

## April 1, 2023 – Weekly Review

For a second week, gold prices fell slightly, this week by \$11 (0.6%), while silver rose this week by a sharp 85 cents (3.6%). As a result of silver's strong relative outperformance, the silver/gold price ratio tightened in by nearly three full points to 82 to 1, down nearly ten full points from where it was four weeks ago. It will be astounding to me if silver doesn't continue to outperform gold on just about any time frame that comes to mind.

However, the very recent gold market performance (apparently heavily-influenced by COMEX futures contract positioning) must be put in the perspective of yesterday marking the end of the first quarter and gold closing at its highest quarterly close in history, up \$157 (8.6%) from yearend. Silver's more recent outperformance earned it no better than an unchanged quarterly performance from yearend.

In an attempt to keep things in proper perspective, while this is the highest quarterly close ever for gold, over the past three+ years (14 quarters), silver has ended six (6) quarters quite close to how it ended this quarter and more than \$2 lower than its highest quarterly close (\$26.50) at yearend 2020. I raise this longer term relative price performance to demonstrate just how undervalued silver still is, both on an absolute basis and relative to gold. The only rational explanation for silver's dismal price performance, particularly in light of its now spectacularly bullish physical supply/demand circumstances is because it has been the most manipulated market in the world (hopefully in the process of change).

There were a number of really important developments this week and I'll try to touch on them all in the course of the usual weekly review format, so let me dig right in.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained on the somewhat subdued side, as just over 4.2 million oz were moved and total COMEX silver inventories fell again by 3.8 million oz to 278.3 million oz, a fresh near five-year low. A 2 million oz reduction in the JPMorgan COMEX warehouse, to 144.2 million oz, paced the overall decline. I would attribute much of the reduction in the COMEX warehouse stocks over the past month to the deliveries made at the outset of the now concluded COMEX March silver contract. While the total deliveries were very light on a historical basis, in hindsight they were needed by industry, as investors aren't generally interested in moving physical metal recently acquired.

I'll touch on developments in the holdings in SLV, the big silver ETF, in a moment, but from my premise that we had reached the bottom of the barrel in the combined total of 750 million oz a few months earlier, we've now slipped below that level, to just under 744 million oz, after shooting higher on the big 25+ million oz deposit in SLV a few months back. While I'm still partial to my premise, the drain in combined holdings sure isn't bearish.

There was no real net change in COMEX gold inventories, which remained unchanged at 21.3 million oz, as did the holdings in the JPM COMEX gold warehouse at 7.76 million oz.

The first big development this week was the very large amounts of gold issued over the first two days of the traditionally large COMEX April contract, by JPMorgan. To be clear, the total gold deliveries weren't particularly large at 19,178 contracts (1.92 million oz) on a historical basis, but total deliveries by JPMorgan of 14,326 contracts, including 10,682 contracts (1.07 million oz) by JPM in its proprietary house account were certainly large — in fact, the largest by JPM in history.

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This is very big news because it demonstrates clear and blatant price manipulation by JPMorgan. How so? Well, ask yourself this — with more than 19,000 contracts of gold standing for delivery, what would have been the price reaction in gold, had JPM not delivered more than 10,000 contracts from its house account — requiring others to step in and fill the void? Even the slowest and dimmest of wits (say at the Justice Dept or the CFTC) should be able to conclude that without JPMorgan delivering as many gold contracts as it just did, gold prices would have had to increase more to attract others to take JPM's place.

Price manipulation cannot possibly occur without a concentrated or monopolistic position and that's just what we witnessed, in full view, by JPMorgan over the first two days of the COMEX April gold deliveries. But it is when you step back a bit, time wise, that it gets even more interesting. Back in 2020, JPMorgan entered into a deferred criminal prosecution agreement (DPA) with the Justice Dept for manipulating the price of precious metals on the COMEX (and other infractions) and agreed to pay a headline-grabbing \$920 million (a pittance for JPM).

I felt, then and now, that the fine and DPA only scratched the surface of JPMorgan's long term manipulation of silver and gold, because the case focused solely on spoofing, the short-term manipulation of prices and not the much more serious suppression of silver (and gold) prices and the fact that JPM accumulated massive quantities of physical silver (more than a billion oz, plus more than 30 million oz of physical gold) over a decade — all the while functioning as the biggest short seller. Spoofing was chicken feed compared to what JPMorgan was actually guilty of.

I also felt, then and now, that I understood why the Justice Dept (and the CFTC) couldn't come down harder than it did on JPM, because had the DOJ really lowered the legal boom on JPMorgan for its real crimes, that would threaten the continued existence of the US's most important bank and financial institution — something that couldn't be undertaken by the Justice Dept or any other entity. Today, with the recent and quite serious issue of confidence in the banking system suddenly on the front burner, any thought of holding JPMorgan to account for its unquestionable manipulation of gold prices these past two days seems even more unlikely. I can see no way that the DOJ or the CFTC can accuse JPM for doing what it just did in the April gold deliveries.

So where does this leave us? Are we all, including the Justice Dept and the CFTC, supposed to just sit by while JPMorgan blatantly continues to manipulate the price of gold and silver because it is way too big to be taken on and fail because of the wider damage it would cause if it did fail? While I always acknowledged that should JPM so chose, it would succeed in continuing to depress prices by releasing enough of its accumulated physical holdings. But I always argued more that because of the massive amount of physical silver and gold it had accumulated over the years, at the dirt cheap prices it was largely responsible for, that it would chose to let prices fly upward instead. The recent large gold deliveries suggest otherwise.

But all may not be lost. I had a suspicion that if JPMorgan did decide to unload some of its massive stockpile of physical silver and gold for the purpose of containing prices, that it would quickly become obvious and that is precisely what just occurred in the COMEX April gold deliveries. So, it seems to me that an all-new dynamic is in play, namely, just how blatant and obvious can it get that JPMorgan is still manipulating gold and silver prices, in complete violation of the law and its own deferred criminal prosecution agreement (whether active or recently expired), before the DOJ or CFTC is forced to react in some way?

In what may be the irony of ironies, it now seems quite plausible that JPMorgan's easiest way out at this point is to sit back and cease manipulating the price of gold and silver. Continued manipulation, like demonstrated in the April gold deliveries, may eventually force even the DOJ and CFTC to react to JPMorgan's blatant price manipulation, as much as each would prefer avoiding such a confrontation. Therefore, it seems this episode also favors some regulatory pressure to end the price manipulation, particularly in silver.

Moving on, the next big development this week was the sudden and somewhat counterintuitive large deposit of nearly 4.8 million oz into SLV Thursday. Yes, silver prices have been moving higher, albeit on relatively low trading volume, and the large deposit looked somewhat odd to me. In searching for the most plausible explanation for the deposit (since it didn't look like plain-vanilla net investor buying), it occurred to me that it was likely a deposit intended to reduce the excessively large short position in SLV, which I recently wrote about.

It then occurred to me that yesterday, in addition to being the end of the first quarter was also the end of the two-week reporting period for the short sale report and the large deposit on Thursday into SLV, if it was intended to reduce the short position, was timely. I have no prediction for what the next short report on SLV might show (due April 12), but I do lean strongly to the idea that whatever the results may be, it will be 5 million shares less than it would have been had Thursday's deposit not been made.

In the highly-speculative category, I also can't help but wonder if the letter I fired off to Securities & Exchange Commission Chairman Gensler and the two top officers of BlackRock early Monday morning had anything to do with Thursday's large deposit (intended to reduce the short position in SLV). Since I wrote to the top officials at the S.E.C. and BlackRock and not anyone lower on their respective food chains, there shouldn't have been any delay should anyone decide to act against the large, fraudulent and manipulative short position on SLV. Certainly, I haven't received any counter arguments to my allegations about the large short position on SLV being both fraudulent to shareholders and manipulative to the price.

Turning to the third major development of the week, the latest Commitments of Traders (COT) report, the results were largely expected and, in the case of silver, actually exceeded my hopes in terms of individual commercial category positioning. Although I refrained from number of contract predictions for yesterday's report, I had indicated that I anticipated further continued deterioration (managed money buying and commercial selling in both gold and silver, with relatively more in gold than in silver and it largely worked out that way. After all, prices were mostly higher over the reporting week and that almost always is due to managed money buying and commercial selling.

In COMEX gold futures, the commercials increased their total net short position by 17,900 contracts to 201,500 contracts. This is the largest (most bearish) commercial short position since last May, as gold would then continue lower by nearly \$200 months later. Therefore, the rocket fuel of managed money buying that has driven gold prices sharply higher by nearly \$200 since March 7 has largely been spent. I'm certainly not saying that gold prices can't climb higher on further managed money buying or on other real-world events, just that the built in rocket fuel has been burned.

By commercial categories in gold, the big 4 added roughly 8500 new shorts and held a short position on Tuesday of 157,463 contracts (15.7 million oz), also their largest short position since May. The next 5 thru 8 largest commercials shorts actually bough back a few hundred shorts and the big 8 short position came to 217,289 contracts (21.7 million oz). While large, the big 5 thru 8 component of the big 8 short position is historically small at less than 60,000 contracts, suggesting some reluctance on these traders' part to get heavily short. The heaviest commercial sellers were the raptors (the smaller commercials apart from the big 8) which sold off 9700 longs, reducing their net long position to 15,800 contracts, their lowest such net long position since last April.

On the three week near \$200 gold rally since March 7, there have been 82,600 contracts of total commercial contracts sold, with the big 4 accounting for nearly 21,000 contracts of new shorts and with the raptors accounting for nearly 68,000 contracts of long liquidation and with the big 5 thru 8 traders actually buying back a bit over 7000 shorts. Thus, the actual mix is nowhere near as bearish as the gross commercial selling might first suggest.

On the buy side of gold, the managed money traders bought 17,931 net contracts (almost perfectly matching the commercial net selling), consisting of the purchase of 5440 new longs and the buyback and liquidation of 12,491 short contracts, which did very much surprise me, as I concluded last week that I doubted the managed money traders would seriously reduce their already-depleted gross short position much further. I now have no choice but to double down, since the gross short position of the managed money traders is back to lows only seen on the great selloff of early 2020. The resultant net managed money long position in gold grew to 99,160 contracts (130,530 longs versus 31,370 shorts), the largest (most bearish) since a year ago.

In COMEX silver futures, the commercials increased their total net short position by 9200 contracts, to 21,900 contracts. I confess to uttering a muffled profanity when viewing the first data point I customarily observe; only to sigh in relief as I quickly completed a run-through of all the data. As it turned out, the raptors did almost all of the selling in liquidating 9300 long contracts and reducing the raptors' net long position to 29,400 contracts. The raptors picked up some minor short selling of a few hundred contracts by the big 5 thru 8 largest commercials shorts, but the standout feature of the silver COT report was that the 4 big shorts actually bought back 600 shorts, holding a short position of 33,692 contracts as of Tuesday. (The big 8 short position was 51,302 contracts as of Tuesday).

The big 4 buying even included a bit of my long-held speculation that the big 4 shorts would someday buy to the upside from raptor selling, although the numbers aren't particularly large this week. However, the lack of big 4 selling this week, as well as the relatively light selling by them over the past three weeks on the silver price rally does seem quite important based upon my many years (decades actually) of ranting and raving how this was the key point of the ongoing silver manipulation, namely, if the big 4 didn't add short positions aggressively on a silver rally, that rally should turn out to be the big one.

On the \$3.50 silver price rally over the past three reporting weeks, there have been a rather-light 16,300 contracts of total net commercial selling through Tuesday, even though there has been much heavier managed money net buying of 27,683 contracts (explained by more than 11,000 contracts of net selling by the other large reporting and smaller non-reporting traders). It is instructive to point out that the vast majority of the 27,683 contracts of managed money buying over the past three weeks was mostly (around 24,000 contracts) short covering on which the managed money shorts lost around \$250 million. Add in the \$500 to \$700 million lost by the managed money shorts in gold and pretty soon you're talking about real money. For the umpteenth time, the managed money shorts have never realized profits collectively when putting on heavy short positions in COMEX gold or silver I think it's the eleventh commandment or something.

Of the 16,300 contracts of total net commercial selling over the past three reporting weeks, the raptors accounted for 16,100 contracts in net long liquidation, with the 4 biggest shorts adding only 1800 new shorts and with the big 5 thru 8 buying back 1600 shorts. Again, I don't wish to jinx it by declaring that the 4 and 8 big shorts will continue, essentially, to stand aside and let my silver go, but not to acknowledge the fairly remarkable developments over the past three reporting weeks wouldn't be proper, either.

On the buy side of silver this reporting week, the managed money traders did buy a rather-hefty 10,558 net contracts, consisting of the new purchase of 1338 longs and the buyback and liquidation of 9220 short contracts. Once again, net selling by the other large reporting traders and the small non-reporting traders accounted for the difference between what the commercials sold and the managed money traders bought. The resulting managed money net long position increased to 10,281 contracts (31,927 longs versus 21,646 shorts), the largest net long position since late-January, but still largely overshadowed by the lack of aggressive new commercial short selling.

The combination of relatively light commercial selling in silver, particularly of the concentrated new short-selling variety, the relatively light counterparty managed money buying, particularly of new long buying and the fact that we are staring down the gun barrel of what looks to me to be the first genuine physical silver shortage in the history of the world add up to a potentially-explosive price environment

ahead. Add in the possibility that JPMorgan might not be able to cap and contain prices through the uneconomic release of physical silver due to its bone-headed stunt in delivering gold in the April contract so egregiously and all that seems to be missing is someone flipping a lit cigarette into a silver swimming pool filled with gasoline.

Late yesterday, the Office of the Comptroller of the Currency released its latest quarterly OTC derivatives report, for positions held as of yearend (fourth quarter). As anticipated, there wasn't much to report. All things being equal, there should have been some increases in the derivatives positions held by the 4 major precious metals derivatives bank holders, given the near 10% increase in gold prices and 25% increase in silver prices from Sep 30 to Dec 31. As it turned out, only the derivatives position of Bank of America grew slightly and even there, not up to the increase in gold and silver prices over the quarter. The report, as expected, was a non-event and did nothing to undermine my contention that BofA is still short a billion oz of silver in OTC derivatives, with interests associated with JPMorgan on the long side.

By the way, even though I no longer maintain the running financial scoreboard of the 8 largest shorts in COMEX gold and silver (for a variety of reasons), I can report that as of yesterday's quarterly close, Bank of America is in the red for a billion dollars on its billion oz OTC silver short — same as it was at yearend, which wiped out its paper profit of \$3 billion less than a month ago when silver slipped to \$20. In more meaningful open profits, JPMorgan ended the first quarter, more than \$27 billion ahead on its 30 million physical oz gold position (\$21 billion) and one billion oz physical silver position (\$6 billion).

With these and even much larger prospective profits in store on higher gold and silver prices, JPMorgan should be mindful before pulling off another blatant manipulative stunt like it just did in delivering such large quantities of gold over the past two days. At some point, even the Justice Dept and CFTC will no longer be able to play dumb in the face of such clear manipulative shenanigans. That's no April Fool's Day joke.

(On a housekeeping note, I'm switching to the June contract from April for closing price purposes, which does add around \$17 to the price of gold, given the current large monthly price differentials).

Ted Butler

April 1, 2023

Silver – \$24.20 (200-day ma – \$21.04, 50-day ma – \$22.31, 100-day ma – \$22.60)

Gold – \$1987 (200-day ma – \$1791, 50-day ma – \$1901, 100-day ma – \$1853)

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