

November 18, 2023 – Weekly Review

Just when weâ??ve come to expect sharp Friday rallies, this weekâ??s version was a snoozer, but despite that, gold and silver prices surged for the week, with gold up by \$45 (2.3%) and silver ending \$1.50 (6.7%) higher. As a result of silverâ??s much greater relative strength, the silver/gold price ratio tightened in by three and a half full points to 83.5 to 1. Despite the sharp contraction, silver is still wildly undervalued relative to gold by every objective measure that comes to mind.

Not only did this weekâ??s rally come somewhat out of the blue, the rally in silver was of a quite rare outside weekly reversal variety, in which new weekly price lows were set early Monday morning and with the close for the week higher than the previous weekâ??s highs (howâ??s that for a non-union technical analyst?).

At the weekâ??s start, it sure looked like both the â??correctionâ?• in gold was turning a bit serious, as prices were setting fresh lows and about to decisively penetrate key moving averages to the downside, all while silver (already being far below all its key moving averages) was setting fresh price lows going back a month or so. It sure did look like we were about to get a price pounding to the downside.

Instead, by late Monday morning, both gold and silver prices turned around to finish higher on the day. The next day, (supposedly) upon the release of a weaker CPI report than expected, prices somehow took off higher, with gold vaulting \$25 and silver 80 cents in an instant. Youâ??ll forgive me if I sound a little suspicious of the consensus CPI story.

Instead, my sense is that something else sparked the sudden price turn around Monday morning and I canâ??t shake my, admittedly, way out speculation that it might have something to do with the email I sent to the S.E.C., CFTC, as well as the CEOs of JPMorgan, BlackRock and the CME Group, at 10:38 AM that morning, concerning the possible double counting of inventories in the COMEX warehouses and in SLV. While Iâ??ll be very quick to admit my way-out speculation was wide of the mark when appropriate, something prompted the dramatic turn around in prices Monday morning and the price blast higher on Tuesday morning and the CPI report wasnâ??t it, in my opinion.Â My initial take from yesterdayâ??s new Commitments of Traders (COT) report tends to support this general take, as Iâ??ll report later.

Before running through the usual weekly format, I have to report on one major development that came out this week, namely, published reports that indicated that India had imported some 4 million ounces of gold and as many as 60 million ounces of silver in October, simply stunning quantities. Youâ??ll recall that India went on an import binge of some 300 million oz of silver in 2022, then suddenly turned the import spigots off this year. The gold and silver buyers in India are notoriously price-sensitive and prices were quite weak in October, so that fits, as did the timing of key buying holidays and reports of easing of import duty restrictions.

<https://www.morningstar.com/news/dow-jones/202311153719/india-trade-deficit-rose-on-jump-in-gold-silver-imports>

While I consider the extraordinarily-large silver imports to be most likely a one-off, considering that 60 million oz compares with the less than 70 million oz of silver mined in the world in a month, itâ??s hard not to stand back in awe at the reported size of the imports. Obviously, the silver had to come from

and the only answer is existing inventories and this helps greatly in explaining the reductions in world recorded inventories.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses nosedived this week as only 1.3 million oz were physically moved and most of that was of the variety as total COMEX holdings rose by 1.1 million oz to 267.1 million oz, now barely above the 5-year lows set last week. No change in the JPM COMEX warehouse, still stuck at 134.4 million oz (or 31 million oz, depending on the determination of the 103 million oz held for SLV).

There have been a few low turnover weeks of late and I hope everyone realizes that I know of no way to predict future turnover results I just call them as they occur. Of course, if this week's fresh multi-year low turnover has anything to do with the upside price reversal week, then you can be sure I will be rooting for the end of the 12.5-year run of extraordinarily large physical movements in the COMEX silver warehouses.

No change in the total COMEX gold warehouses, still, effectively, stuck at 19.9 million oz for weeks, with the same for the 7.34 million oz in the JPM COMEX gold warehouse.

In ETF flows, the turnaround in gold prices did lead (as it should have) to a large deposit yesterday in GLD of more than 400,000 oz. But it was still counterintuitive in SLV, as more than 4.4 million oz came out of this ETF this week, despite one of the strongest price weeks in some time. Clearly, the massive silver imports from India in October didn't account for this week's outflows from SLV, but neither does the explanation of plain vanilla investor liquidation in the face of sharply higher prices. It still looks like the explanation of the metal being more urgently needed elsewhere is the most plausible and as such, also confirms a deepening physical shortage in silver which happens to be the first in history.

The combined total holdings in the COMEX warehouses and in SLV, the two largest stockpiles of silver in the world, fell to 704.2 million oz, down by 3.4 million oz from last week and yet another multi-year low by virtue of the outflows from SLV. We're now down by 45 million oz from what I believed were the rock-bottom lows at the start of this year. Of course, should there have turned out to be double counting in these inventories, the numbers would be sharply lower. The real kicker is that silver prices are no higher than they were at yearend despite every indication of a physical shortage. There's no way that could be without price manipulation period.

Turning to yesterday's COT report, while I made no predictions due to the sharp turnaround in prices on Tuesday, the cutoff day, the numbers seemed to make sense. Despite the price surge on Tuesday, there was an improvement in the positioning structure in gold, due to previous price weakness in the reporting week, while in silver, the price turnaround on Tuesday and upside penetration of the 50-day moving average, resulted in managed money buying (but not completely reciprocal commercial selling).

In COMEX gold futures, the commercials reduced their total net short position by 9000 contracts to 177,000 contracts. The commercial buying was spread among all commercial categories. The big 4 bought back around 1700 short contracts and held, as of Tuesday, 151,343 shorts (15.1 million oz). The next 5 thru 8 largest shorts bought back around 2100 shorts and the big 8 short position fell to 214,119 contracts (21.4 million oz). The raptors (the smaller commercials apart from the big 8) added 5200 new longs to a net long position amounting to 37,100 contracts.

Once again, it is notable that the big 5 thru 8 short position is now lower than it has been in quite some time (a situation even more pronounced in silver), which I interpret as an extreme reluctance to add to short positions, which I further interpret as a premonition on their part of higher prices to come.

On the managed money side of gold, these traders were net sellers of 13,920 contracts, consisting of the sale and liquidation of 7685 longs and the new short sale of 6235 contracts. The net long position of the managed money traders fell to 64,315 contracts (132,924 longs versus 68,609 shorts), which like the corresponding net commercial short position, remains in the neutral price zone.

However, I can't shake the impression that much greater gold price pressure was intended by the collusive COMEX commercials to induce much more managed money selling than resulted, due to the abrupt turnaround in prices on the cutoff day — a turnaround I largely attribute to the turnaround in silver prices. Yes, what I'm saying is that the turnaround in silver prices was the main catalyst to the abrupt turnaround in gold prices, knowing full-well that until then silver had been treated like the red-headed stepchild in price performance compared to gold. In other words, I believe the commercials would have succeeded much more in their intended plan to induce more selling by the managed money traders in gold, were it not for the sharp turnabout in silver prices.

Explaining the difference between what the commercials bought and the managed money traders sold was net buying of nearly 6000 contracts by the other large reporting traders and smaller non-reporting traders (mostly in the form of short-covering).

In COMEX silver futures, the commercials increased their total net short position by a very modest 900 contracts to 31,600 contracts. By commercial categories, the big 4 added around 600 new shorts to a short position now (as of Tuesday) amounting to 40,448 contracts (202 million oz). While it's never a welcome sign to see any increase in big 4 shorting, we're still far from the aggressive shorting that has proven to be the key manipulative tool used to suppress silver prices over the past 40 years. I would define "aggressive" as anything over 10,000 contracts added and over the past 5 reporting weeks (since the price lows of Oct 10), the big 4 short position has increased by less than 1700 contracts (although it likely increased since the Tuesday cutoff). By contrast, the big 4 short position in gold has increased by 31,000 contracts over that time.

The big 5 thru 8 traders in silver bought back more than 900 shorts and even though I still detect the presence of a managed money trader in that category (holding around 3000 short contracts), the number of big 5 thru 8 short contracts fell to the almost unimaginably-low level of just 12,808 contracts. By contrast, back in May, the number of short contracts held by the 5 thru 8 largest traders was more than 24,000 contracts. As far as what might account for the extremely low big 5 thru 8 net short position, once again, the most plausible explanation would seem to be an expectation of higher silver prices. Needless to say, that reasoning would seem to make a lot of sense.

At the same time, I can't help but believe that just like the 5 thru 8 traders being reluctant to adding new shorts in silver, I believe that most likely extends to some of the traders in the big 4 category, although that can't be seen by merely looking at the big 4 position. I guess what I'm saying is that it is most likely that the third and fourth largest traders in the big 4 category are also reducing their individual short positions (for the same reason as the big 5 thru 8 traders), with the biggest single short increasing its short position - making the big 4 short position more concentrated than is visible (although the CFTC would certainly know for sure). As to who this single big silver short may be is impossible to know (again, not to the CFTC) and I'm just hoping it isn't JPMorgan, nor do I suspect that it is. Any other entity could soon find itself in trouble.

Finally, the silver raptor net long position would appear to be just below 19,000 contracts (if my take of a managed money trader being in the big 5 thru 8 category is correct). That means that appears to be a rather limited amount of raptor long liquidation on higher prices, no doubt some of which was sold on the higher silver prices following the Tuesday cutoff. Of course, this makes the question of big 4 new shorting all the more critical.

The managed money traders were a lot more aggressive buyers than the commercials were net sellers, as they bought 6355 net contracts, consisting of the purchase of 5070 new longs and the buyback and liquidation of 1285 short contracts. The net managed money long position grew to 6705 contracts (30,527 longs versus 23,822 shorts), still very much in the bullish range. At first, I was somewhat surprised (and somewhat disappointed) by the sharp increase in managed money gross longs, having gotten used to the extremely low readings of the past two reporting weeks, but the fact of the matter is that 30,527 contracts is still extremely low and quite bullish.

Explaining the difference between what the commercials sold and the managed money trader bought was rather heavy net selling by the other large reporting traders and the smaller non-reporting traders of more than 5400 contracts. Not only is this the explanation, it is always good news when the commercials don't sell aggressively in the face of more aggressive managed money buying and that was certainly the case this week. It still looks to me like the set up is highly bullish in silver and that not at all bearish in gold now that the planned exploitation of the managed money traders by the commercials came to a sudden end.

I ran across a speech this week by the Chairman of the CFTC, Rostin Behnam, at the US Treasury Market Conference, that I found fascinating. It was a speech intended to answer some of the concerns raised recently about the extreme positioning held in US Treasury futures, particularly between Asset Managers on the long side and Hedge Funds on the short side.

<https://www.cftc.gov/PressRoom/SpeechesTestimony/opabehnam39>

No doubt this is an important issue, but what I found most interesting is the level of detail and analysis the Commission went to in studying this topic. Leaving aside the topic of Treasury futures, this is exactly the type of analyses I dig into when it comes to silver and gold, so that is what I found so revealing in the speech. Also, I can't help but being even more surprised that, even after sending the Chair and others at the agency every one of my articles for many years, I've never received any comment on what was, essentially, the same type of analysis portrayed in the Chair's speech.

And as impressive as was the Chair's speech on what is an admitted extremely complex

circumstance, I can't help but think of how simple, in comparison, is the answer to my question of whether the 103 million oz in the COMEX warehouse and in SLV is one and the same or separate silver holdings. Kind of like the difference between a doctoral thesis for an advanced degree and a paint-by-the-numbers exercise for a kindergarten class. Hopefully, it won't take terribly long to get the answer.

Lastly, I'm including an interview I did last week with Jim Cook, president of Investment Rarities, Inc.

Cook: Is the public's interest and knowledge about silver picking up?

Butler: I'd say yes, overall, but I am still of the opinion that most still don't fully-grasp how silver has been manipulated and suppressed in price for 40 years and this is the absolute key to why someone should buy and hold silver.

Cook: You have suggested that the silver price will explode upward rather than make small gains. Why is that?

Butler: Silver price rallies have always been capped and contained by concentrated short selling on the COMEX by the largest banks. This is at the core of the decades-old price manipulation. When the big commercials (banks) refrain from adding new shorts on silver price rallies, a selling void will cause the price to explode. It will be all bid and no offer.

Cook: Why can't the commercials keep adding shorts as they have done for decades? These big banks have unlimited money.

Butler: Top of the list is a developing physical silver shortage for the first in history. Verifiable data indicates shrinking world inventories. It's another reason for a price explosion.

Cook: Why haven't prices already risen?

Butler: Because the COMEX paper rigging manipulation has succeeded to this point in overwhelming the physical shortage. Another reason is the worldwide acceptance of the paper price on the COMEX as the real price. The most important point is that the COMEX price is almost exclusively a phony price set by two opposing groups of paper traders the banks and the managed money traders which involve zero physical dealings.

Cook: What makes it illegal?

Butler: The largest short-sellers act in unison to impact the price one way or another. US commodity law holds that speculative derivatives trading must not dictate prices.

Cook: What will end it?

Butler: A physical shortage of any commodity must eventually cause prices to climb high enough to increase supply through new production. Higher prices also limit demand causing the physical shortage to end. The physical shortage in silver has been building for 40 years. The coming increase in price must be dramatic enough to offset the damage and compensate for the time the price was manipulated and suppressed.

Cook: The current price of silver is way below what the free-market price would be. Isn't short selling silver extremely dangerous?

Butler: The big commercial shorts are more aware of this than anyone and when they refrain from adding shorts on a future silver rally, the move to higher prices will be magnified by this selling vacuum.

Cook: It's taking more time than you thought, right?

Butler: Yes. I thought it would end back in the mid-1980's when I first started petitioning the regulators and the exchanges.

Cook: You recently claimed that the fireworks would start soon. Are you sticking with that?

Butler: Absolutely. While I can't predict the precise point of the silver price explosion, all the signs, from the physical shortage to the growing awareness that silver is suppressed in price mean the fireworks start sooner rather than later.

Cook: So, what do you say to frustrated silver holders?

Butler: It can't take much longer until this fraud ends due to the emergence of the first physical shortage in history. Nothing is more bullish than a shortage of a critically important commodity.

Cook: Since we established a relationship in 2001, silver has gone from \$4 an ounce to \$24. Would you say long-term holders are ahead?

Butler: Prices did get as high as \$50, 12 years ago, but while most of my table-thumping to buy silver has proven to be profitable, there was silver also bought at prices above \$30 or even \$40 and those purchases are held at a loss although I don't think for long.

Cook: What should people know about investing in silver.

Butler: The real lesson is to buy silver when it's cheap like now.

Cook: How high might silver go in the months ahead?

Butler: One of the rules of intelligent forecasting is to either pick a price or a time period, but never both. However, in silver, I look at it differently. Since the price of silver has been and continues to be manipulated, the question is what will the price be when the manipulation ends and my answer is many times the current price in a remarkably short period of time.

Cook: Can you agree with the analyst that said silver should be held for a lifetime?

Butler: In some ways, but the whole point of investing is the postponement of current consumption to meet future financial goals so when silver prices move high enough to meet important financial goals, I see nothing wrong with selling enough silver to do so.

Cook: Do you see silver as an important inflation hedge?

Butler: Silver's suppressed and manipulated price is so low that it qualifies as just about every type

of future hedge because it's hard for me to imagine that when the manipulation ends, the price reaction higher will beat every other asset and benchmark.

Cook: What happens if an industrial user can't get silver?

Butler: The jig's up. Delays in shipments to users can't be tolerated, despite delays being tolerated by investors. To investors, delays in silver purchased are tolerated (as long as the dealer is reputable), but to users, delays mean closing assembly lines and furloughing employees. Delays mean users will rush to build up physical silver stockpiles to avoid production shutdowns.

Cook: What kind of problem can the COMEX experience with silver?

Butler: I suppose threats of delivery defaults, but that's not high on my list, as I'm more inclined to believe that the insiders at the COMEX are well-enough informed so as to side-step clear delivery defaults. In the end, they know that when the physical shortage arrives in earnest, it will be best to stand aside.

Cook: Do you still think silver could develop into an asset bubble?

Butler: Silver has the best chance of any commodity to develop into an asset bubble. Perhaps the greatest asset bubble in history. An asset bubble occurs when a large number of buyers bid the price much higher than underlying valuations would support. The bubble reaches its zenith when caution is thrown to the wind as prices shoot higher.

Cook: Are you predicting a blow-off in the silver price?

Butler: Quite possibly. The stage is set for something the world has never experienced before – an asset bubble accompanied by an industrial shortage. These are the two greatest upward price forces known to man. An asset bubble and a genuine commodity shortage appear set to combine in silver. Either one alone would have a profound impact on the price, but the combination makes it impossible to forecast how high the price of silver can go.

Cook: Will this overwhelm the manipulators?

Butler: Absolutely. The COMEX silver manipulation is the key ingredient in the greatest potential investment score ever. If silver wasn't manipulated, I wouldn't buy or hold silver because that would mean free market forces were setting the price. In other words, if silver wasn't manipulated, there would not be so many reasons to buy it.

Ted Butler

November 18, 2023

Silver – \$23.78 (200-day ma – \$23.29, 50-day ma – \$22.86, 100-day ma – \$23.37)

Gold – \$1984 (200-day ma – \$1949, 50-day ma – \$1941, 100-day ma – \$1947)

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