
September 6, 2023 – The Change That Matters Most

While I did cover the net positioning changes in detail for the latest Commitments of Trader (COT) report, upon further consideration, I've uncovered something that appears to be of profound significance, namely, an extreme change in the pattern of the commercial positioning in COMEX silver futures that I have long envisioned – a change that signals the end to the decades long silver price manipulation and suppression.

I have contended that the price of silver has been manipulated and suppressed for 40 years by the means of concentrated short selling by the 4 and 8 largest commercial traders on the COMEX. Almost without fail, on every silver price rally over the past four decades, the 4 and 8 largest commercial (bank) traders on the COMEX have sold short whatever the necessary number of short contracts that were required in order to cap and reverse all price rallies. Any objective and reasonable analysis revealed that the additional new short sales had nothing to do with legitimate hedging or market making activities, and were intended to manipulate silver prices, although some were quick to defend the illegitimate short sales.

In a nutshell, the additional new concentrated short sales by the largest of the COMEX commercials were the key enabling factor of the silver manipulation and I have done close to my level best trying to convince the federal regulator, the CFTC, as well as the designated industry self-regulator, the CME Group, Inc., to disallow this manipulative practice. My sense is that the regulators have looked the other way, although I must acknowledge that from the time I last wrote to the chairman of the CFTC in March 2021 (through my local congressman) about the extreme concentrated short position of the 4 largest COMEX commercial shorts (more than 65,000 contracts), that concentrated short position has fallen by half. – <https://silverseek.com/article/cftcs-response>

Not to dismiss out of hand any behind the scenes influence of the regulators on the big concentrated COMEX commercial shorts to knock off their manipulative short selling, but recent developments leave hardly any doubt that silver is now in a deepening physical shortage. This is the inevitable and most natural result according to the law of supply and demand, the cornerstone of any free economic system. – In other words, the long-awaited physical shortage of silver on a wholesale basis (in the form of 1000 oz bars), due the long-suppressed price of silver is upon us – as evident in the counterintuitive shrinking physical holdings in the silver ETFs when holdings should be rising, among other signs (like the unprecedented physical turnover in the COMEX warehouses).

<https://investinghaven.com/silver/mysterious-silver-shuffle-physical-silver-market/>

The largest COMEX commercial shorts shouldn't need any prompting from the regulators to recognize the clear signs of physical shortage in silver, as it's almost impossible for them not to be keenly aware of such signs. As a result, I have long expected these big shorts, at the very end of the COMEX silver manipulation to break completely from their previous behavior over the past 40 years and for the first time ever, not add aggressively to short positions on a developing silver price rally.

Moreover, I have also speculated that, at the very end, these big shorts would actually resort to buying back existing shorts on higher prices, buying into other commercial selling from the smaller commercials (which I identify as the raptors), as these smaller commercials sell and liquidate long

positions on higher prices. In the end, the big shorts will only be concerned with one thing â?? closing out as many existing short positions as possible, regardless of price.

Well, guess what? A funny thing happened in the most recent COT report, which while I reported on, it slipped by me as strongly connecting with my long-held premise. For the first time that I can recall, both the 4 and 8 largest commercial shorts bought back and covered existing short positions on higher prices and into heavy raptor selling. This is beyond â??man bites dogâ??. While it is true the big, nor any other commercials added short positions on the move to \$50 in 2011 (because the managed money traders didnâ??t buy) and that the 4 largest traders didnâ??t add new shorts on the \$6 rally into May of this year, the big 5 thru 8 did add close to 6000 new shorts on that silver rally. And on the two-dollar one-week rally of July 18, both the big 4 and big 8 added 6000 new short contracts each.

On the two-week near-three-dollar silver rally into August 29, neither the big 4 nor the big 5 thru 8 commercial shorts added new shorts, and for the first time that I can recall, both sets of large shorts actually bought back short positions on higher prices â?? 1400 contracts by the big 4 and 600 additional contracts by the big 5 thru 8, as the smaller commercials (the raptors) were aggressive sellers of long positions to the tune of 14,000 contracts. While these are not truly large amounts for big 4 and 8 short covering, for someone who has been expecting such behavior for more years than I care to count, Iâ??m a bit embarrassed I wasnâ??t fully-aware of the ramifications of this upon my first review of the COT report.

The reason the big shorts buying back short positions on higher prices for the very first time ever is such a big deal is that not only was it bound to happen at some point, but it also strongly suggests they wonâ??t be adding new shorts for some long time, or better put, until much higher silver prices are seen â?? if then. In other words, it would not seem to make any sense that the big shorts would buy back shorts around \$25, only to go heavily short at say, \$30, if you analyze the rigged game to this point. Let me try to explain.

Because the big COMEX commercial shorts always came in to cap and contain silver price rallies with new short positions after the smaller commercials (the raptors) had sold off most of their long positions and as the managed money traders had bought and bid prices sharply higher, that was the sole explanation for why all previous silver rallies fizzled out. Had the big shorts not added new short positions at those times, there is little that would have prevented truly massive price rallies. These are the precise mechanics of the silver price suppression.

Rarely have the biggest commercial shorts failed to add the necessary amount of new silver shorts to kill every budding silver rally over the past 40 years. Never have they actually bought back short positions on any rally. Thatâ??s the basis for my long-held premise that the big shorts by not adding and actually buying back short positions on higher prices would constitute a clear break in the manipulation pattern and signal a clear end to the manipulation. The only real surprise is that it took so long and the evidence of a developing physical shortage to force the issue.

But wait, I can hear someone asking â?? then why did we selloff sharply, almost from the moment of the close of last weekâ??s reporting week? In other words, if things are so bullish, then why the heck are we moving sharply lower? As I tried to explain in the closing two paragraphs of Saturdayâ??s review, there was massive buying by the managed money traders over the past two reporting weeks and despite the unprecedented buying back of short positions by the 4 and 8 largest commercial shorts, it was still in the best interests of these traders, along with the smaller raptors to buy as many

contracts as possible by rigging prices lower to induce managed money selling.

Some things never change and when all the commercials (big shorts and raptors alike) are presented with the opportunity to rig prices lower and buy from the managed money sellers — they will do so — no ifs, ands or buts. The only limit to how many contracts the commercials as a whole would be willing to buy is set by how many contracts the managed money traders can be hoodwinked into selling — no more, no less. In fact, I am encouraged (through tears of pain) that the commercials have been so ruthless in terms of price violence to the downside (always a big part of the Code Red) and the large trading volumes generated, as it signifies maximum managed money selling in a condensed period of time. If we must endure the pain of yet another (and hopefully, last) such selloff, at least let's get it over with quickly.

Certainly, the silver selloff over the past week has had every characteristic of the usual manipulative commercial rig job lower and quite a bit more. While I can't call it fully-expected, neither is it terribly surprising considering the extent of managed money buying (23,000 net contracts) over the two reporting weeks into last week. In fact, it's hard not to detect that the commercials (both the 4 and 8 big shorts and the raptors) are going all out in forcing managed money selling in a manner not often seen. As painful financially as this (and other) selloff has been, I'm convinced it's the last real trip south.

Please remember that there is no inconsistency whatsoever in the big shorts buying back short positions on higher prices for the first time ever and for them to continue to buy back shorts on the sharply lower prices over the past week. It shows how serious they are to reduce shorts before silver prices explode.

As expected, gold has held up much better than silver, given their relative market structures going into this selloff, although I shudder to think how much more sharply the silver selloff might have been had gold not been structured as it was. But let there be no doubt — the commercials were determined (as the collusive players they are) to rip silver below all the key moving averages to induce maximum managed money selling.

Any attempt to try and rationalize the sharp silver price smash in actual supply/demand terms is absurd on its face — this selloff was due to the commercials rigging price lower. Period. While we can only guess at when and how prices turn higher, that turn should be soon and quite abrupt. Just as the upside penetration of silver's key moving averages was caused by managed money buying, the current downside penetrations of those same key moving averages has set off a wave of managed money selling (with accompanying commercial buying).

So obvious is this manipulative footprint that not seeing it (after it has been explained) is inexcusable on the part of the regulators. My sense is that they do see it and understand full-well that we are about to see an earthquake in terms of the silver market and prices. As for the rest of us, the pain is soon to depart, replaced by gains few truly comprehend.

I just wish this Friday's new COT report would have included today's price smash below the last of the key (200-day) moving averages. I still think there will be a significant improvement (managed money selling and commercial buying) in silver and to a lesser extent in gold, although I'm not sure of the numbers. What I am sure of is that this sharp selloff will soon run its course and prices should reverse sharply higher.

Ted Butler

September 6, 2023

Silver – \$23.47 (200-day ma – \$23.48, 50-day ma – \$23.85, 100-day ma – \$24.12)

Gold – \$1942 (200-day ma – \$1922, 50-day ma – \$1951, 100-day ma – \$1971)

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