

## October 15, 2022 – Weekly Review

Gold and silver prices were absolutely clobbered this week, with gold ending \$51 (2.9%) lower and with silver down a much sharper \$1.94 (9.6%). As a result of silver's much deeper relative underperformance, the silver/gold price ratio blew out by more than six full points to 90.7 to 1. Silver is back to nearly the cheapest it has been to gold in a couple of years, which is still the nuttiest valuation of all and practically demands purchase on that basis alone, considering every verifiable fact regarding actual supply and demand.

Silver's weekly close was the second lowest in more than two and a half years, where gold's weekly close was, by a slim margin, the lowest close in that time. A reasonable person (if there are any remaining in our increasingly mad world) might wonder how is it that gold and silver prices are so low in the face of outside events and influences that would normally suggest all-time price highs, not prices melting down with no apparent let up in sight? Prices in the gutter, despite unmistakable and uniform signs of pronounced physical shortages, particularly in silver. How can this be? Were we all lied to in high school or college about the functioning of the law of supply and demand? Does not shortage equate to higher, not lower prices?

The same and only possible answer to a conundrum that has plagued the silver market for decades and that has now become so egregious that only a nitwit or someone with an agenda would deny it is price manipulation on the COMEX – the world's largest precious metals derivative exchange. It is precisely because the COMEX is the world's largest exchange, trading absolutely enormous and wholly uneconomic paper contracts with no regard to actual world supply/demand fundamentals that explains the conundrum

Let's face it – the actual fundamentals of any world commodity don't and can't change drastically without notice. Changes in supply and demand are glacial-like in nature – unless some big and quite noticeable event occurs. There have been no earth-shaking events in silver – in terms of major fundamental changes – over the last two or three weeks. Yet, in the twelve trading days since Sep 28, the price of silver first rose by \$3 (16%) in four trading days and then fell by \$3 over the remaining 8 trading days through yesterday. So, if it wasn't any sudden and shocking real-world developments, then what the heck accounted for the volatile and dramatic price performance?

The answer is so darn obvious, I'm somewhat embarrassed to have to repeat it again – the same old paper tail wagging the dog show on the COMEX, as is proven out in COT data. Not only is the paper setting of the price with no regard to the actual fundamentals obvious, it is also obviously illegal, according to US commodity law. In fact, the main reason we have a federal commodities regulator, in the form of the US Commodity Futures Trading Commission (CFTC), is to ensure that the public is protected from artificial price setting – aka, price manipulation.

Let's face it if passenger airplanes suddenly started falling out of the sky, the federal regulator, the Federal Aviation Administration (FAA) would be front and center and on top of the situation, as would any of the other federal agencies in the areas for which they are responsible. Therefore, the great mystery is why the CFTC isn't all over the increasingly obvious COMEX silver manipulation could they possibly have more important things to do? What's more important than it protecting the public against price manipulation?

To that end, it occurred to me that it was time, once again, to press the CFTC to deal with the COMEX silver manipulation in light of the increasingly obvious counterintuitive price performance in silver against the backdrop of the developing physical shortage, both on a retail and wholesale basis. Admittedly, I have been doing this going to the CFTC for decades, yet the manipulation has persisted (and gotten worse). Some might suggest that I give it up, but that's not in my nature. Besides, I see compelling new reasons to up the ante at this time, including the current composition of the Commission.

Not many may realize it, but four of the five commissioners of the CFTC have been in office for little more than six months. As such, there is some question as to the extent the new commissioners are even aware of the growing public concern about a COMEX silver manipulation. Yes, I have sent them every article I have published for subscribers over this time, in addition to a welcoming note upon their assumption of office; but I can't know if they read what I send them and since there is little mainstream discussion of the ongoing silver (and gold) manipulation, the odds are high that the new commissioners are unaware of the growing concern in precious metals circles about manipulation.

Therefore, it dawned on me that a new effort should be made to make sure the new commissioners are aware of what many are already concerned about. So, I would ask you to consider something that, quite literally, will take only a few minutes of your time and that might, just might, make a very big difference. It matters less what the commissioners do or don't do afterwards, as that will be on them and at the very least, you are doing them a favor in conveying what concerns the public most.

<https://silverseek.com/article/stand-and-make-difference>

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained strong this week as just over 8 million oz were physically moved, an annualized rate of more than 400 million oz, which is close to 50% of total world mine production. The unprecedented physical silver turnover, not present in any other commodity, is now more than 11.5 years strong in longevity, with barely a notice, even in silver circles.

Understandably, there has been more recent attention on the total levels of COMEX warehouse inventories, which continue to shrink; this week by another 3.5 million oz to 309.1 million oz another two-year low. Holdings in the JPMorgan COMEX silver warehouse dipped slightly, by 0.3 million oz to 161.1 million oz. Any thought that shrinking inventories would or should lead to higher prices must be some type of old-fashioned notion replaced by the modern reality that paper positioning trumps all else.

Total COMEX gold warehouse holdings fell by nearly 0.6 million oz to 25.7 million oz, also a new multi-year low, with a decline in the JPM COMEX gold warehouse amounting to more than 0.4 million oz, to a new total of 10.32 million oz.

Physical holdings in the world's gold ETFs, mainly GLD, continued to fall in the face of falling prices, this week by around 400,000 oz, as normally occurs. It was, however, markedly different in silver, where despite sharply lower prices, deposits of 13 million oz occurred in SLV (although there was about 8 million oz redeemed in SIVR).

The highly-counterintuitive deposits into SLV look to be related to a concerted effort to reduce the still-obscenely large short position of 49 million shares, as of Sep 30, down 10 million shares from the prior short position as of Sep 15. I do recall an unusually large 8 million oz deposit in that reporting period that (I would conclude) accounted for much of the 10 million share short reduction (short positions in SLV can be closed out by open market share purchases or physical deposits).

Therefore, and remaining keenly-aware that the short report on stocks is notoriously difficult to handicap in advance, it seems to me that these large recent deposits into SLV are most likely intended to further reduce the excessively large short position, particularly since yesterday was the cutoff for the new short report due to be published Oct 25. The only other plausible explanation for the highly counterintuitive large deposits into SLV in the face of sharply lower prices is stealth accumulation by large sophisticated investors. Either way, it's hard to assign anything but a highly bullish interpretation on the large counterintuitive deposits into SLV.

In the speculation department, I can't help but believe that my recent complaints to the SEC (and BlackRock) about the sudden increase in the short position on SLV being manipulative and fraudulent might have had some influence in the recent sharp reduction in that short position. Certainly, the timeline seems to match perfectly, as does the lack of any disagreement or explanation for why the short position in SLV shot up to begin with. This goes along with my expectations on pressing the new commissioners at the CFTC at this time about the crooked COMEX. I don't expect them to ever admit that silver was and is manipulated in price; I'm just hoping that, like I think the SEC may have done on the short position on SLV (working behind the scenes), that the CFTC just might move to end the COMEX silver manipulation â?? seeing as no real explanation has been forthcoming.

Turning to the new Commitments of Traders (COT) report, at first, I was quite disappointed with the results in both silver and gold, but then it quickly dawned on me what actually occurred. While I didn't predict positioning changes by numbers of contracts, I had anticipated significant positioning changes (managed money selling and commercial buying). What was reported was far from that in that there was only minor improvement in silver and none at all in gold. What the heck happened to explain the minor reported changes?

What happened was that I overlooked (forgot) the fact that the actual cutoff for the report is as of the official Tuesday close and settlement on the COMEX, which occurs at 1:30 PM EST. So, while it was true that on the official Tuesday settlement, silver prices were down close to \$1.50 from the previous Tuesday's settlements, that prior settlement was the absolute high for the recent up move and even though prices fell sharply into this Tuesday's settlement, silver's 50-day moving average was not penetrated to the downside until in trading post-settlement.

Normally, one would think a \$1.50 selloff in silver would be enough to generate significant managed money selling, except the \$3-price surge of the prior reporting week was so large that all the managed money buying that caused the price rise (obviously) needed a bigger selloff to unwind. Anyway, I'm convinced that is what accounts for the surprising lack of more managed money selling in silver (and gold). At the same time, I'm more than convinced that starting immediately after the official settlement prices were established Tuesday afternoon, an avalanche of managed money selling did take place through yesterday's trading, particularly in silver. I also think these were the COMEX collusive commercials' well-thought-out intentions.

In COMEX gold futures, the commercials actually increased their total net short position by 7200 contracts to 103,700 contracts (although the managed money traders didn't come close to buying near as many net contracts). In the all-important commercial categories, the 4 big shorts on a combined basis (commercials plus managed money traders) grew by 4400 contracts to 99,221 contracts (9.9 million oz), while the combined big 8 short position grew to 163,499 contracts (16.3 million oz). On a commercial-only basis, the big 4 short position now looks to be 78,000 contracts, while the commercial-only big 8 short position looks to be around 138,000 contracts. The gold raptor net long position looks to be just over 34,000 contracts.

The managed money traders bought a modest 1295 net gold contracts, consisting of a somewhat strange mix in the sale of 4441 longs and the buyback and covering of 5736 short contracts. Accordingly, there was the same 1295 contract reduction in the managed money net short position to 5580 contracts (78,365 longs versus 83,945 shorts). Any managed money net short position has to be considered bullish historically. Explaining the difference between what the commercials sold and the managed money traders bought was net buying of 4700 contracts by the other large reporting traders, with another 1000 contracts of net buying by the smaller non-reporting traders.

In COMEX silver futures, the commercials reduced their total net short position by 2000 contracts to 15,600 contracts. The good news is that all the commercial buying seemed to be tied to the biggest commercial shorts, which as I indicated last week, had stepped in to single-handedly quash the recent sharp rally in its tracks. I had the former big commercial manipulators as adding 9000 new shorts in the prior reporting week, so this week's reduction of 2000 contracts, looks to leave 7000 contracts to go as of Tuesday's official cutoff. I would be very surprised if the net 7000 contract increase wasn't now covered completely in the three and a half days of the silver price killing field since the Tuesday cutoff. If you get the feeling that I consider the COMEX commercials as on a par with pond scum, you would come close to my real feelings.

The big 4 combined short position is 43,214 contracts (216 million oz) and the combined big 8 short position is now (as of Tuesday) 60,676 contracts (303 million oz). The commercial-only components are 33,000 contracts for the big 4 and 50,000 contracts for the big 8 commercial-only shorts. This would leave the raptors as net long a bit over 34,000 net contracts – coincidentally the same number as for the gold raptors.

The managed money traders in silver sold 5522 net contracts, consisting of the sale and liquidation of 4392 longs, as well as the new sale of 1130 short contracts. The net managed money position is now close to zero, (with 33,493 longs versus 33,378 short contracts). A flat managed money net position in silver has to be considered bullish historically and it's hard not to imagine a large net and more bullish managed money net short position after the brutality of the price smash since Tuesday. About

the only thing that could cause next Friday's COT report to feature anything but a significant increase in managed money selling would be a shockingly sharp rise in price into this coming Tuesday's cutoff. Finally, net buying of more than 4000 contracts by the other large reporting traders accounted for the difference between what the commercials bought and the managed money traders sold.

The only good thing about this week's price killing is that it, once again, sets the stage for a coming major liftoff in price – a liftoff that promises not to look back. It is preposterous and outrageous that we could be witnessing such compelling and obvious signs of physical shortage concurrent with plunging prices. Were it not for the equally obvious explanation of blatant price manipulation on the COMEX, I'd have lost my mind long ago. But I know I'm sane and that silver (and gold) must explode in price in the near future, as thousands more conclude daily.

In closing, I would remind you of the importance of writing to the new commissioners of the CFTC at this time. The only times (that I can recall) that the agency ever responded publicly to allegations of manipulation in COMEX silver were both in 2004 and 2008, with its 15-page public denials of manipulation and by initiating its formal five-year investigation in 2009. The only reason those public responses and formal investigation occurred was because great numbers of the public contacted the agency.

The message is clear – if you want a reaction from the CFTC (a reaction more than well-deserved and long overdue), you must first take action. Besides, how are the new commissioners to know of your concerns if you don't first inform them of those concerns? And please be polite and professional – little good is accomplished by being rude. Don't debate with yourself whether it's the right thing to do in writing to them – just do it now and we can debate its merits later.

Ted Butler

October 15, 2022

Silver – \$18.20 (200 day ma – \$21.86, 50 day ma – \$19.31, 100 day ma – \$19.87)

Gold – \$1650 (200 day ma – \$1822, 50 day ma – \$1724, 100 day ma – \$1759)

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