

November 11, 2023 – Weekly Review

With no strong Friday rally, prices for gold and silver plunged this week; gold by \$60 (3%) and silver by \$1.04 (4.5%). As a result of silver's relative underperformance, the silver/gold price ratio widened out by more than a full point to 87 to 1 – remaining at historical levels of undervaluation for silver despite a steady drumbeat of data indicating silver's valuation, both relative and on an absolute basis should be otherwise.

Two words sum up this week's price performance – disappointing and frustrating. Disappointing because just about every factor possible, except one, pointed to higher prices. Frustrating, because that lone factor proved just as powerful as it has been over the past 40 years in dictating prices, with most of the metals world content to look away. Of course, I'm referring to the iron-clad control of paper positioning on the COMEX between the collusive commercials (mostly banks) and what appear to be the brain-dead managed money traders.

Perhaps I should have been more concerned about the 100,000 net gold contracts (10 million oz) purchased by the managed money traders (and sold by the commercials) over just three reporting weeks and not simply had classified the COMEX market structure in gold as having gone from super-bullish to neutral. But hindsight is always 20-20. Over those same three reporting weeks, the managed money traders bought only less than 10,000 net silver contracts (with the commercials selling an even smaller 7000 contracts), so it was hard for me to sound too many alarms on silver other than being concerned that the collusive commercials might lean on gold to press silver lower.

I'm not looking to make excuses (at least primarily), as much as point out what determines prices in the hopes of fine-tuning what makes the crooked COMEX pricing regime tick. Yesterday's price plunge put gold prices below all of its key moving averages, implying that the managed money nitwits are just beginning to sell in earnest (although I do hope I'm wrong). Since silver prices never really made it decisively above all its key moving averages, one would think the amount of managed money selling would potentially be much less, particularly in terms of long liquidation. Then again, since COMEX silver is the most manipulated market in history, I suppose it's realistic to expect a greater price beating for that fact alone (although I really hope I'm wrong in this case).

Perhaps my greatest frustration is due to all those who continue to pretend factors away from COMEX commercial control, like prices in China or world economic and geopolitical developments have anything to do with gold and silver prices – particularly those alert enough to include COMEX COT positioning in their analysis.

But one of the good things about my deep frustration over recent price events is that it has resulted in a number of proposed actions to be taken to rectify and fight back against the increasingly-obvious COMEX silver price manipulation. Let me run through the usual weekly review before describing one new way to deal with the COMEX silver manipulation.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses slipped this week to about half the weekly movement average over the past 12.5 years, as “only” 2.5 million oz were moved (but still a heck of a lot more than the equivalent physical movement in any other commodity).

Despite the low relative weekly turnover, total COMEX silver holdings did slip by 1.3 million oz to 266 million oz, the lowest level in 5.5 years (since May 2018). Total COMEX silver inventories are now down 134 million oz from the all-time peak of roughly 400 million oz, or by a third, since around the time of the silver short squeeze peak of early 2021. To be sure, the overall decline in COMEX silver warehouses would seem to dovetail with continuing indications of a deepening physical silver shortage. No change this week in the holdings in the JPMorgan COMEX silver warehouse, still stuck at 134.4 million oz, as has been the case for the past four weeks.

Likewise, no real change in the COMEX gold warehouse holdings, which remained at 19.9 million oz for a second week, as did the JPM COMEX gold warehouse total at 7.34 million oz.

In ETF flows, there were slight deposits in both GLD, the big gold ETF, and also in SLV, the big silver ETF, despite the pronounced price weakness (although it usually takes a day or so to know for sure). Last week, there was a near 700,000 oz deposit in the gold ETF from Switzerland, that I waited to report to make sure it wasn’t a reporting error.

In terms of the combined holdings in the two largest silver stockpiles in the world, those of the COMEX warehouses and in SLV, after falling sharply by 5 million oz last week to 707.9 million oz, the lowest level in years, this week the combined total slipped only fractionally to 707.6 million oz, despite COMEX holdings slipping to 5.5-year lows.

The new short report on stocks released late-Thursday, indicated a reduction in the short position on SLV of more than 3 million shares to just under 16.5 million shares (15 million oz), as of Oct 31. While I no longer attempt to handicap this report, I can’t call the reduction surprising and still think it is likely much lower than reported, due to the mechanism of “shorting against the box”, which camouflages the actual short position.

<https://www.wsj.com/market-data/quotes/etf/SLV>

I would note that the current reported short position in SLV is now down by more than 43 million shares or more than 72% from the all-time high of 60 million shares a year ago August. Now, whether my numerous complaints to the Securities & Exchange Commission and to BlackRock (the trust’s sponsor) about the egregious short position in SLV had any bearing on the resultant sharp reduction in the short position cannot be known for certain, although I suspect there is a connection. Certainly, neither the S.E.C. nor BlackRock offered any rebuttal to my contention that any shorted shares in SLV represented a circumstance where the number of shorted shares was equal to the number of shares not backed by the required amount of physical silver as was dictated by the prospectus. My complaints about the excessive short sales in SLV clearly gave each the opportunity to refute my contention and they failed to do so.

Here is where I usually turn to discussing the new Commitments of Traders (COT) report, but as you know, the report was delayed until Monday, given the Veteran’s Day holiday. Usually, I publish

comments late Monday when COT reports are delayed, but since I'm expecting no large positioning changes in this new report, I don't plan on publishing comments on Monday unless there are some unexpectedly large changes.

I do expect some moderate positioning improvements (managed money selling and commercial buying) in both gold and silver, given the price action that occurred over the reporting week ended Tuesday, but the really big price weakness took place after the Tuesday cutoff, particularly in gold meaning next week's report on Friday should better reflect the downward price rigging just witnessed.

I would like to mention the recent positioning in one market, crude oil, the most important commodity in the world. My last comments on oil were centered around the sharp climb in crude oil prices which I largely attributed to OPEC production cuts back in the spring when oil was trading close to \$70/bbl and the Saudi oil minister openly complained about the artificial price influence of speculative paper futures positioning. The price increase to \$95/bbl at the time of my last comments came at a time when the managed money traders in NYMEX crude oil futures had also increased their net long position by 250,000 net contracts from the spring and had injected the risk of a selloff.

Since the price highs in crude oil, prices have now fallen by close to \$20, as the managed money traders in NYMEX crude oil futures have now sold around 170,000 contracts of the 250,000 contracts they bought on the way up, with what I would suspect was even more managed money selling when Monday's COT report is published. The point I'm trying to make is that I detect no change in OPEC production cuts and sooner or later, the managed money traders will likely exhaust their net selling, since we are now approaching the levels of managed money selling that have historically constituted oil price bottoms. Lower oil prices will accelerate the managed money selling.

Roughly 35 years ago, soon after I discovered the COMEX silver price manipulation that has endured to this day, among my first two actions were contacting the CFTC and other government regulators (including the Justice Dept), as that appeared to me to be the proper and above-board action to take. I also attempted to interest what appeared to be the logical potential beneficiaries of ending the silver manipulation, in the form of silver miners (as many have continued to suggest over the years).

I did succeed in interesting one silver miner in exploring the issue, Sunshine Mining, of which Mike Boswell was the CEO, and which employed me for a while as a consultant. One of the things he help arranged was a dinner in Washington DC, as part of a regular Silver Institute meeting back around 1989 or so. Making a long story short, I never came close to convincing the silver mining community how they were being victimized by the ongoing COMEX silver suppression for a variety of reasons despite the outward obvious interest you would think this community should have in dealing with the most critical factor in their quest for profit the price of the product they produced.

I am reminded of the curious position the silver mining community seems to continue to take regarding the price of silver in recent comments made in a publication by the Silver Institute close to 35 years from the dinner I had long ago. In this new SI piece, the CEO of Hecla Mining is quoted as acknowledging a silver production deficit as unable to satisfy demand, but not to worry, because there is plenty of silver in inventories that can be called upon to meet the deficit (and with no regard to price). Of course, I'm paraphrasing his words, and I leave it up to you to decide if I am mischaracterizing his sentiments in any way. (First article last paragraph)

<https://www.silverinstitute.org/wp-content/uploads/2023/10/SNOct2023.pdf>

Frustrated, both by the past and current lack of reactions of the silver mining community to the continued COMEX silver manipulation (with notable exceptions, such as Keith Neumyer from First Majestic) and also frustrated by the continued impunity of the collusive commercial crooks on the COMEX to rig prices in full view, it dawned on me, just like necessity is the mother of invention, that there must be something that can be undertaken to thwart the manipulation.

While I still am convinced that the deepening physical silver shortage will end the ongoing COMEX scam, I don't believe anyone reading this would object to hurrying things along, so let me provide a few statistics before introducing a new idea on the road to ending the COMEX silver manipulation.

On Wednesday, I recited a number of documented facts and figures in my comparisons between gold and silver, including how investors had purchased ten times as much physical silver than physical gold in ETF dealings over the past 15 to 20 years, to the point where the silver ETFs held 50% or one billion oz of all the silver bullion (in 1000 oz bar form) versus the gold ETFs holding 100 million oz, or 3.5% of all the three billion oz of gold bullion in the world — as a way of depicting silver investment demand as being much greater in metal (not dollar) terms than in gold.

Now, permit me to cite some statistics specific to the silver ETFs. At the peak of the physical metal held in all the silver ETFs combined, around Feb 2, 2021 (the time of the silver short squeeze phenomenon), the total of all the silver held by the silver ETFs was 1.3 billion oz. Since that time, I believe the reduction of the 300 million oz held in all the silver ETFs was almost exclusively a matter of silver being removed from these ETFs due the metal being more urgently needed elsewhere and not plain vanilla investor selling. The means by which this reduction in total ETF silver holdings was accomplished was by existing shareholders converting shares in to metal and then by removing and shipping that metal elsewhere.

In this process, I am reminded of the answer reportedly given by the famous bank robber of a century ago, Willie Sutton, who when asked why he robbed banks responded simply, "Because that's where the money is." Likewise, the answer to why 300 million oz have been redeemed out of the combined silver ETFs, I would contend is "because that's where the silver was" (along with the 134 million oz taken from the COMEX warehouses over that same 2.5+ years).

But hidden within the broad statistics of 300 million oz being drained from the combined world silver ETFs over the past two and half years is that this wasn't a universal draining of all of the world's silver ETFs, as one silver ETF over this time gained more than 110 million oz in new metal holdings, meaning that the rest of the world silver ETFs actually lost more than 400 million oz. The silver ETF that gained 110 million oz from Feb 2, 2021 was the Sprott silver ETF, PSLV, which saw its metal holdings nearly triple from 60 million oz to more than 171 million oz currently.

The biggest loser of physical silver holdings was SLV, which is reasonable since it was and is the largest silver ETF. But the 250 million oz departing the SLV was also joined with more than 150 million oz leaving other world silver ETFs. The obvious question is why did so much physical silver leave SLV and other silver ETFs and why did so much come into the PSLV? While I believe I have already addressed the net decline of 300 million oz as being the only logical place from which metal needed more urgently elsewhere could be sourced, that leaves the question of why did so much metal flow into

PSLV, alone of all silver ETFs?

Here, I won't beat around the bush – because enough existing silver ETF investors grew distrustful, particularly of SLV, to move their holdings to PSLV. I, myself (or my wife) established holdings in PSLV, without liquidating holdings in SLV, as previously disclosed. It matters little whether the distrust of SLV and other silver ETFs (most likely due to negative feelings toward BlackRock, the sponsor, and JPMorgan, the custodian) was merited or not, many investors made the switch.

One last factual observation. As dramatic as the sharp growth was in the physical silver holdings of the PSLV over the past less than three years, launching it to a strong second place in total silver holdings and commanding a remarkable \$4 billion total valuation, in stark contrast to the sizable losses in metal assets of most other silver ETFs; there has been no noticeable growth in other Sprott ETFs, including its gold and combination gold/silver ETFs (the old Central Fund of Canada). What this suggests to me is that this remarkable growth in PSLV is a very silver-specific phenomenon

The new idea that struck me was why wouldn't the Sprott organization seek to capitalize on the highly-unique success it achieved as a result of mostly distrust in SLV and other silver ETFs and press its obvious advantage. It occurs to me where, for whatever reason I was unable to convince the mining community to work against the COMEX silver manipulation, by every possible comparison, the silver ETFs are actually much better candidates to expose and work against the COMEX silver manipulation, than the silver miners.

Talk about a win-win. Every single shareholder (of which there are many thousands) in PSLV and other silver ETFs would support any effort to expose the COMEX silver manipulation with the hopes of terminating the price suppression, leading to higher prices. Clearly, the silver ETFs, particularly PSLV, would stand to benefit as well, most likely greatly increasing the amount of assets under management, both by price appreciation and by attracting new investors encouraged by management's stance to help shareholders. Did I say win-win?

I'm not trying to limit this to the PSLV, but somehow I'm not thinking that BlackRock would be very receptive to me suggesting it seek to expose the COMEX silver manipulation after my repeated complaints about the short position in SLV over the years to it and the S.E.C. Likewise, I can't imagine the custodian of SLV and other silver ETFs, JPMorgan, being particularly receptive to my suggestions of it helping to expose the COMEX silver manipulation, after me identifying the bank as the big crook in charge for more than a decade. PSLV seems particularly well-positioned to undertake an effort by any silver ETF to take up this issue.

Look, let me be clear. I'm not suggesting that the folks behind the PSLV bust through the saloon doors, six-guns blazing and shoot up the joint by accusing everyone involved of being crooks. (Hey, I thought that was my job.) But just like a domestic steel producer, for example, would seek official channels to deal with uneconomic dumping by China or any other country to protect its shareholders and employees, if an investment trust company became aware of wrongdoing that is damaging to its shareholders (of which my wife is one) and also the management company itself, it seems to me that company should not stand by idly when there are constructive actions that could be taken.

In fact, I believe the current circumstance present an extremely unique and constructive opportunity for the operators of PSLV to deal with the realities of the COMEX silver manipulation in a manner that will not only serve the best interests of its existing shareholders and the company itself, but I can easily-

imagine, if handled correctly, could result in attracting enough new shareholders to vault PSLV to the largest silver ETF of all. No hard promises, but if PSLV does what I believe it is capable of doing, I can easily imagine my wife switching all her silver ETF holdings to PSLV. And it goes without saying that I would assist PSLV if called upon to devise a reasonable and effective approach.

One of the things lacking to this point is the absence of a unified front by those opposed to the COMEX silver price suppression and manipulation. The old "united we stand and divided we fall" kind of thing, as well as having strength in numbers. It has always been the commercial crooks on the COMEX, as well as the regulators who have stood together in fighting to preserve the manipulation. Again, I believe the deepening physical shortage, brought about by the law of supply and demand will soon work to end the 40-year COMEX silver manipulation. But why not try to take advantage of anything constructive to bring the manipulation to an even earlier end?

Finally, here's a genuine nod of gratitude to all those who have and do serve in our armed forces. We take too much for granted and that includes appreciating all our freedoms underwritten by those who serve in the military.

Ted Butler

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Silver – \$22.28 (200-day ma – \$23.40, 50-day ma – \$22.89, 100-day ma – \$23.33)

Gold – \$1939 (200-day ma – \$1948, 50-day ma – \$1939, 100-day ma – \$1944)

Date Created

2023/11/11