that goes back, quite literally, thousands of years (but who's counting?) and intra-week, prices did set slight new all-time highs before pulling back. For silver, it was the highest weekly close in a year – but which still left prices close to half previous all-time price highs of both 43 and 12 years ago. From that alone, you wouldn't have to be Albert Einstein to comprehend why silver is destined to rise much more in price relative to gold in the future. And if Dr. Einstein was still around, I'm confident it wouldn't take him long to see that it was the COMEX silver price manipulation over the past 40 years that accounted for the silver/gold price mismatch.

While there is always the prospect for a deeper selloff ahead – given a rather large managed money long position in both gold and silver – Friday's selloff was actually rather welcomed in that it undid much of the deterioration in the market structures in COMEX gold and silver occurring on the strong rallies of Wednesday and Thursday right after the cutoff for this week's COT report. The new report was pretty decent, as I'll recount a bit later, after the usual weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off this week, as just over 3.3 million oz were physically moved and as total COMEX silver inventories fell by 1.5 million oz to 269.5 million oz – another fresh five-year low. Holdings in the JPMorgan COMEX silver warehouse ended up unchanged at 139.6 million oz.

Combined physical silver holdings in the COMEX warehouses and in SLV, the big silver ETF, are now 735 million oz, some 15 million oz less (2%) than my –bottom of the barrel – premise of several months back, which only makes me more confident that we are, indeed, scraping the bottom of available non-investor metal available to the market at current prices – although I would welcome further reductions.

Total gold holdings in the COMEX warehouses increased slightly for the fifth straight week, this week by 0.1 million oz to 22.5 million oz. As has been the case, holdings in the JPM COMEX gold warehouse increased by 0.16 million oz to 8.72 million oz. Over the past five weeks, total COMEX gold warehouse holdings have increased by 1.2 million oz, with the JPM warehouse accounting for nearly 1 million oz. I'm not suggesting the amounts are significant in any way (what does \$2+ billion of gold matter much nowadays?) – it's just another indication of JPM's dominance of all things gold (and silver).

In gold and silver deliveries in the May COMEX contracts, if things were normal, one would expect much greater deliveries in silver (since it is a traditional delivery month) than in gold, but gold deliveries, at more than 5100 contracts far exceed silver deliveries, which at less than 1900 contracts are among the lowest traditional month deliveries on record.

As far as what this means, in terms of gold, I don't know, aside from noting that the gold deliveries involve mostly issues and stops between the house accounts of a few banks and JPM doesn't appear to be involved always a welcome development when JPM isn't a big issuer. In silver, aside from JPM's first day silver issues of 369 contracts from its house account, no further silver issues have been made, which I interpret as good news (along with customers of JPM being net silver stoppers). There, obviously, has been little rush to demand delivery of physical silver through COMEX futures deliveries, but it's just as obvious that the rush will arrive in the by and by.

[MetalsIssuesAndStopsYTDReport.pdf \(cmegroup.com\)](#)

In ETF flows, more gold came into the gold ETFs, mainly GLD, to the tune of 400,000 oz, as would be normally expected given the rise in gold prices. However, metal departed the silver ETFs, primarily SLV, to the tune of more than 4 million oz, is in sharp contrast to what one would normally expect, given strong silver prices. The most plausible explanation is that the counterintuitive redemptions are due to silver being needed more urgently elsewhere like taken by actual users – hardly a bearish development.

The new short report on stocks, scheduled for release this Tuesday, may (should) reflect another sharp decrease in the short position on SLV, as a result of the big one-day deposit of 8 million oz early in the reporting period ended April 28. Of course, just like the most recent short report, which featured a massive 25 million share reduction due an equally-large metal deposit months earlier was obviously delayed (due to a short against the box transaction), that same mechanism may be deployed this time as well. Details on Wednesday.

Turning to yesterday's Commitments of Traders (COT) report, gold prices were mostly flat in the reporting week, before rising sharply and ending \$20 higher on the cutoff day. Price in silver were much stronger over the reporting week, rising as much as \$1.30 and ending the reporting week up by more than 70 cents. Of particular concern in gold was the 20,000-contract increase in total open interest, also suggestive of significant deterioration (manged money buying and commercial selling) but occurring in the prime period of phony spread creation in gold.

I didn't publish a prediction, due to traveling, but I was prepared for much more deterioration than was reported in both gold and silver and was thankful that much of the 20,000-contract increase in total open interest in gold was due to an increase in phony spreads of more than 12,500 contracts. All in all, the COT reports in both gold and silver, while there was expected deterioration, featured much less deterioration than feared, which is good news.

In COMEX gold futures, the commercials increased their total net short position by 5700 contracts, to 217,600 contracts. While this is the largest commercial net short position since April 4, it is more accurate to say that the commercial short position in gold has been rather stagnant, as prices have largely been unchanged since then and even longer, having first hit the \$2000 level in mid-March. Of course, there has been a 100,000 contract (10 million oz) increase in commercial selling (not pure new

short-selling) on the \$240 gold price rally since March 7; it's just that since April 4, prices and positioning haven't changed much at all.

This reporting week, by commercial categories in gold, the big 4 added 2100 contracts to a short position amounting to 176,288 contracts (17.6 million oz), while the next largest 5 thru 8 commercial shorts went the other way, in buying back 800 short contracts, as the big 8 short position rose to 234,063 contracts (23.4 million oz). The raptors (the smaller commercials) sold off 4400 longs, reducing their net long position to 16,500 contracts,

On the managed money side of gold, these traders were net buyers of 10,987 contracts, consisting of the new purchase of 7212 longs, as well as the buyback and covering of 3775 short contracts. The resultant net managed money long position 133,790 contracts (143,191 longs versus 29,401 shorts) is now the largest such position in a year and potential long liquidation represents the singular potential explanation in advance for why we might get a sharp selloff. Explaining the difference between what the commercials sold and the managed traders bought was net selling of 4600 contracts by the smaller non-reporting traders,

In COMEX silver futures, the commercials increased their total net short position by 3700 contracts, to 45,200 contracts. This is the largest total commercial short position since mid-January. This reporting week, we did get about 1100 contracts of new short selling by the 4 largest shorts, as the big 4 short position rose to 37,487 contracts (187 million oz). While I would attribute the increase to be by the three commercials in the big 4 category (I still believe a single managed money trader holding an 8000-contract short position is in this category), I continue to be thunderstruck by how low the true commercial concentrated short position is after a \$6 (30%) silver rally.

The next largest 5 thru 8 shorts bought back 500 short contracts and the big 8 short position amounted to 61,291 contracts (306 million oz). But when adjusted for the 8000-contract managed money trader short, the true commercial-only big 8 short position is around 53,000 contracts. On that basis, I would calculate the raptor net long position to be closer to 8000 contracts as these traders were the big commercial sellers this week, in liquidating 3100 long contracts. This is much better than I had expected.

On the managed money buy side, these traders only bought 1542 net silver contracts, consisting of the new purchase of 1598 new longs, as well as the sale of 56 new short contracts. I was glad to see no reduction of the managed money short position, despite the silver price rally over the reporting week. The resultant managed money net long position of 25,614 contracts (54,975 longs versus 29,361 shorts) is the largest since January and as is the case in gold, represents the only potential of a sharp selloff, as the large managed money long position represents the only plausible explanation for such a potential sharp \hat{A} selloff. Explaining the difference between what the commercial sold and the managed money traders bought was net buying by the smaller non-reporting traders of 2300 contracts.

The key takeaway from this week's COT report was in how little was the change in net positioning and in how large the positioning changes have been since the bottom of prices on March 7 and particularly in the differences in the composition of the commercial short position between gold and silver.

In gold, since March 7, the price has risen by as much as \$240 (13%), as 100,000 net contracts (10 million oz) have been sold by the commercials and bought by the managed money traders. Clearly, it

was the buying of 100,000 contracts by the managed money traders that drove gold prices higher â?? same as itâ??s ever been. Also, as has occurred regularly, the gold raptors accounted for most of the commercial selling, in liquidating 67,000 long contracts (or 67% of the total commercial selling), with the 4 big commercial gold shorts adding 40,000 new shorts, accounting for 40% of the commercial selling. The only change in the familiar pattern was the net buying by the 5 thru 8 largest gold shorts of 7000 short contracts â?? an aberration I conclude having to do with these traders tiring of the short side in the face overall world financial developments.

In silver, since March 7, the price has risen by more than \$6 (30%) on a total of 40,000 net contracts (200 million oz) sold by the commercials and bought by the managed money traders â?? also the same familiar pattern of the decades. But what has been shockingly different is in the composition of the commercial selling. The raptors (the smaller commercials apart from the big 8) have sold, by my count, 37,000 longs, or more than 92% of all the commercial contracts sold, while the 5 thru 8 largest commercial shorts sold close to 5000 contracts short â?? leaving the 4 big commercial shorts as net buyers of 2000 net contracts (if my contention that a managed money trader is short 8000 contracts is correct).

Youâ??ll forgive me, but this is beyond man biting dog, this is up there with the earth changing its rotation and the tides reversing course. Never, in the past 40 years have the 4 big shorts in COMEX silver ever not sold and sold aggressively on a significant rally â?? this is the very first time (with the only exception being the run to \$50 in 2011, but on which there was no aggressive raptor long liquidation, as there has been now). The beautiful thing is that Iâ??m using CFTC data in historical terms â?? available to every and anyone. And Iâ??m more than happy to take the time for anyone who would like to dig into this on an individual basis.

Of course, the matter of big 4 shorting and aggressive new shorting on any silver price rally has been the focus of my attention for decades â?? nearly to an obsessive degree. I have long contended that this is the only thing that really matters as to whether the decades-old COMEX silver manipulation would end. Therefore, seeing such a radical change in pattern after all these years and decades, for me not to react as if this is the seminal event Iâ??ve been waiting for would be impossible â?? I should be institutionalized for not reacting as if this isnâ??t the biggest thing ever in silver. The most remarkable thing is that itâ??s all in the COT data.

Therefore, the situation could and should be in place in which silver prices truly and finally explode upward. After all, the raptors wouldnâ??t appear to have many more longs to sell and are generally quite reluctant to go short, so if the big 4 donâ??t add aggressively to short positions on new buying of any kind and that buying comes in (as it should on higher prices), itâ??s hard to imagine what will prevent silver prices from exploding higher.

While I detest speaking out of both sides of my mouth, there is only one thing that can delay (but not derail completely) the coming silver price explosion and that one thing is a successful and collusive final attempt by the commercials (including the big 4) to rig a selloff intended to force liquidation of the rather large managed money gross long position. With some 25,000 new managed money technical fund longs having been added on the higher silver prices over the past month, this large number of new longs represents as tempting a target as possible for the collusive COMEX commercials â?? including the 4 big shorts already holding a greatly reduced short position.

After witnessing price-rigging to flush out managed money traders in other much larger markets, like

crude oil and copper, no one knows if the crooked commercials on the COMEX will pull off one final flushing out of the managed money longs in silver. I wish I could tell you which it will be; one final flush out in which the big 4 join in on the managed money looting to the downside, or if we just blast off with no final flush out. Surely, no one is depending on the regulators to do a darn thing to prevent another contrived silver (and gold) price smash (should it occur).

My sense is that this will be decided fairly quickly and there's still no way to know for sure which it will be – a sharp price drop first, followed by the blast off higher or no drop and a blast off straightaway. There's also no way I'm stepping aside at this late stage and risk missing the certain silver price explosion to come, but it's a dangerous price environment where the silver price mechanism has been dominated by highly unscrupulous COMEX commercials and regulated by those not up to the standards intended by existing law.

I ran out of time and space for mention today, but a recurring thought while on the road and catching up on the news piecemeal, was the realization of just how irresponsible and clueless have been the collective failures on the part of certain bank managements and their regulators for the continued bank failures and shocking losses in regional bank stocks. The extent of mismanagement and regulatory failure is so stunning that it's hard to fully comprehend unless one steps away and contemplates it in a different mode – like a driving trip of a few days.

Back on March 22, I wrote an article titled, "(Some) Banks Do Dumb Things", in which I recalled a number of really egregious bank and regulatory failures in silver, including my contention that among all failures, Bank of America's blunder in ending up on the short side of a silver derivatives position to the tune of a billion oz. Subsequently, a short time later, upon the publication of the OCC's quarterly OTC derivatives as of Dec 31, it became apparent to me that BofA also had established a short position of up to 25 million oz in gold as well.

Based upon current prices, BofA's 25 million oz short position in gold is in the red to the tune of \$5 billion, while its billion oz silver short position is in the red for another \$3 billion. I know all this borders on the unbelievable – that is until you contemplate the actual developments that have occurred very recently in other banks. Suddenly, it doesn't seem so unbelievable that Bank of America could have done something as dumb as I contend.

Ted Butler

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Silver – \$25.93 (200-day ma – \$21.67, 50-day ma – \$23.55, 100-day ma – \$23.42)

Gold – \$2025 (200-day ma – \$1820, 50-day ma – \$1960, 100-day ma – \$1914)

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