November 23, 2021 – From Bear to Bull

That was fast. It seems that no sooner had I warned about a possible selloff in gold and silver that the criteria for that selloff, a negative COMEX market structure, may have already been rectified. By way of quick review, on Saturday, I outlined why it was likely (as much as it pained me to do so) for the commercial crooks on the COMEX to rig prices lower with a downside target of penetrating all the key moving averages in gold and silver.

No, I wasnâ??t really contemplating that by this morning, barely one full-trading later, that all the key moving averages would be decisively penetrated. After all, not only have I always tended to advise against using the COMEX market structure (based upon the COT report) as a market timing tool, but changes in market structure tend to take weeks, if not months, to play out. Not this time (to put it mildly).

In fact, it is the very nature of this latest price rig lower that causes me to break with my rather rigid publishing schedule and put this note up today and skip the usual Wednesday missive. Next article will be Saturdayâ??s weekly review.

My reason for publishing this piece early is that all the price/moving average criteria have suddenly been rearranged and, essentially, satisfied. To be sure, this is not really a switch from me being bearish to bullish, as I believe you know I was already extremely bullish on the prospects for silver prices moving much higher. All that has changed is that the short-term cloud of a negative COMEX market structure appears to have been lifted.

No, Iâ??m not attempting to become short-term oriented and still remain, at heart, long term focused based upon the actual supply/demand physical metal fundamentals. Those fundamentals, from everything I look at, have never been as bullish as they are now for silver. What has changed, once again, is that the short-term cloud of the negative COMEX market structure has parted or is in the rapid process of being dissipated.

Does this mean we canâ??t go lower from here in silver and gold prices? No, thatâ??s always possible. But it seems to me that any silver purchases made at the new lower prices will not take that long to be much higher than currently. So, yes, I am stating that this is a good spot to establish and add to positions on a scale down basis for the simple reason that most of the managed money selling and commercial buying appears to have already taken place.

On Saturday, I did raise (or tried to raise) the notion that the COMEX gold market structure was more negative than the silver market structure (given the unusual behavior of the 4 largest shorts in silver) and because of that it wouldnâ??t surprise me if the collusive commercials tried to use a sell-off in gold to pressure silver prices lower. It appears to me that is exactly what played out, as gold prices initially were much weaker on this selloff, with silver â??catching upâ?• on the downside later.

As egregious and contrived as this latest selloff may be, it is my contention that by its nature it signals that a great change may be at hand. This is not the kind of selloff that portends many more such selloffs ahead. Instead, it suggests a grand finale of some sort. Specifically, I donâ??t recall a quicker blast down through as many key moving averages in both gold and silver as this one. Admittedly, I had sensed an urgency in past selloffs, but not to the extent evident on this one.

Most importantly, I am still reeling a bit from the lack of aggressive short selling by the 4 big silver shorts over the past two reporting weeks. Although the big 4 not selling has been the lynch pin of my manipulation premise for nearly 40 years, when something you have highlighted for that long actually does come to fruition, it is special. Not that I am conflating the two, but I think I have some sense of how Moses must have felt after wandering in the desert for that long.

As has always been the case over the past 40 years, on every significant price decline, there is always significant managed money selling and commercial buying and there is absolutely no reason to believe this type of positioning has not occurred â?? in spades â?? yesterday and today. It is this specific positioning that is the main price driver. The question is always how much more until the positioning is established to the extent the commercials are capable?

On this selloff, despite the fact that the 4 big COMEX silver shorts hadnâ??t sold short aggressively into last weekâ??s price top, I am fairly certain that they have been buying aggressively, along with the raptors on this selloff. This will further reduce the concentrated short position of the 4 big shorts. Weâ??ll have to wait until next Monday to uncover the exact details, as this weekâ??s COT report will be delayed, due to the Thanksgiving Day holiday.

To be sure, itâ??s a given that the commercials, including the big 4 and 8 and the raptors (the smaller commercials), will be buying every contract that the managed money traders and other speculators can be hoodwinked into selling. So, the real question is how much the managed money traders can be expected to sell. It gets a little tricky gauging how many contracts the managed money traders might sell because the selling includes both long liquidation and new short selling by these traders.

When the moving averages are suddenly penetrated to the downside, most of the managed money long liquidation occurs quickly, but itâ??s more problematic gauging when they might be done adding new shorts. Therefore, Iâ??m reasonably certain that the bulk of the new managed money longs added on the recent up leg, say 50,000 contracts or so in gold and 9000 contracts in silver, have already been sold over the past two days. Iâ??m less sure of how many new managed money shorts the commercials can induce and, therefore, that remains the wild card. Considering that the managed money traders have never collectively profited on gold and silver short sales in the past, one would think they would be reluctant to add any new shorts on price plunges, but they never seem to learn.

So, if I am premature on my bear to bull short-term conversion, it will be because it takes more time (and lower prices) to herd those managed money traders onto the short side that can be so persuaded. However, against this possible extension in time and lower price levels of inducing every last managed money short into the market stands the reality of the ticking time-bomb of the physical market in silver â?? which is as tight as I ever recall.

Developments that would normally be expected to boost silver prices, such as the sudden threats of mine shutdowns in both Mexico and Peru for environmental reasons have been brushed aside as the commercials race to induce maximum managed money selling â?? same with the recent news of a silver import surge into India. But just like one canâ??t fool Mother Nature indefinitely, the deliberate and intentional bombing of silver and gold prices can only fool the physical market for a limited time.

About the only news I saw this week that made sense was the designation that JPMorgan was the most systemically important financial institution in the world. Iâ??ve long contended that the only reason this crooked bank was allowed to skate away from its manipulation of silver and gold since acquiring Bear Stearns was that no matter how egregious JPMâ??s actions may have been, there is no way any government official would ever take steps that might threaten JPMorganâ??s continued existence. Charging JPM with its real manipulation in silver and gold would definitely threaten its continued existence. Besides, thatâ??s yesterdayâ??s news â?? now that JPMorgan holds more physical silver and gold than anyone and is no longer short on the COMEX, Iâ??m not looking for it to go under (although it does grate on me that it is in the catbirdâ??s seat).

Please understand the purpose of this early report. Iâ??m not aiming for some short-term top gun trading title, as my focus is still very much long term. My frame of mind when I wrote on Saturday in no way contemplated that I would be writing this today – itâ??s simply a case of the circumstances appearing to have changed dramatically. Â Â I understand full-well the cunning and treachery of the COMEX commercial crooks, having observed them for four decades. Yes, it is quite possible they can still engineer substantially lower prices ahead, but my sense is that there has been sufficient improvement in the COMEX market structure, as a result of the price rig job yesterday and today, that much of the price risk I sensed on Saturday is no longer present.

Iâ??m also of a mind that when, not if, we do turn upward in price, the move will rival and exceed the sudden manner in which prices just fell. Therefore, it seems to me that new silver purchases should be made to both establish positions and with an eye to add more on a scale-in basis should prices continue to move lower. Apologies in advance if I turn out to have been too quick on the buy-trigger. Thatâ??s the nature of trying to catch a falling knife.Â Just no buying on margin, please.

It almost goes without saying that the price plunge yesterday and today has greatly reduced the COMEX big 8 gold and silver shortsâ?? total losses, although I believe that was only secondary to the positioning changes that took place. Compared to Fridayâ??s close, the big 8â??s total loss id lower by nearly $2 billion to $8.6 billion.

Again, no article tomorrow, next article on Saturday.

Ted Butler

November 23, 2021

Silver – $23.50Â Â Â Â (200 day ma – $25.37, 50 day ma – $23.57, 100 day ma – $24.13)

Gold – $1789Â Â Â Â Â Â Â (200 day ma – $1793, 50 day ma – $1791, 100 day ma – $1795)

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