May 7, 2022 – Weekly Review

The sharp and highly deliberate selloff in precious metals continued for a third straight week, albeit with some moderation; as gold fell $14 (0.7%) for the week, and silver fell a still-sharper 43 cents (1.9%). As a result of silverâ??s continued relative weakness, the silver/gold price ratio widened out another near-full point to just under 84.2 to 1. This is the most undervalued silver has been relative to gold since July 2020.

Over the past three weeks, the silver/gold price ratio has widened out by nearly 8 full points, a rather sharp and sudden revaluation and one, as far as I can see, that traces none of silverâ??s pronounced relative price weakness to anything resembling any real-world developments, apart from more extreme COMEX paper positioning than has occurred in gold. Hereâ??s a new observation (obviously in keeping with my recent strong feelings of a major price bottom developing in silver) â?? one of the recent reliable price patterns has been that whenever silver weakens extremely sharply relative to gold, thatâ??s another strong indication of a sharp prospective upturn in price for both metals. Check it out.

This weekâ??s price close registered the lowest weekly close for silver in three months and for two months in gold. This, in the face of every possible development in the real world that any rational person would attribute as bullish for the precious metals, proving yet again that the most powerful force driving prices is the positioning of paper contracts on the COMEX. Certainly, the new Commitments of Traders (COT) report bears this out in spades, as Iâ??ll cover in a bit.

I believe Iâ??ve started every weekly review for the past 11 years, with a recap of what the total weekly physical turnover or movement was in the COMEX-approved silver warehouses. I started doing so in April 2011, when I noticed a sudden sharp increase in this physical turnover from what I had observed on a daily basis since 1985. April 2011 was a notable time in silver history, as that month was when silver hit its all-time price high of $50 (or thereabouts) for the second time in more than 30 years. It was also the time when JPMorgan opened or re-opened its COMEX silver and gold warehouses in its own name (Chase Manhattan Bank, acquired JPM in 2000 and had previously maintained COMEX-approved warehouses).

As Iâ??ve previously disclosed, I had followed the daily movements and silver warehouse total levels for many years for no good reason other than it had become a daily habit which had no real purpose â?? other than I had become obsessed with all things silver since my dear departed friend and silver mentor, Izzy Friedman, lit my fire with the metal in 1985. This is what allowed me to notice the sudden change in physical turnover levels in the COMEX silver warehouses 11 years ago.

If you were to tell me back then that the physical turnover in the COMEX silver warehouses would continue for the next 11 years, I would have looked at you as if you had two heads. Yet, persist it did and this same frenzied physical turnover never appeared in any other commodity, including the other metals traded on the COMEX â?? making the silver movement both persistent and unprecedented among all other metals and commodities.

Some might suggest (although Iâ??ve seen no such comments) that I follow too closely or make too big of a deal out of the highly unusual and persistent physical movement of silver in and out from the COMEX warehouses, since so few (or any) actually speak of it as I do. However, I actually believe I havenâ??t spoken of it as adequately as I should have. Let me attempt to rectify my under-reporting on this important issue. What prompts this self-reflection is the recent string of weekly movement totals that continue to astound.

This past week, some 12.8 million oz of silver were either taken from trucks and put into the various COMEX silver warehouses or taken from the warehouses and loaded on trucks for shipment to parts unknown. On an annualized basis (the highly complex mathematical calculation that involves multiplying by 52), that comes to 665 million oz, or around 80% of total world annual mine production. Over the past 4 weeks, some 42 million oz have been physically moved in and out from the COMEX silver warehouses, mostly in full truckloads of around 600,000 oz each.

I canâ??t say such intense physical movement is without precedent, as I do recall (after reading my running notes) a period of similar extreme movement just over a year ago. Neither can I say that I ever tried to predict what a future weekâ??s movement might be, because unlike trying to handicap COT reports, thereâ??s no way I know of to predict weekly movements in advance â?? itâ??s strictly a matter of recording and observing after the fact. For all I know, the persistent and unprecedented weekly physical movement of silver to and from the COMEX warehouses could have ended at any time over the past 11 years or will in the future.

The fact that the physical silver movement hasnâ??t ended after more than a decade, more than begs the question of why not and much more importantly, why does this movement exist just in silver? As much as Iâ??ve brought this COMEX silver warehouse movement up, time and time again, I still feel I have not adequately addressed the issue in the manner it deserves to be analyzed, so let me try again.

If Amazon, or Wal Mart, or your local supermarket, which feature many thousands of different products for sale, had one product that was demanded by customers more than any other product for years on end, the most reasonable conclusion would be that that product was in great demand. We could, I suppose, debate why the product was in great demand, but not whether it was in great demand. As Iâ??ve pointed out for eons, silver has two dual and highly unique demands â?? fabrication, mostly industrial and jewelry, and straight investment demand. This makes silver quite different from any other commodity or metal.

Iâ??m sure some of the highly unique COMEX silver warehouse movement involves investment demand, but anyone buying physical silver tends to leave the stuff where it is and the COMEX is a great place to store investment silver, which brings up another point. Having just visited with an old silver friend yesterday in which, naturally we discussed silver, he brought up the fact that he had held silver on the COMEX for more than 20 years and I know of others, including Izzy and now his estate, that also have held silver stored on the COMEX for decades.

This raises a new point, namely, since so much of the 335.2 million oz (up 1.6 million oz this week, coincidently, with the holdings in the JPM warehouse up by 3.5 million oz, to 177.2 million oz) in the COMEX warehouses is held as long-term investment â?? Iâ??d guess as much as 75% to 80% or more of the total, the actual turnover is much greater than the annual 100% Iâ??ve quoted in the past â?? more like a turnover actually in the many hundreds of percent when adjusted for the investment silver there not about to be moved, except on final sale.

Therefore, by process of reasonable elimination, the lionâ??s share of the unprecedented and persistent physical movement in the COMEX silver has to be due to industrial and other fabrication demand. In other words, silver is physically flying in and out of the COMEX warehouses due to user demand, with suppliers running as fast as they can to keep up with that demand. If the big movement was generated by an excess of supply, then we would see a massive increase in the total warehouse levels, not, essentially, the flat to lower total inventories witnessed over the past two years.

That such frantic demand is occurring in a commodity that is almost singular in its depressed price is so counterintuitive that it should almost make you question your own sexual orientation. Â Fear not, however, as there is a ready and obvious explanation for how the one commodity that must be considered to be in the greatest physical demand can be so depressed in price and, hopefully, you know that explanation is paper positioning on the COMEX. While 42 million oz were physically moved in and out from the COMEX silver warehouses over the past 4 weeks, over the past two reporting weeks, 125 million oz of paper silver was sold by the managed money traders, as these traders were, obviously, snookered and duped into selling by the collusive commercials on the COMEX. Yes, I understand that all this borders on the unbelievable â?? save for the fact that everything is publicly documented.

Over at the COMEX gold warehouses, the totals were slightly higher (mostly due to rounding) by same 0.1 million oz weâ??ve fluctuated recently, this time back up to 36 million oz. The holdings in the JPMorgan COMEX gold warehouse increased by 70,000 oz to 14.55 million oz, another new all-time high.

After a full week, the deliveries in the big COMEX May silver contract are somewhat underwhelming at just over 3600 total contracts issued and with 2000 contracts still open. Iâ??m still relieved that JPMorgan has not issued (or stopped) any silver contracts in its house account and not particularly surprised that customers of JPM have issued about half of all silver deliveries but have stopped (taken) more than 90% of total deliveries.
https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

There were some modest withdrawals from the worldâ??s gold ETFs, mainly GLD, of around 300,000 oz, not much considering the price weakness of late. In the silver ETFs, there were counterintuitive deposits of several million oz, mostly in the big silver ETF, SLV. Therefore, itâ??s quite simple to conclude that the only real selling in silver is the paper variety on the COMEX – at the risk of overstating the obvious.

Turning to yesterdayâ??s COT report, expectations for further significant positioning changes were fully met, with more commercial buying and managed money selling taking place in silver relative to gold â?? befitting the more egregious and intentional price declines in silver. Had there not been significant commercial buying and managed money selling, I would have taken up astrology or the licking of frogs for price guidance. My only question is if thereâ??s been enough managed money selling in silver to qualify for the buying opportunity of the ages or if we need a bit more. The answer should come in the near future.

In COMEX gold futures, the commercials bought and reduced their total net short position by 17,400 contracts, to 231,900 contracts, the lowest (and most bullish) level since the price low of Feb 8, and 75,000 contracts less than the highest level of total commercial shorts at the gold price peak of March 8 â?? funny how that works. Weâ??re now much closer to the bullish extreme of the gold price lows (by 35,000 contracts) than the 75,000-contract bearish extreme and my expectations of a downward penetration of all three key moving averages in gold (as has occurred in silver) seem to be diminishing (he said hopefully) â?? although itâ??s never wise to discount the treachery of the collusive commercials.

By commercial categories in gold, the raptors did about half of the heavy lifting, as these smaller commercials apart from the big 8, bought 9100 gold contracts, increasing their net long position to 27,000 contracts. This is the largest gold raptor net long position since Feb 1 and is quite bullish on its face. You have to go back to May 2019, when the big move in gold from the $1300 level began to find a larger raptor net long position before Feb 1.

Despite the aggressive raptor buying the past few weeks, the big 4 did managed to buy more than 9200 gold contracts this reporting week, in reducing their concentrated short position to 166,451 contracts (16.6 million oz). The 5 thru 8 next largest traders, obviously, didnâ??t get the collusive commercial daily office memo, and ended up adding 1100 new shorts. The big 8 short position still fell to 258,924 contracts (25.9 million oz) on big 4 buying.

Of the 56,200 contracts of commercial buying over the last three reporting weeks (since April 12), the raptors have accounted for 41,900 contracts or nearly 75% of the total commercial buying. The 4 big gold shorts accounted for 15,500 of the total commercial buying, or more than 27% of the buying â?? leaving the 5 thru 8 largest gold shorts as having actually adding a bit over a thousand new shorts over the past three weeks.

On the sell side of gold, the managed money traders sold 13,270 net contracts, consisting of the sale and liquidation of 9387 longs and the new sale of 3883 short contracts. Making up the difference between what the commercials bought and the managed money traders sold, was net selling by the other large reporting traders of 5600 contracts, including 7685 contracts of long liquidation. As a result of this and another reduction in the concentrated long position of the 4 largest traders, Iâ??d peg the gold whale as being closer to 15,000 contracts, although itâ??s still uncertain how many of the 25,000-contract reduction in the gold whaleâ??s position from the top was due to the taking of delivery.

On the same past three reporting week metric (since April 12) used for the commercial category buying breakdown above, the managed money traders accounted for 49,178 contracts of the 56,200 contracts bought by the commercials or more than 87% of the total commercial buying. This reaffirms (as if it needed to be reaffirmed at all) that the main price influence on gold these past three reporting weeks was the zooming of the managed money traders by the collusive commercials on the COMEX â?? and not other various explanations put forward, such as Russia effecting a gold standard or Basel 3 or any other pipe dreams. Iâ??m not saying other factors might not influence gold prices in the future â?? all Iâ??m saying is that over the past three reporting weeks, any suggestion that the price wasnâ??t set by COMEX positioning (and commercial collusion) is poppycock (I did have a less family-appropriate word in mind).

In COMEX silver futures, the commercials bought another significant chunk of contracts, 9500 contracts and reduced their net short position to 39,300 contracts. This is the lowest (most bullish) commercial net short position since Feb 15. By commercial categories, it was, once again, mostly a raptor affair as these smaller commercials bought 7500 contracts or 79% of the total commercial contacts bought this week and increasing the raptor net long position to 30,100 contracts â?? the largest and most bullish level since Feb 8 (as silver was starting what would prove to be a $5 price rally).

The 4 big shorts bought back more than 2400 short contracts, reducing their concentrated short position to 48,055 contracts (240 million oz), the lowest this position had been since Feb 15. As a result of the heavy raptor buying and the number of contracts bought by the big 4, the 5 thru 8 next largest traders added 400 new shorts (although itâ??s possible a managed money trader may have reentered the big 5 thru 8 short trader category). Regardless, the big 8 short position fell to 69,397 contracts (347 million oz), the lowest since March 1.

Over the past two reporting weeks (from April 19), the raptors have accounted for 19,500 contracts of the 24,000 total commercial contracts bought, or 81% of the total commercial buying, with the 4 biggest shorts accounting for 3800 contracts or 16% of the total commercial buying and leaving the big 5 thru 8 as buying 700 contracts or 3% of the total commercial buying. Therefore, itâ??s easy to conclude that the silver raptors, as was the case in gold but even more in silver, are running things and running rings around the biggest shorts.

On the sell side of silver, the managed money traders sold 11,208 net contracts this week, consisting of the sale and liquidation of 3997 long contracts, as well as the new sale of 7211 short contracts. As of Tuesday, the managed money traders hold their lowest gross long position (40,692 contracts) since May/June 2020 and their lowest net long position (15,190 contracts) since the price low of early Feb. The reduction in the managed money gross long position is actually about 5000 contracts greater than I imagined a few weeks back and the only real prospects for additional managed money selling would appear to be in new short selling â?? on which these traders are bound to lose collectively when the dust settles.

At 25,502 gross contracts short as of Tuesday and likely even more in trading since the cutoff, any new silver price lows from here would seem dependent on additional managed money shorting. I have mixed feelings about this â?? on the one hand knowing that new price lows and the financial pain associated with that will come from new managed money shorting and on the other hand, rooting for as much new managed money shorting as possible because it automatically creates built-in rocket fuel type buying guaranteed to kick in as the same moving averages that were penetrated to the downside are then penetrated to the upside. Is there anyone who doesnâ??t see this (aside from the managed money shorts and the regulators)?

Explaining the difference this week between what the commercials bought in silver and what the manged money traders sold was the buying of nearly 4000 contracts of buying (mostly new longs) in the other large trader category, which I would call bullish (under the assumption these non-technical traders might recognize silverâ??s true value). Also, the smaller non-reporting traders were net sellers of around 2000 contracts, which brought them quite close (around 11,200 contracts) to the 10,000-contract level of net longs that has typified a silver price bottom over the past few years. The silver whale still looks to be holding around 15,000 contracts, despite a slight dip in the concentrated long position.

Over the past two reporting weeks (as mentioned in the discussion on physical turnover), the managed money traders sold 25,000 net silver contracts (or 125 million oz), slightly more than all the contracts bought by the commercials as a whole and proving that this game is between the commercials (largely the raptors) and the managed money traders â?? something that I have maintained for quite some time. It is the willingness of the managed money traders to so believe in their technical signals that they are willing to sell and sell short on the rigged price declines arranged by the collusive commercials that enables the silver manipulation to continue.

Others may argue that the manipulation is the work of the central banks or the US Government, but the data show conclusively that in COMEX silver futures, while the biggest shorts appear to be stuck on the short side, the smaller raptors are cleaning up. The raptors have just established a quite large net long position in gold and an even bigger net long position in silver of 30,000 contracts at what I would estimate to be an average cost basis of close to $23.50. If past is prologue, it appears to me that the silver raptors will ring the cash register in silver for at least $2 of the coming move higher â?? and a heck of a lot more if they put their minds to it.

A $2 move up in silver equals $10,000 per contract profit and on 30,000 contracts that comes to a total profit of $300 million to be divided among around 30 raptors or an average of $10 million per trader. So, it comes down to whether you think there is some secret and hard-to-conceive high-level manipulation of the price of silver for some questionable motive (to somehow protect the dollar or something) or whether 30 collusive commercial traders looking to coin multi-million-dollar profits on a consistent basis by ripping off a few managed money traders who donâ??t realize they are the marks at a crooked poker table. You can believe what you wish, but in my experience, there hasnâ??t ever been a government anywhere capable of pulling off what the sharks on Wall Street pull off as easily as breathing.

I do fault the regulators, both the CFTC and the CME Group, for not busting up a crooked game made more obvious by the day, but not to protect the brain-dead managed money trades. Instead, so big in terms of influence on the real price of silver has become the COMEX scam, that itâ??s messed up the functioning of the law of supply and demand and that has resulted in far too many losses to too many innocent investors and silver mine producers.

But enough of this Sunday Bible sermon about what is right or wrong, or what should be lawful, as I do believe the crooked game is coming to an end. Even if the raptors sell out completely on the certain minimum rally of a few dollars ahead in silver, conditions strongly suggest in the physical market that containing the price beast on the next rally could (and should) prove ineffective. The template here is the recent experience in LME nickel, where prices rose three-fold in a single day, before the exchange rushed in the protect the shorts. That, my friends, is not going to work when itâ??s silverâ??s turn.

Maybe Iâ??m just speaking my book, having convinced and cajoled my wife to fund just one more attempt by me to sink the enemy aircraft carrier via completely nutso and irresponsible kamikaze call options, but thatâ??s the way I feel. Iâ??m just torn between what I know to be the greatest physical tightness Iâ??ve ever witnessed in the near-40 years I have studied silver and a paper COMEX scam that has become so screamingly obvious that it defies description. And yes, itâ??s also true that I say Iâ??ve reached the limit to how far Iâ??ll prostrate myself to scrape up the shekels with which to purchase these ultra-longshots (until they run out and I crash into the sea, again). Â Hope (and reason) springs eternal.

The decline in gold and silver prices this week did reduce the total loss to the 8 big COMEX gold and silver shorts (courtesy of the raptors), by $500 million, to $10.1 billion. Thatâ??s down from the $13 billion loss as of March 31, but still in the range of the $8 billion to $14 billion the total loss has been for the past two years. Â And now that weâ??re getting to the end of what the managed money tradersare still capable of selling from here, itâ??s most unlikely the big shorts will ever be able to fully-coverall their shorts.

Ted Butler

May 7, 2022

Silver – $22.37Â (200 day ma – $23.82, 50 day ma – $24.79, 100 day ma – $23.96)

Gold – $1883Â Â Â Â (200 day ma – $1836, 50 day ma – $1936, 100 day ma – $1881)

Date Created
2022/05/07