November 30, 2022 – Closer, But Still No Cigar

Itâ??s remarkable to me how close we appear to be getting to near-universal recognition that silver and gold (along with a host of other commodities) are priced based upon the activities of a relative handful of large paper traders on the COMEX (and other exchanges) and not on the workings of the world of actual supply and demand. Iâ??m convinced that once the critical level of universal recognition is achieved (and it appears to be quite close), then we will experience the true free market price, which will be decidedly higher, particularly in silver.

Almost every day, I see new evidence that the number of those questioning the COMEX price-discovery process in silver is growing â?? sometimes, even without the knowledge of those doing the questioning fully-realizing that they are waking up to a price manipulation that has existed for decades. Wait a minute, I can hear you say â?? how is it possible for anyone to question the COMEX price-discovery process without realizing they are doing just that?

In fact, let me up the ante and provide an example of what Iâ??m talking about as the â??anyoneâ?• in this case being a quartet of seasoned metals professionals, whose combined total experience measures more than a century. It comes in the form of an hour-long Â discussion put out this week by the LBMA on silver. (In the interest of full-disclosure, I have no known relation to the analyst on the panel sharing my name). Iâ??ll summarize what was discussed, but here is the link â??

https://www.lbma.org.uk/videos/silver-ever-the-capricious-metal

It seems the discussion resulted from an earlier meeting arranged by the LBMA, in which a fairly large number of analysts had offered a consensus price projection for the next year involving a very modest increase in the price of gold, but a quite-surprising expectation of a rather dramatic increase in the price of silver of some 50%. This is very much outside the normal bounds of typical consensus predictions. The discussion in question (just linked) was intended to examine and reconcile the very bullish price consensus on silver.

There was, in my opinion, an accurate and objective presentation of the actual world supply and demand fundamentals in silver, as would be expected, since one of the participants was the head of the research team (Metals Focus) that provided the basis for the Silver Instituteâ??s recent bullish silver review (already discussed on these pages). Data discussed included the rather shocking import of nearly 300 million ounces of silver this year by India, fully 35% of total world mine production. What commodity could see that level of import demand with prices actually falling, not rising?

To the credit of the panel, there was no attempt to dispute the accuracy of the data and for the first time in my memory serious questions were raised about the role of the COMEX in the pricing of silver. For example, I was quite shocked to hear that the COMEX was the â??tail that was wagging the dogâ?• (I should have put a copyright on that phrase), and a new one on me â?? â??the COMEX is like a speedboat, while the actual supply and demand is like a supertankerâ?•.

Still, there were obvious attempts to avoid the dreaded â??Mâ?• word (manipulation). Trying to reconcile why the COMEX managed money traders were big net sellers over the balance of this year â?? in the face of extremely bullish physical demand – all manner of explanations were offered, revolving around outlooks for interest rates, the economy, and yada, yada, yada. I wanted to scream at my computer screen â?? no, no, no. The managed money traders donâ??t consider anything, except price direction, as those short are purely technicians â?? slaves to price movement. The commercials rig prices lower and just like Pavlovâ??s dogs, the managed money traders sell.

Itâ??s not just the analysts on this panel that continue to confuse this issue, as I see many others which try to reconcile why the managed money traders got so heavily short COMEX silver futures this year, even though the pattern over the years couldnâ??t be clearer. Put prices lower and the managed money traders will sell and sell short, period. The only question is who is capable of â??puttingâ?• prices lower to induce the managed money to sell short and if you canâ??t figure out that the answer is the commercials, then you must have missed all the many billions of dollars in fines and settlements paid by the commercials (banks) over the past decade for rigging prices for spoofing. Another puzzle for me is how it is still assumed that the COMEX commercials are somehow, legitimate hedgers. A legitimate hedger would be a mining company looking to lock in a price â?? but what mining company would look to lock in the level of silver prices seen recently?

It’s hard to dismiss the thought that the panel came to the quite-obvious conclusion that something was messing with the true price discovery process in silver and this is the closest Iâ??ve seen yet that it was positioning on the COMEX. In years past, I thought the refusal of those in London to recognize the influence of the COMEX might have something to do with turf prejudice â?? NY vs London, but I didnâ??t sense that in this presentation. However, coming closer than ever before and still not making the obvious conclusion that this is a COMEX price manipulation, plain and simple, makes me wonder why? Perhaps itâ??s the realization that this has been going on for decades and, unfortunately, that means missing the key element in pricing for all that time.

Or perhaps there is some other impediment to the full-recognition that silver (and gold) prices are manipulated on the COMEX, like someone reluctant to see something if it endangers future compensation. Iâ??m not unmindful of such pressures and my now 37-year quest to expose and end the COMEX silver price manipulation involved leaving my long-term employment in the brokerage industry, no particular walk in the park. I can certainly understand and appreciate such pressures.

Regardless, the growing recognition, fully-admitted or not, that silver and gold prices are manipulated on the COMEX is occurring on what seems to be a daily basis. Itâ??s hard to run a scam and fraud of this magnitude and level of seriousness when too many see it. Add in the fact that these are supposedly closely-regulated markets and those responsible for the regulation, including the CFTC, CME Group, SEC, DOJ, and others, including JPMorgan and BlackRock (sponsor of SLV), have been reduced to virtual silence in the face of increasing evidence and allegations of price manipulation â?? the most serious of all market crimes. Who could imagine such a set of circumstances?

Then again, the perpetrators of the ongoing price manipulation â?? including some of those just mentioned â?? are not about to go down without a fight. Thatâ??s because the resultant fallout promises to be severe when the silver manipulation is ended. When, not if, prices explode, that will expose the price lie of the past four decades, along with all the consequences, legal and otherwise, that will entail. What this means is that the prime perpetrators of the silver manipulation, the large COMEX commercial shorts (banks) will seek to extend the scam until that last possible moment.

In fact, the signs that the big COMEX commercials are continuing to dig in (for now), seeking to cap and contain silver prices are evident in the last few COT reports. That is, the big commercials have been, essentially, the only sellers, adding new short positions. These same big commercials also have, yet again, diffused any possible delivery fireworks into todayâ??s first delivery day on the big COMEX contract for both silver and gold â?? succeeding in whittling down open interest in December, to the point where it would be hard to imagine a delivery blow-up.

But some type of delivery problem seems inevitable to me should silver prices remain suppressed, even if its timing is unknowable. Thatâ??s because itâ??s too â??easyâ?• to take delivery on the COMEX, once the physical market starts to delay shipments to those who canâ??t wait for physical delivery â?? users and fabricators. Investors, whether retail or wholesale, can and will wait for the physical receipt of ordered and paid-for metal â?? but users are much different, as any delay in the timely delivery of physical metal threatens their entire operations.

I donâ??t think the COMEX (CME Group), nor the CFTC, would tolerate and allow a big speculator from disrupting the delivery process with a demand for physical silver that would cause congestion and delivery â??problemsâ?•. On the other hand, should the ongoing suppressed price of silver continue to encourage demand and discourage supply, it looks like what could â??breakâ?• the COMEX would be delivery demands from industrial users faced with delivery delays. I donâ??t know how the CME Group (or anyone else) could deal with that â?? short of suspending the delivery feature on silver contracts â?? which would, in turn, (like in LME nickel) expose the 40-year silver con. After all, it is the delivery mechanism that gives the COMEX its legitimacy.

Seeing how the big commercial shorts have been fairly aggressive in adding new shorts in both silver and gold, their choices from this point have been narrowed down to continuing to add in the hopes of, yet again, hoodwinking enough managed money traders to go short, as and when the big commercials rig prices sharply lower again. While it may be hard for me (and you) to imagine the managed money traders being so dumb as to go short again, considering theyâ??ve never collectively profited when being short over the past four decades and just because silver prices are so low to begin with, thatâ??s no guarantee they wonâ??t.

There does still exist the possibility, that enough of the big new commercial shorts will seek â?? for the first time ever â?? to buy on higher prices, courtesy of raptor (smaller commercial) long liquidation and before the managed money traders position themselves long. But thatâ??s a very narrow window of opportunity and would necessarily involve an explosive rally. Thus, the key issue is the same as recounted consistently, namely, what the big concentrated COMEX commercial shorts do or donâ??t do. But it wonâ??t be what the regulators do or donâ??t do â?? it will be dictated by physical market conditions.

It’s hard not to notice a different trading pattern of late â?? greatly reduced true net volume (once rollover spread volume is deducted) and increased price volatility. Silver and gold have experienced a very decent rally over the month of November, but have yet to decisively punch through the 200-day moving average in each. But that can change in a New York minute (as it seems to have done today in silver).

The big crooked COMEX commercials have proven harder to kill than Count Dracula himself, but all it will take is continued extreme tightness in the physical silver market to be the wooden stake throughthe commercialsâ?? black hearts â?? a prospect looking more likely than ever before. Coupled with the growing recognition that something must account for silverâ??s low price amid increasingly obvious conditions in the physical realm dictating sharply higher prices, the connection with the illegal activity of a few large paper traders on the COMEX is coming into clearer focus daily.

Since it was not only a low trading volume and four-day trading week through yesterdayâ??s cutoff for the reporting week, to say nothing of the choppy and somewhat volatile price action, Iâ??m not sure what Fridayâ??s new COT report will indicate, so I wonâ??t pretend otherwise. There was a slight upside bias to prices for gold and silver over the reporting week, which usually suggests managed money buying and commercial selling, but who knows? Not me.

Days like today, when words from the Federal Reserve impact prices are largely wait-and-see affairs and donâ??t mean much to me, apart from being convenient cover-stories to explain price movement after the fact. Itâ??s also important to remember that COMEX trading volume largely cuts off at 1:30 PM EST, meaning that the price jump after Chair Powell spoke occurred on relatively low trading volume, as compared to markets that were still â??openâ?•. This makes it a great time for prime hanky-panky in gold and silver â?? although that may mean this could be the start of the long-overdue price adjustment to the upside (he said, cringing that it might be something else).

The one constant is that the price of silver has been manipulated and suppressed for decades on the COMEX at the hands of a select group of large banks and like all manipulations, it must end someday. Also, like all price manipulations, the end, when it comes â?? comes in a flash. Weâ??re in line for that flash ending in silver, courtesy of an ever-tightening physical shortage â?? the evidence of which becomes more visible daily, as does the recognition of what is occurring. Perhaps the big crooked COMEX commercials and their regulatory protectors will succeed in prolonging the manipulation for a while longer. Then again, perhaps not.

(On a housekeeping note, Iâ??m switching from the December COMEX contracts for pricing purposes in both gold and silver, to Feb in gold and March in silver, which, effectively, adds $15 to the gold price and 23 cents to silver at current spread differentials â?? which does overstate todayâ??s closing prices by those amounts).

Ted Butler

November 30, 2022

Silver –Â $22.25Â Â Â Â (200 day ma – $21.43, 50 day ma – $19.98, 100 day ma – $19.59)

Gold – Â $1780Â Â Â Â Â Â Â Â (200 day ma – $1804, 50 day ma – $1693, 100 day ma – $1720)

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