November 26, 2022 – Weekly Review

Gold and silver prices managed to finish a bit higher over the holiday shortened trading week, with gold ending $3 (0.2%) higher and with silver finishing up by 48 cents (2.3%), following weakness in each earlier in the week. As a result of silverâ??s relative outperformance, the silver/gold price ratio tightened in by a point and a half to 81.7 to 1.

Trading volumes were very much on the light side, mostly centered on rollovers from the big December COMEX delivery month next Wednesday, featuring the only concurrent traditional delivery month of the year in both gold and silver. While it attracts much attention, I have had trouble forming any strong conclusions about the connection between deliveries and price movement to this point. Of course, with physical market conditions indicating pronounced tightness, particularly in silver, itâ??s only natural to anticipate some type of delivery drama at some point, seeing as major delivery months on the COMEX do seem to be a logical time for any paper versus physical clash.

Although the Commitments of Traders (COT) report is delayed until Monday (Iâ??ll have brief comments late on that day), there are plenty of other things to review and discuss, including the new short report on SLV, the big silver ETF (which featured a hefty increase, although not to record levels).

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained elevated this four-day workweek, as 7.6 million oz were moved (the same amount as last week). On an annualized basis, thatâ??s the equivalent of nearly 400 million oz, a truly enormous amount, close to 50% of total annual world silver mine production. While still largely overlooked by those in the precious metalsâ?? community, the unprecedented physical turnover in COMEX silver warehouse inventories is now close to 12 years of continuous existence, alone among all commodities. To me, it is a clear signal of physical tightness.

For a change, total COMEX silver warehouse inventories rose this week by 2.6 million oz to 297 million oz, from last weekâ??s multi-year low, apparently due to preparation for the approaching first delivery day on the December contract. Holdings in the JPMorgan COMEX silver warehouse went the other way, falling by 1.2 million oz to 151.2 million oz.

Holdings in the COMEX gold warehouses fell again to two-year lows, as less than 0.2 million oz were removed, leaving total gold holdings at 23.7 million oz. There was a very minor decline in the JPM COMEX gold warehouse, now at 9.29 million oz.

Physical metal holdings in the worldâ??s gold ETFs were largely unchanged this week, following a string of weekly outflows, while there were large and counterintuitive deposits in SLV, on the order of nearly 7 million oz. It has become clear that the physical turnover in the worldâ??s two largest stockpiles of silver â?? the COMEX warehouses and SLV â?? is due to unrelenting physical demand, a sure sign of extreme physical tightness and about the surest sign of physical shortage.

The eagerly-awaited (at least by me) new short report on SLV was released late yesterday and indicated a sharp (10%) increase of close to 5 million shares to 54.6 million shares as of Nov 15. The total short position on SLV is the equivalent of 50 million oz. While not the largest short position on SLV (the largest was 60 million shares a month or so back), the most recent short position is large enough that I will complain again to the Securities & Exchange Commission, my fourth such complaint since

August 11, when the short position on SLV reached 47.5 million shares. Since then, the short position hasnâ??t dipped much below the 50 million share level.

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

I donâ??t intend to re-litigate my opposition to a large (or any) short position in SLV today, which is centered on any short position being necessarily fraudulent and manipulative to price. Fraudulent because it violates the promise laid out in the prospectus that there be one ounce of silver on deposit for every share outstanding and manipulative because a short sale of SLV (or any hard metal ETF) intentionally evades the legitimate workings of the law of supply and demand â?? much like the 40-year concentrated short-selling fraud and scam on the COMEX. The new short report on SLV indicates that more than 10% of the total shares outstanding (521 million) do not have the metal deposit required by the prospectus.

My intent to complain to the SEC (and BlackRock) again about the fraud and manipulation of such a large short position in SLV aside, I continue to believe the excessive short position in SLV is much more bullish than bearish to the price of silver at this point, much like my discussion of the short position on the COMEX on Wednesday. At the very least, the large short position in SLV must be considered unusually persistent, having now existed for nearly 4 months, the longest such stretch of time in history. Back about ten or so years ago, when I last complained to BlackRock about a large short position on SLV, the short position was reduced fairly quickly.

Not this time and I think there is a very good reason for why the short position on SLV has yet to be reduced. It has to do with all the other signs pointing to the pronounced physical shortage of silver. Itâ??s no accident or coincidence that the short position on SLV has been so large and persistent at the same time that a wide variety of reports point to physical tightness in the one form of wholesale silver (1000 oz bars) that matters most. When you stop and think about it, the large and persistent short position on SLV is just another confirmation that wholesale silver is as tight as a drum.

As I have alleged all along, the excessive short position in SLV exists because a physical shortage of silver exists. Were there no extreme physical tightness, there would very likely be no excessive short position on SLV, where the short sellers are selling short because securing physical silver for deposit would drive silver and SLV prices sharply higher. At this point, therefore, the short position on SLV, much like the increase in concentrated short selling on the COMEX, looks more bullish than bearish to me.

I know many look down on and are suspicious of the SLV, for a variety of reasons, however, not necessarily due to the short position. While I (my wife) continue to hold SLV and PSLV, I have been clear that is not intended as a reason for others to do so â?? just a matter of full disclosure. While it may seem inconsistent to many for me to complain about the short position in SLV at the same shares are held, that is a conscious decision on my part. Just about every other requirement for legitimate professional silver storage is met, including specific bar identification (serial numbers, weights, etc.) and the requirement to pay storage charges. Certainly, neither BlackRock nor anyone else offers any compensation or kickbacks to those promoting SLV (certainly not me, because Iâ??m not promoting it).

Please allow me to use this discussion to segue into something that has been bothering me of late, namely, the existence of questionable gold and silver storage programs. Iâ??ve gotten away from such discussions, mostly from developing a more intense interest in the detailed workings of the ongoing

COMEX silver manipulation, but also because avoiding questionable storage programs seems so bloody obvious. But it has been so long since I tackled this issue, that I feel a review is in order. My intent is not to badmouth any questionable storage programs, but to prevent subscribers from unnecessary heartbreak.

By way of review, starting some 20 some-odd years ago, I warned of what I believed were questionable storage programs, such as the Perth Mint certificate program and the program offered by Kitco, where hard proof of physical metals was lacking. It evolved to Morgan Stanley, when a reader of my articles became frustrated that the firm would not provide him with the serial numbers of the 1000 oz bars it held in storage for him, despite him paying storage fees. I insisted that no serial numbers most likely meant that no actual metal was being stored and after repeated requests for the serial numbers went unsatisfied, the reader hired a lawyer to pursue the matter. That episode led to a class action settlement, in which Morgan Stanley, essentially, agreed to no longer pretend it was storing metal, as it had claimed, but wasnâ??t doing.

Out of that series of long-ago issues came a set of obvious rules and guidelines for investors to abide by when choosing to professionally store metal, particularly silver, because silver has been so cheap (it still is), that it isnâ??t long before one can accumulate a lot more silver than can easily and safely be self-stored. After all, $100,000 worth of silver in 1000 oz bar form or 5000 oz, weighs close to 350 lbs., not at all convenient to lug around â?? to say nothing of larger amounts.

Some of the no-nonsense and common-sense rules that evolved included the following. Any program that didnâ??t charge storage fees (such as the Perth Mint and Kitco) were automatically suspected as not charging because there was no metal stored. But the list didnâ??t stop there and went on to include never storing your metal with the same dealer you purchased it from â?? with the exception being if a bona fide legitimate and separate third-party was doing the storage and not the dealer itself.

Also, in the case of 1000 oz bars of silver, the industry standard, the individual serial numbers, weights and hallmarks of all the bars owned had to be provided, to avoid the circumstance that occurred with Morgan Stanley. While itâ??s true that the bars owned by SLV, PSLV and other leading silver ETFs are not specifically allocated to individual share owners, at least thereâ??s the presence of any overarching government regulator, in the form of the SEC or other equivalent government regulator, as well as a well-heeled and recognized sponsor, such as BlackRock or Sprott, which can be petitioned in the case of complaint. I will fully admit that without the government regulators and deep-pocketed sponsors, I most likely would not own either SLV or PSLV.

Thatâ??s why I find it very-odd and ironic that so many voices in the precious metals community continue to badmouth SLV, while having no hesitation to promote other programs that appear questionable based upon the above list of no-noâ??s (Kinesis comes to mind). Iâ??ve always accepted the gripes of those who sell precious metals for a living for knocking SLV, as itâ??s somewhat understandable since SLV and other silver ETFs provide formidable competition in terms of cost of acquisition. Donâ??t get me wrong â?? Iâ??m not overlooking the benefits of self-ownership and self-storage â?? itâ??s just that self-storing large amounts of physical silver quickly becomes impractical for most, mandating third-party professional storage.

Further, I canâ??t help but feel that much of the badmouthing of SLV has to do with there being no way (that I know of) of being compensated for promoting SLV, versus an almost endless series of compensation opportunities and kickbacks, most of which are not disclosed, for soliciting other forms of silver investment. If you think I believe that this stinks, particularly the non-disclosure aspect, you would be correct.

Again, the point of this rant is to help any subscriber who might be holding silver in questionable forms of storage to rectify things before any trouble develops. Iâ??ve always felt that the worst possible outcome for someone who has weathered the trials and tribulations of the ongoing silver manipulation to reach the â??other sideâ?• of the manipulationâ??s end and the sharply higher prices that involves â?? only to discover too late that he or she was holding the â??wrongâ?• form of silver. Please donâ??t let this very worst of possible outcomes happen to you. And file this as me speaking under the folder titled â??speak now or forever hold your peaceâ?•. What good would it be for me to say afterwards that I suspected something was wrong but neglected to say anything?

Turning to other matters, the controversy surrounding the FTX crypto debacle continues and reminds me to add another caveat regarding who you store your gold or silver with â?? be especially vigilant by those programs outside the jurisdiction and reach of US regulators (if you are a resident of the US), because the odds are great that thereâ??s a good reason for the promoters of the out of jurisdiction programs to be beyond reach â?? which automatically translates into it being a bad reason to be in such programs.

That aside, continuing developments in the FTX saga appear to be changing a bit. At first, it was being presented as being squarely some type of political scandal involving the Democrats and spearhead by Gary Gensler, head of the SEC. However, subsequent revelations indicate there may not be much of a partisan political bias â?? as in, Democratic politicians are not any more self-serving and-on-the-take than Republican politicians. Â Back in March, a group of eight Congressional members â?? four Democrats and four Republicans â?? tried to prevent the SEC from pursuing the regulation of FTX. Donâ??t you love it when political differences are set aside in pursuit of the greater public good? Yeah right.

https://unusualwhales.com/news/congress-members-tried-to-stop-the-secs-inquiry-into-ftx

As indicated on Wednesday, I would expect the COT report on Monday to feature somewhat of an improvement in the market structures in both gold and silver (commercial buying against a mixed amount on non-commercial selling), given the retreat in prices over the reporting week, but I am not anticipating a blockbuster type of report.

I am still quite sensitive to the nuances of the COMEX market structure over the two previous reporting weeks, which featured heavy new short selling by the former big commercial shorts on what are still quite low gold and silver prices and decidedly less selling by the smaller commercials who are long (the raptors). Plus, the increase in the short position on SLV in the face of what is the tightest physical market in my experience points to the new short selling as more defensive than as a sign of strength. Finally, next weekâ??s first delivery day offers even more possibilities for expecting the unexpected.

Brief comments on the COT report late Monday.

Ted Butler

November 26, 2022

Silver – $21.48Â Â (200 day ma – $21.46, 50 day ma – $19.90, 100 day ma – $19.55)

Gold – $1755Â Â Â Â Â (200 day ma – $1805, 50 day ma – $1690, 100 day ma – $1719)

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