October 9, 2021 – Weekly Review

For the week, gold prices fell $4 (0.2%), while silver prices rose 13 cents (0.6%). As a result of silverâ??s slight relative outperformance, the silver/gold price ratio tightened in by a minor half-point to 77.5 to 1. Â Both metals have largely been â??marking timeâ?• over the past month after falling quite sharply from mid-June, as gold fell more than $150 and silver by more than $6 over this time.

Of course, this weekâ??s lackluster price finish doesnâ??t showcase the early price fireworks yesterday, ostensibly set off by the release of the monthly employment report, in which gold rallied by $20 and silver by nearly 60 cents within a New York Minute of the reportâ??s release. The price pop, at least for a short while, had all the makings of validating the outlandish expectations of those delusional enough to predict a coming price explosion. Alas, the price pop completely fizzled out and the collective hopes were dashed (except for the bullishly deranged).

In trying to objectively analyze exactly what occurred yesterday, letâ??s begin with the dismissal of any notion that there was anything of substance in the actual employment report that influenced the price pop and fizzle. The same goes for any of the obvious price disruptive movements following Fed announcements and the like. Iâ??d defy anyone to come up with a cogent-sounding explanation for why employment reports and Fed pronouncements have anything to do with silver or gold price movements â?? without ending up sounding like a blathering (and pompous) idiot.

So, in the spirit of trying to understand where weâ??ve been in order to better judge where we might be going, letâ??s dissect yesterdayâ??s price pop and fizzle. First, the precise timing of the move was nearly exclusive to the time when COMEX trading was the only real trading (same goes for the afternoon Fed announcements). Simply put, this was compelling evidence that what happens on the COMEX is all that really matters to the price of silver and gold.

As far as what exactly happened on the COMEX to first cause the price pop and then the total retreat, there can be little doubt that main, if not sole initial buyers were the managed money traders which held extremely large short positions in both silver and gold. These nervous long-tailed cats are always quick to run and buy back short positions on the first sign of rising prices. I mentioned on Wednesday that the managed money shorts in silver were likely to get spooked if prices popped above $23 and itâ??s hard to imagine that wasnâ??t exactly what happened. In gold, I found it curious (not too curious) that the gold rally stopped right at the 50-day moving average

While I was as disappointed as anyone that yesterdayâ??s rally didnâ??t stick, the sharp aborted rally was completely in accord with the main premise of the influence of my market structure premise that silver and gold prices are determined by the continuing positioning battle between the managed money traders and their commercial counterparts on the COMEX. In essence, yesterdayâ??s â??disappointmentâ?• was not at odds, in the least, with prices being set by the private betting game of a handful of large paper traders on the COMEX.

Since we can be fairly assured that a wave of managed money short covering was behind the early price pop, two questions arise â?? who exactly were the early commercial sellers and what transpired over the balance of the trading day as prices gave up all the gains. In fact, I donâ??t think I would be exaggerating to say that the price rally occurred over just 10% or so of the COMEX trading day and the subsequent price retracement occurred over 90% of the trading day.

To the first question, which commercials were the principal sellers on the price pop, the odds heavily suggest it was the raptors, particularly in silver, selling recently acquired long positions, as opposed to new short selling by the former big commercial shorts. Weâ??ll have a better sense of this as new data in forthcoming COT reports are released. As to the second question, what transpired over the 90% of the trading day in which prices fell, Iâ??m inclined to believe some (not all) managed money shorts re-entered the short side after earlier covering and some commercials (raptors) re-bought contracts initially sold. Again, future COT reports will verify actual positioning changes.

As to what this suggests for short term prices, thatâ??s always iffy. I suppose itâ??s still possible for the collusive commercials to try to rig new price lows with the intent of inducing additional managed money shorting, but itâ??s also just as likely (or even more so) that yesterdayâ??s price pop is a sign of a more serious upturn in prices. Regardless of how much actual net managed money short covering may have occurred, the market structure in COMEX silver and gold is still wildly bullish and completely out of step with what appears to be occurring in the real world of actual silver and gold.

Look around and all one sees is a world suddenly short or lacking in sufficient quantities of a wider array of commodities and products, complete with shipping and supply line disruptions, than any time I recall in my life. I think one would have to go back to World War II, to find such comparable everyday shortages. That the shortages havenâ??t hit (or are well-hidden) the wholesale (1000 oz bar) market in silver is more than remarkable considering its unique dual demand profile and the fact that retail forms of silver have been in some obvious shortage of varying degrees for quite some time.

So, the question is not whatâ??s keeping silver (and gold) prices so depressed in the face of nothing but obvious and compelling reasons for why they should be much higher, but comes down to how long prices can be kept suppressed by the blatant COMEX manipulation? Iâ??m starting to feel sorry for those who just canâ??t admit that silver and gold prices are manipulated on the COMEX for the simple reason that any alternative explanations sound downright silly.

And to those who may be becoming convinced that the artificial COMEX price control, given how long (decades) it has persisted means that such control is permanent, while I understand how and why some may feel that way, once you strip away the emotional feelings of disappointment that the true price revaluation hasnâ??t yet occurred, thereâ??s not much actual substance in arguments suggesting things will never change. Feelings of disappointment? Yes. Factual arguments that the COMEX scam will last forever? None that Iâ??m aware of. Hereâ??s a personal wish from someone getting quite long of tooth – Â what I would give to be entering the world of silver today and not when I actually entered nearly 40 years ago.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off this week as less than 2.9 million oz were physically moved and total COMEX inventories fell by 0.4 million oz to 359.9 million oz. Holdings in the JPMorgan COMEX silver warehouse fell by 0.6 million oz (one standard truckload) to 183.1 million oz.

It has now been more than ten years since I began chronicling the extraordinary and still-unprecedented physical movement of silver in and out from the COMEX warehouses – a movement unique to silver. Now it occurs to me that we are suddenly in a world where shipping and supply lines are more disrupted than ever, with no quick and easy solutions at hand and how this may affect the highly unusual rapid turnover in wholesale physical silver. Put differently, how could it not affect silver?

I guess what Iâ??m saying is that over the past decade, the unprecedented shipping and movement of physical silver in and out of the COMEX warehouses took place in a world with no real shipping or supply line disruptions overall. Now, however, world shipping and supply lines appear to be in state of disarray not known previously and how can that not have some real consequences for the one commodity, silver, apparently more dependent on actual movement than any other?

Since Iâ??ve always maintained that the unprecedented movement of physical silver on the COMEX represents extremely tight and hand-to-mouth conditions any of the current shipping and supply disruptions affecting more items than anyone can recall holds special significance in silver. Itâ??s certainly one more brick in the wall arguing for a price explosion when enough of the users are delayed and deprived of needed shipments.

COMEX gold warehouse inventories fell by 0.2 million oz to 33.9 million oz and holdings in the JPM COMEX gold warehouse fell ever so slightly to 12.61 million oz. Nothing to see here, as far as I can tell.

There are still heavy deliveries in the October COMEX gold contract and still around 2500 contracts open, but Iâ??m also still not sure what this means. I am encouraged that JPMorgan is a net stopper (taker) overall, particularly for its house account.

Gold still seems to be departing the worldâ??s ETFs, but not excessively so and there were net redemptions in world silver ETFs of 3 million oz this week, following last weekâ??s quite extraordinary 12 million oz net deposits.

Turning to yesterdayâ??s Commitments of Traders (COT) report, the results were in line with general expectations, except that there was more deterioration (managed money buying and commercial selling) than expected in gold and less so in silver. As a reminder, there was a sharp down day in both gold and silver on the first day of the reporting week ended Tuesday and gold prices then rebounded stronger than silver over the remainder of the reporting week.

In COMEX gold futures, the commercials increased their total net short position by 13,600 contracts to 203,700 contracts. This is still a quite low and bullish amount. By commercial categories, it was pretty much a Three Musketeersâ?? commercial affair with the 4 big shorts adding nearly 4300 new shorts to a concentrated short position amounting to 145,137 contracts (14.5 million oz) and the next 5 thru 8 largest commercial shorts adding 2800 new shorts to a big 8 short position amounting to 225,929 contracts (22.6 million oz). The raptors (the smaller commercials) sold off 6500 longs, reducing their net long position to 22,200 contracts.

The managed money traders were much heavier buyers than the commercials were sellers, as these traders bought 23,305 net gold contracts, consisting of the new purchase of 7822 long contracts and the buyback and covering of 15,483 short contracts. I believe this supports my suggestion that the managed money traders are quite skittish and prone to quickly buy back shorts on the slightest price strength.

Explaining the wide disparity between what the commercials sold and what the managed moneytraders bought was the net selling of 9122 gold contracts by the other large reporting traders, in theform of the sale and liquidation of 5697 long contracts and the new short sale of 3425 contracts.

Quite interesting was that despite the pronounced selling by the other large reporting traders, the gold holdings by the 4 largest longs â?? home to the gold whale I have been pointing out for more than a month â?? hardly declined at all, by just over 200 contracts. The data unquestionably confirm that a large gold long (I still suggest John Paulson) is holding 35,000 COMEX gold contracts (3.5 million oz).

Hereâ??s what I donâ??t get (and if anyone has a reasonable explanation, please send it my way, as I am genuinely perplexed). I published my findings, including publicly, last month about how a very large trader went long so many COMEX gold contracts and on sharply lower prices, to boot. Yet to this day, I have seen hardly any confirmation or, for that matter, any disagreement with my contention. No one has even asked me how I derived at my conclusion (the answer is by analyzing the concentration data on the long side in the COT reports).

Most perplexing is that there is much wider interest and money invested in gold than silver (my main interest) and itâ??s hard for me to understand how those more interested in gold could overlook the sudden and, I would say, the unprecedented buying of such a large number of gold contracts by a single trader (other than JPMorgan back in 2013). Compared to the normal flow of information deemed important in gold, what could possibly be more important than the emergence of the largest single gold long in many years? Again, please pass along any explanations you may have for why this is going unmentioned.

In COMEX silver futures, the commercials actually reduced their total net short position by 900 contracts, to 27,800 contracts. By a small margin, this is the lowest (most bullish) total commercial net short position since the spring of 2019. Because of the entry of a managed money trader into the ranks of the big 4 and at least one into the ranks of the big 5 thru 8, I canâ??t give specific and detailed information on the holdings of the biggest commercial shorts. But my best guess is that the largest three commercial shorts hold no more than 35,000 contracts short and for the largest commercials in the big 8 category, the number is close to 45,000 contracts â?? the lowest levels in six or seven years, if not longer.

The managed money traders in silver were also buyers (as were the commercials) of 1120 net contracts, mostly the short covering of 1099 short contracts. The other large reporting traders and smaller non-reporting traders were net sellers and balanced out the minor relative changes. Going into the report I thought there would be some overall deterioration, but the changes were minor enough to be encouraging.

Of course, what happened yesterday is of central interest. Iâ??m sure there was managed money short covering in early silver and gold trading, as well as raptor selling, but itâ??s possible some of that was reversed on the decline in prices over the balance of the trading day from the early peak. Of paramount interest is the role of the very largest commercial shorts in silver. Itâ??s also quite possible that the real COMEX manipulators did add to shorts in early trading yesterday and bought back those added shorts by dayâ??s end, but such activity, if it occurred, wouldnâ??t be visible in next weekâ??s COT report.

Iâ??m still of the strong belief that what the former big commercial shorts do or donâ??t do on the next genuine silver rally (itâ??s less important in gold) matters most to price â?? itâ??s just hard to analyze same day positioning changes on a trading day such as yesterday. I can look back to this weekâ??s COT report as confirming expectations that the managed money traders added many (say 5000) new silver shorts on the first day of the reporting week (Wed, Sep 29) and then bought those shorts back on the next two trading days. But itâ??s more of a guess trying to analyze yesterdayâ??s final positioning.

But itâ??s important not to get too hung up on these short-term positioning changes and focus instead on the big picture. The big picture dictates, conclusively, that the COMEX is a pricing cesspool that has long usurped the normal price discovery process of actual supply and demand changes, having replaced it with some sick private betting game between a handful of large paper traders. Itâ??s hard to believe that in this modern day and age, such an ongoing scam and fraud could persist; but a funny thing happened along the path of a return to free market pricing in silver, namely, the darn COMEX pricing scam actually became stronger.

However, the disparity and frustration of the continued mismatch between where silver prices should be, based upon real world conditions, and where they are, based upon the uneconomic and corrupt paper games on the COMEX is reaching a crescendo. Only those who have maintained for years that a COMEX manipulation was a hoax, and canâ??t bear to admit error, still persist that is the case. The number of those who see the manipulation versus those that donâ??t has never been more of a mismatch. Iâ??m certain that pressures from the physical market will break the ongoing silver manipulation, but that doesnâ??t preclude another additional remedy. One sure remedy is if the big commercial shorts donâ??t add to short positions on the next real rally.

For the last four months, silver has traded below all three of its key moving averages fairly consistently, the longest such stretch in years. Not even in the epic selloff of March 2020, when silver traded below $12, did silver remain below its key moving averages for this long. Over these same four months, there has been an historic reduction in the manged money net long position to be less than it was at the depths of the price crash in 2020. Additionally, the true commercial concentrated short position in silver has not been as low as it is now for years before that. And all this has occurred in the face of the tightest physical silver market in memory. Think thatâ??s a coincidence or the result of deliberate commercial maneuvering of the managed money traders?

The slightly lower gold prices this week, combined with the slightly higher silver prices, resulted in a slight reduction in the total loss of the 8 big COMEX gold and silver shorts to $8.2 billion.

Ted Butler

October 9, 2021

Silver – $22.68Â Â Â (200 day ma – $25.69, 50 day ma – $23.53, 100 day ma – $25.10)

Gold – $1757Â Â Â Â Â Â (200 day ma – $1801, 50 day ma – $1781, 100 day ma – $1807)

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