

November 20, 2021 – Weekly Review

After hitting fresh multi-month price highs earlier in the week, by week's end, gold and silver prices sold off to finish the week lower by \$20 (1.1%) in gold and by 75 cents (3%) in silver. Silver's relative price underperformance caused the silver/gold price ratio to widen out by a point and a half to 75 to 1.

Among the week's highlights, which included a very interesting Commitments of Traders (COT) report, particularly in silver, was news out of India that silver imports surged for the second month in a row, after a silver import drought that persisted for more than a year. It was reported that India imported 30 million oz of silver in October, after a 20 million oz inflow the prior month. To be frank, I am always suspicious of statistics from India (and China), but assuming the data are reasonably accurate, I'd like to share some thoughts.

India has always been a huge importer of silver (and gold), so it was perplexing to me why annual silver imports plunged to negligible levels starting in mid-2020, particularly as gold imports fared much better. In trying to explain why silver imports fell so sharply and have reignited over the past two months, I believe it has to do with the silver/gold price ratio.

After years where the silver/gold price ratio widened out to 80 to 1 or much higher, culminating in the spectacular blow off to 125 to 1 in March 2020, in which silver reached the cheapest level it had been relative to gold in a history that dates back thousands of years (thanks to overt COMEX price manipulation), silver's sudden turn to outperform gold, reaching 65 to 1 and the most overvalued it had been to gold in years earlier this year was a turnoff for value-conscious Indian buyers.

If anything, Indian and Asian precious metals buyers are much more value conscious, unlike their Western counterparts, and never seem to chase rising prices, so it seems to me that this is the reason for the sharp falloff in Indian silver buying as silver's relative value to gold grew too strong as silver recovered more sharply than gold after the March 2020 lows. Now that the silver/gold price ratio has settled down and silver has backed off a bit relative to gold, Indian buyers have returned, and if one believes the published statistics, have returned with a vengeance.

The upshot of all this is that now that the COMEX market structure may be warning of a possible selloff in gold and silver prices, should those lower prices be actually realized, it is reasonable to expect that Indian silver (and gold) buying would continue to be strong, offering the hope that one of these days (as Jackie Gleason would say on the Honeymooners)) that physical demand will finally trump the crooked COMEX paper dealings and to the moon we go.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses rebounded sharply from the prior-week's one-year lows to multi-month highs, as just over 7.5 million oz were moved this week (nearly 400 million oz on an annual basis). Of all the detailed COMEX statistics recited with excitement on a daily basis, it continues to astound me that hardly a word is uttered about the unusual and unprecedented physical movement of silver into and out from the COMEX warehouses.

Total COMEX silver inventories rose by 0.7 million oz to 353.5 million oz, still much closer to the lows of the year than the highs of nearly 400 million oz earlier in January. Silver holdings in the JPMorgan

COMEX warehouse rose by 0.3 million oz to 179.6 million oz. Not that future movements are predicable in any way (that I know of), it generally seems to make sense for COMEX silver and gold warehouse inventories to rise as we approach a major COMEX delivery month, which is shared in both gold and silver for December, the only month of the year with the same traditional delivery month in both metals.

Total COMEX gold warehouse inventories rose by 0.25 million oz this week to 33.35 million oz, with no change in the JPMorgan COMEX gold warehouse which remained at 12.56 million oz.

Much appears to be written about silver deliveries in the current November non-traditional COMEX silver delivery month, but for the life of me, I don't see anything signaling anything particularly significant to price direction, but I'll keep looking.

There was a 260,000 oz deposit into the big gold ETF, GLD, last night, no doubt in reaction to the firming gold price, but, ironically, gold price weakness later in the week threatens to undo future physical ETF inflows. Nothing special to report on flows of physical metal, either in or out, in the silver ETFs.

Turning to yesterday's release of the COT report, the overall results matched my non-specified expectations of deterioration (managed money buying and commercial selling) given the fairly sharp price rises of as much as \$40 in gold and a full dollar in silver over the reporting week ended Tuesday.

Had there not been such positioning changes, it would have been necessary to call in Sherlock Holmes to solve such a mystery. If anything, the increases in the headline number of the total commercial net short position in gold was bit less than I would have expected and a bit more in silver had I published specific predictions. As always, there were some really interesting revelations under the hood, particularly in silver.

In COMEX gold futures, the commercials increased their total net short position by 12,100 contracts to 287,500 contracts, less than I would have expected given the very large 41,000 contract increase in total open interest. While phony and market neutral spread creation accounted for about half of the increase in total open interest (no surprise), I should point out that we are now on the flip side of that phony spread creation and from now until first delivery day at month's end we should witness phony spread liquidation and appropriate drops in total open interest in gold and silver.

Phony spreads aside, the total net commercial short position in gold is now firmly in the bearish category, as much as it pains me to say. This is another new commercial net short high-water mark going back to February and if gold does decline in price from here, no one should wonder why. Yes, I know that the fundamentals in gold are bullish (and wildly so in silver), with the only possible negative force being COMEX positioning, but since when hasn't crooked COMEX positioning determined price? Like most everyone, I would hope the commercial shorts get blown out of the water, but such hopes haven't mattered much in the past.

By commercial categories in gold, the 4 big shorts added just over 7200 new shorts to a concentrated net short position amounting to 156,829 contracts (15.7 million oz) as of Tuesday. The next largest 5 thru 8 traders added 700 new shorts and the big 8 held 249,333 contracts short (24.9 million oz). It was the largest big 4 and big 8 gold short position since February, not a particularly comforting sign. The raptors (the smaller commercials apart from the big 8) added 4200 new shorts to a short position

amounting to 38,200 contracts, also the most bearish they have been since February.

It doesn't give me much (actually no) pleasure to report that the commercials, quite literally, appear loaded for bear. The nearly 29 million oz total commercial gold net short position on the COMEX is less than one-percent of the 3 billion oz of gold bullion in existence and to think that such a small percentage of the world's gold bullion, in paper form no less, would and could dictate gold prices seems preposterous – except from real world observation. Whenever these COMEX commercial crooks have been aligned as they currently are – Three Musketeer style on the short side – gold prices have not run strongly higher, at least not for long.

There is, of course, a first time for everything and the way the macroeconomic stars seem to be aligned, this just could be the time the commercial shorts get their comeuppance. Perhaps it's not too much to hope for, but if the COMEX commercial crooks prevail again, and prices do get flushed out to the downside, I'm hopeful all the recently converted gold bulls of some public stature will finally recognize what a cesspool of vermin and vipers is the COMEX.

I even recently read a tweet from a well-known gold bull chastising those that believed in the COMEX manipulation premise as likely to miss the eventual up move. That's poppycock. One thing I'm fairly sure of is that those who recognize the existence of the COMEX price manipulation are as bullishly positioned as possible – while also prepared for selloffs when the commercial short position is as extreme as it is now. Believers in the manipulation premise are among the strongest holders of all and should not be ridiculed.

Finishing up on the gold COT report, the managed money traders were net buyers of 16,775 contracts, consisting of the purchase of 17,335 new longs, as well as the new sale of 560 short contracts. As should be expected, the managed money net long position of just over 142,000 contracts is about as large as it's been since the spring of 2020, more than a year and half ago. There were more than 7000 contracts of net selling by the other large reporting traders, mostly in the form of new short sales of more than 9200 contracts, obviously an alignment with the heavy commercial selling.

There was an increase of 2600 contracts in the concentrated long position of the 4 largest gold longs, but I am hesitant to attribute the increase to the gold whale I have been writing about and prefer to stick to around 38,000 contracts for the whale's long position. What's going to be most of interest to me is how the gold whale will react, if at all, to a successful price rig lower by the commercials. Will he sit pat and ride it out (should we get a selloff) or adjust the position in some way. I have no way of anticipating what the whale may do or not do and can only respond to the data as reported. It still amazes me that no one speaks of this gold whale.

Turning to COMEX silver futures, the commercials increased their total net short position by a very hefty 12,500 contracts to 66,100 contracts. This is the largest (most bearish) total commercial net short position since June. Since the increase was much larger than I would have expected, at more than 50% greater than the increase in total open interest of around 8000 contracts, after I pulled my head off my desk, I couldn't help but be astounded that the 4 largest shorts only accounted for around 400 contracts of the 12,500 contract increase in total commercial shorting. Let me run through the numbers before returning to this most unusual development.

The big 4 silver short position is now (as of Tuesday) at 46,331 net contracts (232 million oz). The next 5 thru 8 largest traders added 800 new shorts and the big 8 short position amounted to 64,772

contracts (324 million oz). The smaller commercials, the raptors sold a quite remarkable 11,300 contracts, converting a net long position of 10,000 contracts into a 1300 net short position, the first time the raptors have been net short since April 2017. I hope you know this is exactly as I was hoping, namely, with most of the selling by the raptors and not the big 4. Still, I found the actual results nothing short of extraordinary.

The managed money traders added 8042 net longs, consisting of new longs in the amount of 8681 contracts and new shorts of 639 contracts. Making up the difference between the 12,500 net contracts sold by the commercials and the 8000 or so net silver contracts bought by the managed money traders was smaller non-reporting trader net buying of 3769 silver contracts.

I can't help but notice that the commercials allowed gold prices to decisively penetrate all of its key moving averages to the upside, content to add short positions on those higher prices. But in silver, it was quite different in that the commercials only allowed two of silver's key moving averages to be upwardly penetrated and strongly defended and prevented silver's 200-day moving average from being penetrated. I don't think this was accidental or coincidental, but reflected a greater concern to keep silver prices capped and contained by any means possible.

Let's face it – the prospects for a severe physical silver shortage are as plain as day, whereas a genuine physical shortage in gold seems highly unlikely, if not impossible given the fact that so little gold gets consumed and destroyed by industrial consumption compared to silver. I can easily see the COMEX commercial crooks lowering the price boom on gold in order to press silver prices lower.

Now, getting to what really made the silver COT report so unusual was the lack of selling on the part of the big 4 this reporting week and last. Over the past two reporting weeks, the raptors have sold 15,700 silver contracts, while the 4 big shorts have sold only 661 contracts. There has never been such a commercial category selling mismatch in the decades I have studied the COT reports. As I would imagine you might be aware, I have insisted that the concentrated short position of the 4 largest commercial shorts is at the heart of the COMEX silver manipulation for the past nearly 40 years and can count on one-hand (with at least 4 fingers remaining), the number of analysts and commentators which have agreed with my take.

In fact, the concentrated short position of the 4 largest COMEX silver shorts was what prompted me to write to the Commodity Commission earlier this year by way of my elected officials. After delaying for two months, the Commission finally responded and, much to my surprise, instead of the usual vehement disagreement the Commission had always mounted to past petitions of mine about this very same issue, this time there was no disagreement at all and their response was that they were taking my concerns under consideration and had forwarded them to both the Market Oversight and Enforcement Divisions.

By way of brief review, my concerns had to do with the very large concentrated short position of more than 65,000 contracts (325 million oz) sold and held at the precise silver price high on Feb 2, as well as the fact that the commercials on the COMEX never bought back short positions on higher prices – a basic affront and insult to how free markets are supposed to behave.

Since the price top of Feb 2, the 4 big shorts have bought back a good chunk (near 20,000 contracts or 100 million oz) on the lower prices that were engineered and rigged by the COMEX commercials over the balance of this year. While encouraging, this left unanswered the issue of what the 4 big shorts

would do on the first silver rally of significance. Perhaps I may be a bit premature, but it seems to me that the past two reporting weeks did feature a silver rally of significance, upwardly penetrating two of silver's three key moving averages and touching, but not decisively penetrating the third (the 200-day moving average). The COT data clearly indicate that the 4 big shorts, essentially for the first time in history, did not add to their silver short positions aggressively.

Yes, there was an earlier silver rally from the end of March to June in which the 4 big shorts did add, but not particularly aggressively to their silver shorts, but according to the timeline of my writing to the Commission and a reasonable expectation of when it would act against the big 4, this more recent rally would more easily fit into the timeline of the Commission acting against the big 4. At least, that's my take supported by the actual data.

So, what am I suggesting this may mean? I am suggesting that the Commission, after close to 40 years of inaction, may have finally reacted to what has been an in-your-face market manipulation and silver price suppression as plain and obvious as the nose on your face. I'm not expecting a big mea culpa from the Commission for having blown completely its most important responsibility to uproot manipulative price behavior, because any such admission would, quite literally, doom the agency's future survival.

Remarkably, I'm not doing high-fives and dancing in the endzone because the story is far from complete. After all, despite the lack of increase in the big 4 concentrated short position over the past two reporting weeks, the sad fact is that silver still has the largest concentrated short position of any commodity, by far, in the real-world terms of actual production and consumption. And it still remains to be seen if the commercials, be they the big 4 or the raptors, will ever actually buy on higher prices, as would be expected at some point in a free market.

Still, I am beyond pleased and encouraged by the data over the past two reporting weeks. Yes, I know full-well that very few truly understand what I go on about with the concentrated short position, but it sure appears to me that the Commission has finally awakened to the issue (along with the big 4) and that's all that really matters. In searching for a plausible alternative explanation for why the big 4 shied away from adding aggressive new shorts, other than they were ordered by the Commission, I come up empty-handed.

Unfortunately, despite the actual evidence that great change is afoot in terms of the concentrated short position in COMEX silver, if someone put a gun to my head, forcing me to bet on short-term price direction, I would have to say lower, most likely below the key moving averages in gold and silver. This is predicated on the collusive COMEX commercials have their way, yet again, with the mechanical and essentially brain-dead managed money technical funds. Again, I'm not playing it that way, content to further position to the upside should those lower prices be achieved. We are far too close to the real price liftoff, in my opinion, to mess around with short term moves and try to get too cute.

Still, if those lower prices are seen in the short term, I will also be interested in the reaction to the great mass of analysts and commentators wildly bullish at this point. If most fail to recognize the obvious that prices were deliberately rigged lower, I wouldn't give you a plug nickel for the lot.

One thing I am fairly certain of in the event we do get a short-term downdraft (and I do hope I'm wrong about a price dip) is that the 4 big shorts, along with the raptors will be buying as many gold and silver contracts as they all can. In fact, based upon recent price action, I think that the commercial

buying process may have already begun with the price weakness towards the end of last week.

I don't like talking out of both sides of my mouth, but sometimes that's unavoidable. I am beyond ecstatic that my petitions to the Commodity Commission finally appear to be bearing tangible results, meaning that I believe the 4 big shorts are unlikely to ever add aggressively to the short side of silver again; but I still am concerned that the raptors will be able to muscle prices lower and hoodwink the nitwit managed money technical funds into selling ahead. Obviously, I hope I'm correct about former and dead wrong on the latter.

I see that copper prices rebounded fairly sharply after blowing out the 200-day moving average to the downside on Wednesday. Therefore, I believe the lows in price are most likely behind us.

As a result of the decline in gold and silver prices this week, the big 8 COMEX gold and silver shorts saw their total losses drop by \$750 million to \$10.6 billion.

Ted Butler

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Silver – \$24.65 (200 day ma – \$25.39, 50 day ma – \$23.56, 100 day ma – \$24.15)

Gold – \$1848 (200 day ma – \$1793, 50 day ma – \$1791, 100 day ma – \$1794)

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