October 25, 2023 – What’s Behind the Silver Manipulation?

The question infers that there is a silver price manipulation, the evidence of which I have presented previously and presupposes some other questions, such as who is most responsible and, like all manipulations, how and why it will end. For the record, Iâ??m convinced that there has been a four-decade price manipulation, which began in 1982, based upon the deliberate selling of short contracts by large banks on the Commodities Exchange, Inc (COMEX), intended to suppress the price of silver.

What enabled these large banks to successfully suppress and manipulate the price of silver were two unique factors; one, that the COMEX has been the dominant price-setting exchange for silver since it is the largest precious metals derivatives exchange in the world, and, two, the banks (called commercials) have always had ready and willing counterparties (managed money traders) continuously falling victim to the banksâ?? various dirty trading tricks. Over time, the manipulative price contest between the commercials and the managed money traders has resulted in a long-term suppression of silver with profound effects on world supply and demand.

Limiting the discussion today to who and whatâ??s behind the silver manipulation and the manner in which it will end, the evidence points strongly to the banks masquerading as commercial traders on the COMEX. Some extend the manipulation to higher government authorities as backstopping or directing the banks to engage in manipulative activity, but Iâ??ve uncovered no conclusive evidence of such government direction. Remember, a government-led manipulation would involve 40 years of tight-knit and highly coordinated cooperation through countless changes in administration and congressional makeup. Â Can you imagine such required cooperation in todayâ??s political scene?

However, let me stipulate to a few things. Thereâ??s no question that the US regulators, including the CFTC, S.E.C., Treasury Department, as well as the Department of Justice have often looked the other way, failing to apply the law evenly when it comes to the banks â?? I believe due to the fear of undermining confidence in the financial system and also because to openly bring charges along the lines of the long-term manipulation that I allege in silver would reflect very badly on all US Government institutions for failing to act for decades. I also believe that the price manipulation in silver is different than any similar manipulation in gold or other commodities in many important ways â?? although Iâ??d be the first to cite COMEX positioning as driving prices for gold, copper and other metals.

In gold, with its price much closer to all-time highs than in silver and with gold miners positioned to achieve profits at current gold price levels, whereas that canâ??t be said in silver. Maybe gold prices would be much higher (and more volatile) without the COMEX, but nowhere near as high as silver would be without the COMEX setting prices. Â And in COMEX trading, the banks have been net long in copper, making it impossible to blame them for depressed copper prices.

In keeping with my fairly consistent belief that the commercials, mostly banks, have been behind the long-term COMEX silver manipulation for the same profit-seeking motivations that drive them in all their endeavors, it follows that when the profits stop flowing, the motivation to prolong and continue the silver manipulation also ends. Â However, given the complexities of the composition and the results over time to the various categories of the commercials, the task of determining when it is no longer profitable for them to maintain the silver price suppression is anything but simple.

I can say, generally, that only the raptors (the smaller commercials apart from the biggest commercial shorts) appear to still be making profits, by first accumulating long positions on lower prices and then selling off those long positions on higher prices; as opposed to the big 4 and 8 commercial short category traders, buying back short positions profitably â?? mainly because the typical pattern over the years of the big 4 and 8 adding aggressively to shorts on higher prices is largely absent this year to the extent seen in past years.

In other words, the experience over the bulk of this year has featured the raptors being the only commercial category continuing to profit from the ongoing COMEX silver scam, with the big 4 and big 8 largely treading water. Of course, there have been exceptions, such as the big 5 thru 8 commercial shorts adding aggressively to shorts on the $6 rally that commenced in early March (but not the big 4), and the $2 rally into July 18, when the big 4 and big 5 thru 8 shorts added 6000 short contracts each (the origin of my Code Red market emergency).

But, on balance, the big 4 and 8 have not been as active as they have in previous years, and one proof of that is the fact that the commercial-only component of the most current big 4 and big 8 short positions are still lower by close to 50% from where they were on Feb 2, 2021, when I wrote to the CFTC (through my congressman) and for the first time in decades, the Commissionâ??s response didnâ??t argue with my contention that the concentrated short position was behind the COMEX silver manipulation.

Using the aforementioned $6 silver rally that commenced in early March as a comparison to where we stand currently on a market structure basis in regards to the commercial categories, on March 7, the raptors (the smaller commercials) had built up a net long position of 45,500 contracts (as the managed money traders had built up a gross short position of over 45,000 contracts). On the ensuing and eventual $6 rally into early May, the raptors offloaded and sold 37,000 of their long positions, while the 5 thru 8 big commercial shorts added 7000 new shorts, with the big 4 mostly static on the rally.

It was the first time in memory that the 4 biggest shorts hadnâ??t added aggressively to short positions on such a large silver rally and I discussed it at length at the time and thereafter, since it involved what I consider to be the key factor in the decades-old silver manipulation. Later, of course, I was disappointed that the big 4, along with the big 5 thru 8, each added 6000 new short contracts on July 18, but all those added short positions have been bought back Â subsequently.

Comparing the experience with the $6 silver rally from March to May this year to where we stand as of the latest COT report (for positions held as of Oct 17), adjusting for the existence of a managed money trader holding a 7000-contract short position, the raptors now hold (probably less in this Fridayâ??s report) around 14,500 contracts net long, 31,000 fewer long contracts than they held on March 7 and meaning they have 31,000 fewer long contracts to sell should silver rally from here. Â Since the lowest net long position the raptors have held this year hasnâ??t dipped below 8000 contracts, that would imply only 6000 or 7000 contracts of long liquidation from last weekâ??s levels. The raptors havenâ??t gone net short in years and never big net short.

Another notable difference between current commercial category positioning and what existed on the March/May rally is the unusually low level of big 5 thru 8 shorting in last weekâ??s report (as mentioned in the weekly review). At the peak of big 5 thru 8 shorting in early May, their shorting exceeded 24,500 contracts (one of the largest on record) and currently they are short less than 14,000 contracts (the lowest level in memory). Â This raises two possibilities â?? one, that the big 5 thru 8 are ideally positioned to add (as they did on the March/May rally) a large number of new shorts on any silver rally from here, or two, they have whittled down their current short position because they donâ??t intend to short aggressively on the next rally.

Coupled with the relatively few numbers of long positions currently held by the raptors and potentially available for sale on the next silver rally, the notable low number of big 4 and big 5 thru 8 current short positions brings clearly to the forefront the key question I raise incessantly â?? will the big 4 and big 8 add enough new short positions to cap and contain the next silver rally? While I have ventured that the big COMEX commercial shorts wonâ??t add aggressively both in the past and currently, they always have â?? with some important changes this year as involves the big 4 â?? the truth is no one knows for sure what they will do. However, if the big 4 and 8 donâ??t add aggressively to their short positions, itâ??s hard to see how silver prices donâ??t rally sharply.

The new wild card, of course, is the deepening physical shortage in silver (and now with gold flashing those same signs of physical shortage). If ever there was a time not to aggressively add to short positions it would seem to be when strong signs of physical shortage become apparent. And that time would appear to be now.

In summary, if the motivation behind the 40-year COMEX silver price manipulation has been the financial returns to the perpetrators, the commercial traders, it seems to me that if the financial returns are greatly diminished or even absent to some of the important categories (the big 4 and 8), the whole premise for continued manipulation is also greatly diminished or no longer exists.

Turning to other developments, last nightâ??s new short position on stocks indicated a moderate increase in the short position on SLV, the big silver ETF, of 2.4 million shares to just under 19.8 million shares (18 million oz), as of Oct 13. This follows the previous report, in which the short position fell by more than 12 million shares.

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

While I have stopped trying to handicap changes in prospective short reports, this increase came at a time of rising prices (as did a similar rise in the shorted shares in GLD, the big gold ETF) and seems to indicate further evidence of a deepening physical silver shortage (also apparent in gold), as the most plausible explanation for shorting shares of SLV is to evade the requirement to deposit metal as new shares are created. At the same time, I am still convinced the effective short position in SLV is about 10 million shares less than posted due to the mechanism of â??shorting against the boxâ?• being employed. Both things, new shorting due to the lack of available metal and the real short position being camouflaged due to shorting against the box, Â can be true.

A couple of new signs of physical tightness include the curious case in the Sprott silver ETF (PSLV), where there was a net inflow of $15 million more than a week ago, which normally translates into the immediate purchase of physical silver, in this case upwards of 600,000 oz. Time will tell, but a most plausible explanation for why no physical silver has been bought and deposited into the trust includes the metal not being available for purchase (or actual delivery). I remember at the introduction of PSLV in early 2011, how silver wasnâ??t immediately delivered to the trust and how (mostly due to buying in SLV) that contributed to the run to $50.

Another sign of physical tightness or stealth physical accumulation is the surge in the production and sale of Silver Eagles from the US Mint. So far this month, the Mint has sold just over 3.3 million oz, the most of any month this year except for the traditionally largest month, January. Whatâ??s curious about the surge in sales of Silver Eagles of late is not so much how many coins the Mint is producing, but who are the buyers â?? as retail sales have definitely been on the ebb â?? leaving a stealth big buyer as a likely candidate. This would be a great means of acquiring physical silver in tight times. Iâ??m sensitive to this because I watched JPMorgan gobble up 100 million oz of Silver Eagles and Canadian Maple Leafs from 2012 to 2016 or so. (Hat tip to Ed Steer).

https://www.usmint.gov/about/production-sales-figures/bullion-sales

So, while all the indications of physical shortage in both silver and gold continue to flash, those indications are hard to discern in silver prices. Sure, we did rise (I canâ??t call it explode) by around $3 in silver over the 11 trading days into last Friday, just about retracing the previous sharp $3 fall over just 9 trading days and forming a fairly classic â??V-bottomâ?•, but there has been no upside follow through since Friday.

Meantime, gold has put in a much better-looking rally, after having declined by $125 over the same 9 trading days that silver fell $3, gold prices surged by more than $180 over the 11 trading days into last Friday. Moreover, gold prices have retreated little since the Friday close, while silver has been set back by more than a dollar from Fridayâ??s highs early today. In no way am I lamenting the much-stronger price rally in gold, as the market structure set up in gold came to improve much more than in silver on the engineered 9-day price smash in both metals. I welcome goldâ??s price strength, because at the very least, it points to the almost unbelievable price discount in silver.

As for the explanation as to why silver has underperformed gold, letâ??s not beat around the bush â?? it is because silver is the most manipulated market in the world for the past 40-years and that the COMEX (part of the CME Group, Inc.) is the most corrupt and crooked exchange in the world and if it didnâ??t exist, silver would be magnitudes higher of its current price. Maybe there is legitimate hedging in some other commodities, but none in COMEX silver, where the commercials (banks) are flat-out price manipulators and tormentors of the managed money traders.

Ask yourself this â?? can you think of any other exchange Â or even heard of complaints of long-term manipulation on any exchange other than the COMEX? Why do you think that is? The simple truth is that the financial world and the true law of supply and demand in silver would be much better off if the COMEX didnâ??t exist. Iâ??ll send this article to the CEO of the CME Group (like I always do) and have zero concerns of any objection to me characterizing the COMEX as crookedÂ – just like I had little concerns of blow back from the master metal criminals, JPMorgan.

None of this in any way detracts from the body of this article pointing to the coming end of the COMEX silver manipulation and, in fact, supports the notion that when it ends, it ends dramatically, not gradually. Whether it ends soon, as I suggest, or not, remains to be seen Â and is highly-dependent upon what the big 4 and 8 commercial shorts do or donâ??t do.

As far as what to expect in Fridaysâ?? new COT report, I would imagine results close to last weekâ??s report in both gold and silver, while, of course, hoping for less commercial selling and managed money buying. After all, we did surge higher by as much as $75 in gold over the reporting week, closing above all key moving averages on high volume.

Silver prices surged higher over the reporting week (on Friday) by more than 80 cents, but only ended higher on the week by a dime or so and never really closed decisively above its 200-day or 100-day moving averages Â and yesterday (the cutoff day) closed below its 50-day moving average. Iâ??m hopeful the relatively punk price action in silver minimizes managed money buying and commercial selling. Of course, what the various commercial categories do in silver is of utmost significance.

Ted Butler

October 25, 2023

Silver – $23.08Â Â (200-day ma – $23.46, 50-day ma – $23.12, 100-day ma – $23.45)

Gold – $1994Â Â Â Â Â (200-day ma – $1943, 50-day ma – $1927, 100-day ma – $1942)

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