

November 25, 2023 – Weekly Review

After a one-week absence, we returned to the strong Friday price rally pattern that prevailed for five weeks, and which propelled gold prices higher this holiday-shortened week by \$19 (1%) and silver by 60 cents (2.5%). As a result of silver's greater relative price strength, the silver/gold price ratio tightened in by nearly a point and a half to just over 82 to 1, about mid-range for where the ratio has been over the past year.

The really strange thing about yesterday's rally, particularly in silver, was that the trading volume was extremely low for a move to multi-month price highs, especially when adjusted for roll-over volume ahead of next week's concurrent first notice of delivery days for both gold and silver (with December being the only month of the year where both metals share the same delivery month). Also noteworthy was that the reduced trading volume included two trading days, Thursday and Friday.

Completing the strangeness of yesterday's trading was the rather sharp jump in the preliminary total open interest in silver of nearly 5500 contracts, with my best guess being that there might be a sharp downward adjustment when the final total open interest data are published late Monday morning. In any event we'll have to wait until next Friday's COT report is published to know for sure, as Monday's COT report will only cover trading through this past Tuesday, in order to decipher any significant positioning changes that may have occurred yesterday.

Light trading volumes and unusual changes in total open interest aside, by most measures both gold and silver have experienced price breakouts of note and any further significant price advances from here will put gold at new all-time highs and should silver ever decisively take out the \$30 level, to at least a 10-year high. Of course, at similar times in the past, this is where the collusive COMEX commercials typically make a stand to prevent such serious breakouts. This makes the coming COT reports particularly instructive.

In gold, it would appear there has already been evidence of the commercials selling into the near-\$200 rally from the recent lows, as Monday's COT report should indicate a sharp increase in commercial selling of upwards of 30,000 contracts thru Tuesday. Fortunately, the bulk of the more than 100,000 contracts of total commercial selling of in gold since Oct 10 has been of the raptor long liquidation variety, as the 4 biggest shorts have only added a bit over 30,000 new shorts since then. This makes Monday's report somewhat critical.

In silver, the key feature will also be how many shorts were added by the 4 biggest shorts, as up to the last COT report, they had only added less than 2000 new shorts since Oct 10. Then again, silver prices had been lagging gold and it was only in the reporting week covered in Monday's COT report that we'll get to see the positioning that occurred as silver prices fully-penetrated its key (200-day) moving average for the first time in months. As indicated on Wednesday, I'm prepared for overall deterioration (managed money buying and commercial selling) of 5,000 to 10,000 contracts, with more interest in the breakdown of commercial selling. (As a reminder, I do plan comments on Monday's COT report late that day around 6 PM EST or so).

Of course, the overriding thought I had about yesterday's sharp and unexpected rally in silver was if this was finally the start of the price liftoff that should have occurred long ago. I've always

suspected silver would take off when least expected. And aside from personally expecting it just about every single day for many years, I can't say I was particularly expecting yesterday's rally so who knows? When I superimpose silver's price pattern over what I see occurring in the real world of silver, all I can do is scratch my head and wonder what the heck I could be missing, as the price versus the actual facts sure don't make sense (without the manipulation argument).

Not to beat it to death, but on Wednesday I went over the most recent statistics from the Silver Institute on actual supply and demand that still astound me. The key takeaway was how much silver was available to the world's investors once the necessary and much less-price sensitive uses of silver for industrial, photography, jewelry and silverware were accounted for. Even though I wrote Wednesday's article with no outside prompting (aside from the SI's reports), I did leave something out that was quite important.

Prior to writing Wednesday's article, I always had the assumption that the non-investment uses and demand for silver accounted for around 50% of total current supply (mine production plus recycling). But the data I referenced from the Silver Institute indicated that the non-investment demand for total silver supply was close to 88%, leaving only 12% or around 120 million oz available for the world's investors annually.

Moreover, total non-investment silver demand of 879 million oz for 2023, was 59 million oz **more** than the 820 million oz of total world mine production, meaning every single ounce and then some of world mine production was not available to the world's investors which had to be satisfied with a portion of recycling not consumed by necessary demand for silver. No exaggeration this blew me away someone who has been studying silver for most of his adult life.

As a result, how could I or anyone not expect that the price of silver to explode at any moment and that yesterday's unexpected rally might be more than a flash in the pan? Most importantly, even if the highly-crooked and extremely collusive COMEX commercials somehow engineer and rig yet another sell-off from this rally, there's no way they will be able to do so forever as the current sharp imbalance between actual supply and demand cannot possibly be corrected without sharply higher prices.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouse snapped back a bit (particularly considering it was a four-day work week), as 3.7 million oz were moved and total COMEX silver inventories rose by 0.5 million oz to 267.6 million oz. Once again, no change in the holdings in the JPMorgan COMEX silver warehouse, still stuck at 134.4 million oz.

Also, no word yet on my letter to the chairs of the S.E.C. or the CFTC about the possible double-counting of the 103 million oz in the COMEX warehouses and held for the big silver ETF, SLV, by JPMorgan in New York. Most typically, the turnaround time for writing to a government agency through one's elected officials can take a month or two, as it did when I wrote to the CFTC in 2021 about the concentrated short position of then 4 largest silver shorts and when I wrote to the Office of the Comptroller of the Currency about Bank of America's massive silver OTC derivatives position in 2022. But the current matter of possible inventory double-counting is much simpler, essentially, boiling down to a phone call to JPMorgan and no more than a few minutes to settle the matter. I plan on contacting the staffer in my congressman's office Monday for a status report.

No change, effectively, for the past six weeks, in total COMEX gold warehouse holdings of 19.9 million oz, as well as no change in the gold holdings in the JPM warehouse of 7.34 million oz.

There was a very large delivery of more than 3600 contracts (360,000 oz) of gold in the expiring November COMEX contract, where JPMorgan was the issuer and Bank of America was the main stopper, but truth be told, it didn't appear to have much price impact so I continue to be unable to discern a deeper meaning. The big December deliveries begin next week.

There were continued inflows into the gold ETFs, mainly GLD, of 150,000 oz or so and deposits of more than 3 million oz into the big silver ETF, SLV (although there were big redemptions in the silver ETF, SSLV).

The combined holdings in the COMEX silver warehouses and in SLV rose to nearly 707.8 million oz, up 3.6 million oz and erasing last week's sharp decline, but are still down by more than 40 million oz year-to-date, and down nearly 400 million oz from the peak of early 2021. I still maintain that the sharp reduction in recorded world silver inventories over the past nearly three years is more a case of silver being taken out and shipped to locations where it is more urgently needed as opposed to plain vanilla investor selling.

I do admit that there has been no great silver investor buying demand largely due to the lack of an upward price movement that creates investor buying in all investment assets. The ongoing COMEX silver manipulation has succeeded in holding off collective investment buying, but hasn't resulted in collective investment liquidation. A conversation on Thursday on the occasion of a family Thanksgiving brought that point home for me.

We went to my son's house for dinner and I had the chance to speak with my daughter-in-law for a few minutes in the kitchen. Her father had suddenly passed away a month ago and aside from the shock of suddenly losing a parent (she was with him at the time of his passing), there was also the shock of having to take over his bankruptcy law practice suddenly. Fortunately, Ali had assisted him in the past and was a lawyer herself, so she jumped in to do what she could (I'm sure this would have pleased her dad). Still, it was a shock in more ways than one, as she went overnight from being a stay-at-home Mom to giving advice on legal matters.

Ali is a bit shy and introverted, so I used the occasion we were alone to engage her in how things were going, seeing as she was suddenly up to her neck in alligators. I asked her if she had any new clients and she relayed how earlier in the week she had a prospective new client who was all set to retain her services, but after going through an hour and a half of the series of questions required to satisfy the court that the client met the financial criteria to qualify for bankruptcy, there was a snag.

As it turned out, after asserting that the petitioner for bankruptcy owned no assets of true worth, according to a strict list that included everything from what type of couch and bedding and clothing and personal effects one might own and stipulating that the client was truly without assets Ali then informed the prospective client that she would have to provide recent bank statements, a usual requirement.

At this point, the prospective client stiffened and asserted she had recently received \$10,000 from her son and had used the money to buy four one-hundred oz bars of silver, which she had absolutely no

intention of giving up, as would be required by bankruptcy law procedure. Since she had disclosed this to Ali, as an officer of the court, there was no ethical or legal way to ignore the silver owned and that ended the pending legal arrangement. When asked what was so important about retaining the silver, in light of wiping out \$40,000 in credit card debt, the prospective client was adamant that silver would soon soar in price due to a banking collapse and the thought of selling it was out of the question. As a result, no new client.

Call it an unexpected coincidence, but had I not engaged my quite shy daughter-in-law in a well-intended conversation to see how she was coping under what were the sudden extreme circumstances she found herself in, I can assure you that the prospective client experience just recounted would have never have come out. Perhaps I'm stretching things a bit, but I can't help in concluding that the flat-out refusal to part with the silver owned even for reasons I don't necessarily agree with (imminent bank failures) seems to confirm my take that while investors may not yet be buying silver hand over fist, those that do own it aren't parting with it either.

As and when prices do rise significantly, it's hard for me to imagine how the silver price rise won't set off a collective investor buying stampede – a stampede that will run smack into a largely unrecognized lack of available silver for sale, at least according to the current statistics from the Silver Institute. Maybe the crooked and collusive COMEX commercials can sell enough manipulative paper silver to prevent prices from exploding for at least a little while longer. Then again, maybe not and that's what makes every rally, particularly the type of rally that occurred yesterday, so darn intriguing, since I know that silver will explode, just not exactly when.

Ted Butler

November 25, 2023

Silver – \$24.38 (200-day ma – \$23.42, 50-day ma – \$22.91, 100-day ma – \$23.40)

Gold – \$2003 (200-day ma – \$1951, 50-day ma – \$1945, 100-day ma – \$1949)

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