

April 15, 2023 – Weekly Review

A sharp Friday selloff erased all of gold's gains for the week, resulting in prices ending \$8 (0.4%) lower; while on the same Friday selloff, silver managed to finish the week 37 cents (1.5%) higher. As a result of silver's relative outperformance, the silver/gold price ratio tightened in (again) by a point and a half to 79.2 to 1 – the fifth straight week of relative silver outperformance and the first time in three months the ratio dipped below the 80 to 1 mark.

At Friday's highs, the price of gold was only \$15 or so from establishing all-time highs, while silver had crossed above the \$26 mark – for the first time in a year. The most plausible explanation for the price reversal was the same COMEX commercial-induced price rigging that has existed for decades, complete with what should be patented by now – a series of price "salami-slices" in which prices fell to new lows on the day a number of times – intended to maximize managed money and other speculative selling.

I also got the sense that gold price weakness was used to induce price weakness in silver. Sometimes it's the other way around, with silver leading gold lower – just not this time. Because of this and the results in the new COT report which continued to meet all hoped-for expectations of subdued short selling by the 4 largest silver shorts, yesterday's selloff looks more bullish than bearish to me for reasons I'll get into later.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged to the highest level since January, as just over 7 million oz were physically moved this week and total silver inventories fell by 1.1 million oz to 274.1 million oz – another new 5-year low water mark. It was a week common in profile with the majority of other weeks over the past 12 years – in which total turnover vastly exceeded net change in total holdings. If such extreme physical inventory turnover isn't a sign of relentless demand resulting in new supplies required to be brought in to replenish most of what's going out – then I'm missing something. Holdings in the JPMorgan COMEX silver warehouse fell by 0.4 million oz to 141.7 million oz, also another 5-year low.

Holdings in the COMEX gold warehouses went the other way, as total holdings increased by around 0.1 million oz to 21.9 million oz, with holdings in the JPM COMEX warehouse rising to 8.24 million oz, up around 160,000 oz.

Nothing special to report on or derive new meaning from ongoing COMEX deliveries, with the next big traditional delivery month being the May silver delivery, starting on April 28. Also, no special happenings in gold or silver ETF flows, but I would like to comment on the new short report on stocks which was published after Wednesday's article (before getting to the new COT report).

Late Wednesday, the new short report on stocks indicated that the short position on SLV, the big silver ETF, fell by 6 million shares to 41.5 million shares (38 million oz), as of March 31.

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

This follows the prior short report which featured an increase of 11 million shares, as of March 15, to the highest level of short selling on SLV in three months. This prompted me to petition the Securities & Exchange Commission for the sixth time since August (with copies to the two top officials of

BlackRock, the trust's sponsor) about the fraud and manipulation the excessively-large short position represented (and BlackRock's continued failure to exercise its fiduciary responsibilities to shareholders of the trust). I did receive the customary acknowledgement of receipt from the chairman's office at the S.E.C., but no further comment from the S.E.C. or BlackRock.

While I had no prediction for what the new short position on SLV might be, I did comment that whatever the new short position would be, it would likely be around 5 million shares less than otherwise reported, due to the counterintuitive deposit of around 5 million oz into the trust in the last few days of the March 31 cutoff for the report. In hindsight, it now appears to me that, most likely, this confirms that the large metal deposit was used to reduce the short position, as expected.

The broader and more significant question is whether the S.E.C. or BlackRock applied any pressure on the big shorts in SLV, as I obviously believe should have been the case. I would point out, quite ironically, that ever since BlackRock changed the prospectus in February 2021, to include special risk factors to short sellers of the trust, the short position, instead of decreasing, did nothing but increase from the 15 million share level at the time to 30 million shares or more over the next several months, where it roughly remained until June 30 2022. (Although I do recall complaining to the S.E.C. in April 2022, when the short position touched 40 million shares). But since June of last year, the short position in SLV spiked again, to as much as 60 million shares, when my petitioning campaign revved up (scroll down) –

<https://fintel.io/ss/us/slv>

Certainly, if the S.E.C. or BlackRock (or anyone else) has any disagreement with my contention that the excessively-large short position in SLV is both fraudulent and manipulative – I haven't heard of any such disagreements. I contend the shorting is fraudulent because such short sales are an end run around the firm requirement in the prospectus that an ounce of silver be deposited in the trust for every share outstanding and that the short sales are occurring to avoid that requirement. Further, such short sales are manipulative to the price of silver and the shares of SLV because without them, that much selling pressure wouldn't weigh on prices.

I further believe the still excessive short position in SLV is understood by the S.E.C. and its chairman to be the fraud and manipulation I contend it to be, but its hands are tied because any overt actions to move against the shorts sellers or BlackRock would be potentially explosive to the price of SLV and silver. I say this because another important government entity, the US Treasury Dept appears to be doing everything it can to prevent a surge in silver prices, through the US Mint not producing enough Silver Eagles and the Office of the Comptroller of the Currency doing everything it can to obscure Bank of America's massive blunder in shorting a billion ounces in silver OTC derivatives.

As far as BlackRock's role in not policing the excessively large short position in SLV, I think it is doing everything it can to avoid dealing with the issue publicly. Privately, I believe it spends its time wishing it didn't own SLV. After all, SLV represents little more than one-tenth of one percent of BlackRock's \$9 trillion of assets under management – the largest such asset pool in the world. Say you had one million dollars in highly diversified assets – how much time and worry would you spend on any single asset worth \$1000? The problem for BlackRock, should this short position in SLV become problematic in any way, is it may represent a clear threat to its reputation – particularly given the record of it being warned repeatedly.

Despite such strong potential headwinds, such as no one in the US Government or BlackRock doing anything to resolve the ongoing clear manipulation in silver prices, that's no reason to believe anything can ultimately prevail against the tidal force of the developing physical silver shortage. Certainly, continued artificial low prices will only come to inflame the shortage. In the case of the excessively-large short position in SLV, where 38 million oz are owed to the trust due to the just-reported short position, there is no case to be made that the short position is legitimate in any way.

The record reveals two startling observations about the sharp growth in the short position in SLV over the past year or so. One is that for first time I can ever recall, the short position in SLV grew sharply just as the commercial and, particularly, the concentrated commercial short position on the COMEX fell sharply in the fall and over the month into March 7. Previously, the short position in SLV rose and fell in tandem with the commercial short position on the COMEX. Two, the growth in the short position in SLV was most pronounced as silver prices were low and falling in stark contrast to all times past.

What this means is that there is no argument to be made that the shorts in SLV were motivated by legitimate profit expectations. The big increases in the SLV short position occurred as and after prices fell and it's easy to document that the shorts in SLV have lost a fortune very much unlike typical commercial shorting on the COMEX. Therefore, it's glaringly obvious that the motivation of the big short seller(s) in SLV was other than to make money on the short sales. By process of elimination, the only remaining motivation for why anyone would short SLV so heavily and out of character would be as a substitute for depositing metal as called for by the prospectus. The excessively-large short position in SLV exists because there is not enough available physical silver to deposit into the trust.

My final conclusion is that all this is actually quite bullish for the price of silver and for shares of SLV because the excessive level of short sales on SLV has to be bought back or physical metal deposited at some point otherwise BlackRock's reputation stands a chance (pardon the pun) of being greatly tarnished. (I believe the USG's reputation may be beyond redemption on this issue). BlackRock's reputation and the reputation of its high-profile CEO and founder, Larry Fink, is of great concern to the firm and its CEO. In many ways, our reputation is the only thing that endures when every one of us departs this veil of tears and any scandal involving the short position in SLV may damage Mr. Fink's reputation. Certainly, there has been nothing ambiguous about my warnings.

This is not a suggestion that anyone buy or sell shares of SLV, just an attempt to look rationally at and analyze what is the largest single stockpile of silver in the world close to a quarter of the total 2 billion oz of silver in 1000 oz bar form. Not to dig into this would be akin to analytical malpractice.

Turning to yesterday's new Commitments of Traders (COT) report, for the 5th reporting week in a row, I breathed a sigh of relief as regards silver and my obsession with what the 4 largest commercial shorts did or didn't do. There was a slight increase in big 4 concentrated silver short selling, but nothing approaching my greatest fear aggressive new shorting. Also as hoped for, a good portion of the 11,500-contract increase in total silver open interest, around 8000 contracts (70%), was the result of phony spread creation.

Looking ahead, if past proves to be prologue, we are now (or within a day or so) of the start of the phony spread liquidation period in silver, which should last until first delivery day on April 28, when the spread liquidation ends. As a reminder, gold and silver prices didn't do much in the reporting week ended Tuesday and accordingly, I wasn't looking for significant positioning changes.

In COMEX gold futures, the commercials reduced their total net short position by 1700 contracts to 216,500 contracts. Ironically, the slight reduction in the total net short position came as new commercial short selling actually increased. It has to do with the mathematical effects of the composition of the different commercial categories. Lately, we've seen the total commercial net short positions in both gold and silver increase, mainly due to raptor (smaller commercial) long liquidation. This week in gold, it went the other way mathematically speaking, as the total commercial net short position in gold decreased slightly, mainly due to gold raptor buying. Don't obsess over this.

This reporting week, the 4 big gold shorts increased their net short position by around 7600 contracts to 172,994 contracts (17.3 million oz). The next 5 thru 8 largest commercials added 1900 new shorts to a big 8 short position amounting to 232,565 contracts (23.3 million oz) as of Tuesday. The gold raptors were buyers of 11,400 contracts, increasing their net long position to 16,100 contracts.

The managed money traders were net sellers of 5525 gold contracts, consisting of the sale and liquidation of 7333 longs and the buyback and liquidation of 1808 short contracts. The resultant managed money net long position fell to 104,606 contracts (135,015 longs versus 30,409 shorts). Explaining the difference between what the commercials bought and the managed money traders sold was net buying of close to 4000 contracts by (mostly) the other large reporting traders as well by the smaller non-reporting traders.

I've been characterizing the market structure in gold as far from bullish as a result of roughly 100,000 contracts (10 million oz) being bought by the managed money traders and sold by the commercials over the 5-week gold rally of \$220, but not bearish on a longer historical basis. That remains the case and it seems to me that the gold price strength on Wednesday and Thursday and likely managed money buying and commercial selling was largely neutralized in yesterday's selloff – meaning we are still likely at where we were on Tuesday, positioning-wise.

In COMEX silver futures, the commercials increased their total net short position by 4800 contracts to 36,300 contracts. This is the largest such position since Jan 31. This week, the 4 big shorts added around 900 contracts to a concentrated short position amounting to 34,248 contracts (162 million oz) as of Tuesday. The next 5 thru 8 largest commercials added a further 2200 new shorts and the big 8 short position grew to 56,794 contracts (284 million oz).

Finishing out the commercial selling was raptor long liquidation of 1800 contracts, reducing their net long position to 20,500 contracts – the lowest raptor net long position in a year. I have mixed feelings about the low raptor net long position. They don't have much left to sell (or at least 25,000 contracts less to sell from the price lows of March 7) – meaning should we move higher in silver prices (as I expect), it will become even more critical what the 4 big shorts do or don't do. And while the raptors do buy on silver price selloffs, most of their heaviest buying occurs when we're below the key moving averages, which are as much as \$4 below current prices. I just don't think (hope) there is enough managed money selling in current circumstances to take prices that low –

particularly in light of the developing physical silver shortage. Let me finish with this week's silver report before drilling down to what I think matters most.

On the managed money side of things in silver, I must say I wasn't particularly surprised at the relatively minor change in the net selling of 655 contracts -- but the composition of the positioning was quite a surprise, as these traders bought 4164 new longs and an even more surprising was the new short sale of 4819 contracts. The resultant net managed money long position came to 17,790 contracts (42,763 longs versus 24,973 shorts).

Considering we just witnessed one of the sharpest rallies in silver -- more than \$5 in as many weeks -- I am astounded the managed money traders would be holding 25,000 short contracts (and likely even more after Friday's selloff). These managed money shorts appear to be more stubborn than any Jenny mule, because after being smacked upside the head with a two by four for decades -- never collectively profiting when heavily short -- they appear eager to short again. These guys look as dumb as Bank of America in OTC dealings.

Getting back to my obsession -- the status of the big 4 shorts in silver -- I continue to be tickled pink at the quite stark change in their behavior of aggressively adding short positions on silver price rallies. As I've stated previously, my definition of aggressive shorting by these four large traders is 10,000 contracts and up. And although they haven't added that many new short contracts in more than a year, it used to be a recurring event for decades. Even more remarkable is the level of the current big 4 short position, effectively, lower than it's been in more than a decade.

Perhaps I'm just guilty of confirmation bias and wanting to see something finally unfold that I had long anticipated, but then again, the data suggest something may be unfolding quite different than from what has occurred previously. Over the most recent three reporting weeks starting on March 21 and ending this past Tuesday, April 11, the price of silver rose from under \$22.50 to more than \$25.25, more than half of the five-week gain of more than \$5. On this three-week rally, the commercial net short position rose by more than 23,600 contracts, mostly due to raptor long liquidation of 18,200 contracts and nearly 5400 contracts of new short selling by the 5 thru 8 largest commercials. In other words, over this same last three reporting weeks, the 4 largest shorts didn't add a single new short contract.

While I have been quite careful not to profess knowing what the 4 big silver shorts will do in the future, that's different from calculating what they have done. Simply stated, the 4 big shorts have done something they have not done before (except perhaps on the great price run up to \$50 in 2011), namely, not add to short positions on a strong price rally. Even more remarkable is that back in 2011, neither the total commercial net short position, nor the concentrated short position of the 4 largest traders changed much (mostly because the managed money traders didn't buy on the way up).

This time it's different in that the managed money traders have bought (close to 17,000 net contracts) and the total commercial net short position increased by 23,600 contracts over the past three reporting weeks -- but all due to raptor and big 5 thru 8 selling and with not a single short contract being sold by the 4 largest traders. Strange days, indeed. If this particular development hadn't already been the subject of my obsession for decades (as being the key factor in the ongoing COMEX silver price manipulation), perhaps I would have overlooked what I'm now making a big darn deal about.

Not only is the big 4 COMEX silver short position extremely low on an absolute basis, it is also abnormally low on a relative basis when compared to the typical previous levels of raptor long positions and big 5 thru 8 short levels. In the case of the big 5 thru 8 traders, on March 21, these traders held 17,150 silver contracts net short, one of the lowest ever short positions relative to what the 4 big shorts typically held. Now, three reporting weeks later, these same 5 thru 8 largest shorts hold 22,546 contracts short – one their largest short positions in years. Therefore, the key observation is what made the raptors and big 5 thru 8 traders so readily inclined to sell and not the big 4? Or, in other words, what made the big 4 so reluctant to add any new short contracts over the past three reporting weeks and to be such light overall short sellers (less than 2400 contracts) going back to the start of the silver rally on March 7?

I'd like to take credit for prompting the CFTC to take measures to restrict the 4 big shorts from increasing their concentrated short position on silver rallies, because this is specifically what I petitioned the Commission to do for decades and something it should have done on its own and not due to any pressure from me. I'd like to take credit, but in all due conscious, I can't – because I don't think the Commission intervened in any way. Instead, the motivation for the 4 big shorts not (yet) adding to short silver positions on this current rally appears rooted in their knowledge of the developing physical silver shortage. What stronger motivation could there be for not adding aggressively (or at all) to short positions than the growing awareness of a developing shortage by what must be considered to be among the most informed of market participants?

Further, if you'll allow me to speculate a bit here, I do believe there might have been some big 4 shorting on the silver rally on Wednesday and Thursday, following the Tuesday cut-off for the reporting week. But even if there was some new big 4 shorting, it looks to have been bought back and covered on the price smash yesterday. Moreover, yesterday's selloff, while fairly sharp, came from relatively very high price levels – confirmed by the fact that despite the selloff, we still finished higher for the week in silver.

The point I'm trying to make is that yesterday's selloff had all the makings of an ideal opportunity for the 4 big shorts to buy back relatively large numbers of short contracts. I would suspect that the raptors (and perhaps the big 5 thru 8 traders) could have been buyers on yesterday's selloff, but since they sold at prices over the reporting week ended Tuesday that were still lower than the prices achieved at yesterday's lows – that would tend to limit such commercial buying. In the case of the big 4, however, who seem super-determined to not add and more inclined to buyback short positions, yesterday's selloff would seem to provide a unique opportunity for big 4 short covering (before the raptors or big 5 thru 8 bought). Again, I'm speculating, but if the big 4 were relatively heavy buyers yesterday, that makes an already bullish market structure all the more bullish.

I still believe that the developing physical silver shortage will trump the usually all-important price dominance of COMEX futures positioning and unless I'm reading it all wrong, it looks like the 4 big COMEX silver shorts would agree by their actions – at least to this point. Until and unless that changes, it's hard to be anything but bullish on silver.

Ted Butler

April 15, 2023

Silver – \$25.47 (200-day ma – \$21.21, 50-day ma – \$22.55, 100-day ma – \$22.93)

Gold – \$2018 (200-day ma – \$1800, 50-day ma – \$1917, 100-day ma – \$1878)

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