

From what looked like the makings of a clear cut price breakout at the week's start, ended looking like a fake out with gold and silver prices finishing sharply lower; with gold down by \$45 (2.3%) and with silver ending lower by a much sharper \$1.65 (6.4%). As a result of silver's pronounced relative price weakness, the silver/gold price ratio blew out by nearly three and half full points to just under 80 to 1. This is the most undervalued silver has been relative to gold in three months.

A rational person who was interested in uncovering the reason(s) behind the rather startling change in price performance witnessed over the past week would have great difficulty coming up with a demonstrable cause for the extreme price volatility, particularly for silver. After all, there were no clear signs of sudden net investor liquidations of silver either in the retail or wholesale physical markets (quite the contrary) or real-world developments to support the sudden price swoon. In fact, the release of the Silver Institute's Annual Review of silver was one of the most bullish on record, indicating that demand continued stronger than supply. Not exactly the backdrop one would imagine for a price smash.

<https://www.silverinstitute.org/global-silver-demand-surged-2021/>

A week ago, it was hard to find a gold or silver commentator who was outright bearish on their price prospects and for good reason – everything seemed to point to higher prices, with “everything” defined as a plethora of bullish supply/demand fundamentals and technical indications (including momentum) pointing towards higher prices. Only one thing was missing – a bullish set up in the one thing that matters most in determining gold and silver prices – COMEX paper positioning.

Simply put, the COMEX commercials (banks, not real commercials like mining companies) were too heavily short and the non-commercials were too heavily long.

Please understand that it gives me no pleasure to have to report again that the collusive speculative traders erroneously classified as commercials succeeded in rigging prices lower, even though I identified beforehand the distinct possibility of that occurring. The longer-term prospects on silver are too bullish in my eyes to abandon long term positions and I am content to add when it seems the commercial rigging has been exhausted. While we are not there yet, in terms of price targets and the market structure improvements required, we do appear to be more advanced in silver relative to gold – based upon the greater price carnage in silver.

Already, the price of silver has decisively penetrated to the downside its 50-day moving average and the remaining two key moving averages (the 100 and 200-day ma's) are only 30 cents away from penetration to the downside. Gold is at its 50-day moving average, with the 100 and 200-day moving averages still \$60 and \$100 away from being penetrated. Considering that silver is much closer to full downside penetration of all its key moving averages, while gold has a much greater distance to fall were it to match silver's plunge, I wouldn't rule out gold's price failing to decisively penetrate all its key moving averages.

Although I could never pinpoint or guarantee precise downside price targets, having already fallen more than \$3 from the early March price highs (\$27.50) and \$2 from Monday's price highs, another dollar or so lower would put silver close to the \$23 level I mentioned a month or so ago – meaning most of the price damage would appear to be behind us (he said hopefully). In gold, another \$130 price smash from here seems less likely to achieve the \$1800 target I mentioned in the recent past.

Another thing that I mentioned was the likelihood that if the collusive COMEX commercials succeeded in rigging another price smash, it would occur rather

quickly. Based upon the 4-day price drop (from Monday's highs) of \$70 in gold and \$2 in silver, that appears to be playing out. Later, after reviewing the latest Commitments of Traders (COT) report, I'll dig into some new thoughts about the current price smash in terms of the growing competition and dynamics between the large and smaller commercials.

Regardless of what transpires in the near term, there should be absolutely no question that the price smashes this week had absolutely nothing to do with real world developments and everything to do with collusive commercial positioning on the COMEX. The COMEX has such a lock on crooked gold and silver dealings, that not even other crooked interloper could get in on the rigged game.

I had to shake my head a bit and laugh at efforts by some to make a big deal out of the news that the LME was abandoning (yet again) its recent five-year effort to establish a gold and silver futures market to compete with the COMEX. The LME has attempted to set up a futures market in gold and silver a number of times over the past few decades and has failed at every turn. Even without the recent default and debacle in LME nickel, the LME stood no chance of successfully introducing a viable gold and silver futures market. There's only room for one crooked exchange in gold and silver and that's the COMEX.

<https://financialpost.com/pmnbusiness/pmnlme-to-scrap-gold-and-silver-futures-by-july-due-to-thin-activity>

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouse surged again to another multi-month high, as 9.5 million oz were physically moved this week, exceeding last week's 4-day movement. Total COMEX silver warehouse holdings fell a slight 0.3 million oz to 334.9 million

oz, enough to establish yet another new low water mark extending from mid-2020. Holdings in the JPMorgan COMEX warehouse fell a sharper 2.1 million oz to 174.4 million oz, as JPM has been at the center of absolutely massive amounts of physical silver in a variety of venues (ETFs) – not a big surprise for the one entity that controls most of the world’s physical silver.

This week’s physical movement of silver equates to nearly 500 million oz when annualized, an amount so stunningly large as enough to hurt anyone’s head even thinking about it. I’ll not launch into my repetitive it’s the motion not the ocean diatribe today, but I continue to be thunderstruck by the lack of attention to or even notice of the phenomenally massive physical movement in the COMEX silver warehouses for the past 11 years – alone among all commodities. Applying the minimum amount of common sense, I would point out that no item could possibly be physically turned over as much as silver in the COMEX warehouses if it wasn’t in extreme demand.

Mostly due to rounding, the amount of metal in the COMEX gold warehouses increased to 36 million oz, another one year high, but up less than 0.1 million oz for the week. No change in the JPMorgan COMEX warehouse, stuck at 14.42 million oz.

Despite the price weakness this week, there continued to be net deposits into the world’s gold and silver ETFs – some 0.6 million oz in gold (principally into GLD, the big gold ETF) and around 5 million net oz into the silver ETFs (mostly SLV). Actually, there were more than 11 million oz deposited into SLV, but there was also a big net redemption/withdrawal of 10 million oz from the Deutsche Bank silver ETF (although I’m not sure if this involved actual physical movement as occurs in the COMEX warehouses). It’s still a tossup to me whether the declines in the DB silver ETF are a

result of flat out switching into the SLV (arranged by JPM) or whether a big investor is switching silver holdings in the DB silver ETF into the DB gold ETF (where there was another big deposit) or some combination of the two.

In addition, it's a tossup as to why so much physical silver is coming into the SLV. Since yearend, some 50 million oz have been deposited into the SLV, with 30 million oz over the past month. My gut instinct for the big net deposits is some combination of new buying and short covering (depositing metal to reduce short positions in shares of SLV) and future short reports should help clarify the matter (starting with next Tuesday's short report). Regardless of what it is that's causing so much physical silver to come into the SLV (and other silver ETFs), it's hard to assign anything but a bullish conclusion. Certainly, silver prices didn't get crushed this week for any reason away from collusive commercial positioning on the COMEX.

Turning to yesterday's COT report, there was hardly any net positioning change in silver as expected, but a better-than-expected change in gold. As a reminder, the reporting week ended Tuesday was a 4-day holiday-shortened affair which featured two fairly strong up days and one sharp down day. In other words, there was likely commercial selling on the up days and commercial buying on the down day and yesterday's report provided (as it always does) a "snapshot" of the net positioning change as of Tuesday's close.

For example, this reporting week, the smaller commercials in silver – the raptors – increased their net long position by a relatively minor 600 contracts. However, I'm quite certain that these smaller commercials actually sold at least 5000 contracts on the up days and then bought back just over that number of contracts on the big down day – Tuesday. The reason I bring this up is to dismiss any notion that raptor

positioning in silver was as subdued as the reporting week's net change might suggest. Selling at least 5000 contracts on an overnight basis (in addition to day-trading) and then buying even more in a matter of a day is pretty big net positioning, as the 10,600 net contracts positioned amounts to 53 million oz of silver – no small amount to be positioned in a matter of days by one subset of traders.

In COMEX gold futures, the commercials reduced their total net short position by 12,600 contracts to 275,500 contracts. This is the lowest (least bearish) total short position in eight weeks (Feb 22), but is still close to 75,000 contracts higher (more bearish) than the commercial short position of Feb 1. By commercial categories, it was almost an exclusive raptor affair, as the smaller commercials apart from the big 8, accounted for 12,000 contracts (95%) of the total commercial buying and reducing the raptor net short position to just 2900 contracts.

The 4 big gold shorts bought back a bit less than 800 contracts, reducing their net short position to 181,189 contracts (18.1 million oz). The net largest 5 thru 8 commercial shorts added around 200 new short contracts and the big 8 short position fell slightly to 272,646 contracts (27.3 million oz). I'll return to the outstanding raptors buying in a bit. There was a further slight (1000 contracts) reduction in the gold whale's long position, which appears to be down to 20,000 contracts – with still no way to tell how many physical contracts may be held as the result of delivery or if the gold whale sold off positions with the intent of buying at lower prices.

On the sell side of gold, the managed money traders were net sellers of 15,759 contracts, consisting of long liquidation to the tune of 7684 contracts and new short selling of 8075 contracts. I found it interesting that the managed money traders

added that many new short contracts on the price decline into Tuesday, which came nowhere near the key moving averages at that time, but am unsure of assessing its full implications.

In COMEX silver futures, the commercials reduced their total net short position by a scant 400 contracts, to 63,300 contracts. The 4 big shorts added close to 550 new shorts to a concentrated short position amounting to 51,855 contracts (259 million oz). The big 5 thru 8 bought back close to 200 contracts and the big 8 short position rose slightly to 73,860 contracts (369 million oz). As previously described, the raptors did the bulk of the commercial buying (same as in gold) in adding 600 new longs to a raptor net long position of 10,600 contracts.

On the managed money side of things in silver, these traders were net sellers of 1362 net contracts, consisting of the purchase of new longs on the order of 2368 contracts, as well as the new short sale of 3730 contracts. It is somewhat unusual to see both new longs and shorts added by the managed money traders, although the amounts weren't particularly large. The simplest explanation was most likely the bifurcated trading action in the reporting week. No change in the silver whale's position of 15,000 contracts, as the concentrated long position grew by 700 contracts.

A new thought occupying my mind has been the growing competition, both on the buy and sell side, between the largest commercials (the big 4 and big 8) and the raptors. This reporting week, particularly in gold, the commercial competition seemed intense, but it's also evident on a longer-term basis.

One way this can be seen is in the observation that since I started measuring the financial performance of the 8 big COMEX gold and silver shorts starting in June

2019, the total losses to the big 8 have fluctuated between \$8 to \$14 billion on a quarterly closing basis for the past two years (with this week's losses to the big 8 falling by \$1.8 billion to \$12 billion). While the 8 big shorts' total losses have varied over the past near three years, they have remained firmly in the loss category.

Over this same period, the raptors in both gold and silver have, quite literally, cleaned up in the profit department - never once taking a loss. I haven't done a detailed tabulation, but my sense is that the gold and silver raptors have collectively profited by around a couple of billion dollars over the past three years. In the ongoing money game that is the COMEX, therefore, the raptors are the undisputed winners in the commercial category. The bulk of the big 8's losses (minus the share taken by the raptors) goes to those non-commercials (including the managed money traders) which remained net long from the \$1300 level in gold and \$15 in silver back from June 2019 - since we know that derivatives trading is a zero-sum game, namely, what one side loses, the other side wins and vice versa.

Of course, what I just described as occurring since June 2019 is a sea change from the results of the more than 35 years that preceded that time - a time when the biggest commercial shorts were the biggest winners. Therefore, to say that the COMEX game had changed is a severe understatement. For the sake of brevity, I'll leave out the critical role of JPMorgan in all this. Simply put, it has been the consistent profits accruing to the raptors and the somewhat varying, but consistent losses to the big 8 over the past three years at the core of my conclusion that the COMEX's always crooked game has changed. The game is still crooked, of course, but it has changed nonetheless.

With that longer term analysis stated, I can't help but be more than intrigued by the



more recent relative positioning changes of the big 8 (particularly the big 4) and the raptors. Increasingly, I marvel at the very choice of my terminology in describing the commercial categories. It took me a while to look up when I started referring to the smaller commercials as the raptors (a take on velociraptors), as compared to the biggest shorts which I referred to as giant T. Rex dinosaurs, but I did find what I was looking for – written some 15 years ago.

<https://www.investmentrarities.com/ted-butler-commentary-may-22-2007/>

My choice of the word “raptors” to describe the smaller commercials was based upon them being much quicker and nimbler than the biggest COMEX commercial shorts and remarkably, that description has endured to this day – with an added wicked twist (to the biggest shorts). That twist is that the raptors, in addition to remaining quicker have banded more cohesively than ever to the point where I believe that, collectively, they are now more powerful than the 8 big shorts – particularly since JPMorgan abandoned the fold of the big 8.

It’s not just that the raptors have run rings around the big 8 in terms of financial performance these past three years, but the overall condition or environment may have radically changed for the big 8. Just like a massive meteor strike may have doomed the age of the dinosaurs, the basic food supply for both the big 8 and raptors alike – the supply of compliant managed money traders – appears to have changed profoundly. There is a serious question as to how many new shorts the managed money traders might be willing to put on if we get a further successful joint commercial rig job to the downside. As you know, this is an issue I’ve raised consistently of late.

The bottom line is this – if there is a more limited supply of new managed money

shorts than there had been in the past, as I suspect, that means a more limited number of total potential commercial contracts that can be bought. After all, the commercials can only buy what the managed money and other non-commercial traders are willing to sell to them. The COMEX commercials are master collusive crooks, not magicians, and can't create contracts to buy without willing sellers. Further, whatever the raptors buy from those managed money and other non-commercials which do sell, is that many less contracts the big 8 can buy.

Please understand, I'm not saying we have seen the maximum number of managed money and other non-commercial contracts to be sold yet, I'm just assessing how the game may have been changed to date and what that might portend on the other side – after all the managed money and other non-commercial contracts that can be sold are sold. Whenever that occurs, it's quite easy for me to envision the raptors in both gold and silver loaded to the gills on the long side and with the 8 big shorts less short than they are now, but not as less net short as they'd prefer to be. And with maybe, just maybe, the 8 big shorts left sort of stuck and floundering in a tar pit. (OK – enough with the dinosaur analogies).

And it's still always possible that the full collusive COMEX commercial flush out to the downside may get aborted due to the incredibly bullish real-world condition of the gold and, especially, the silver market. Then again, those real-world conditions were on full display this past week to no avail, proving yet again that collusive COMEX commercial positioning is what drives prices. Finally, I still believe the turn higher, whenever it comes, could prove to be particularly sharp. And while it seems we could easily move lower ahead, I am of the firm opinion that any silver purchased at current prices or lower will prove quite profitable in the fullness of time.

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As previously mentioned, the 8 big COMEX gold and silver shorts enjoyed a significant reduction in their total loss by \$1.8 billion to \$12 billion, without being able to reduce their total short position through the Tuesday cutoff - thanks, I believe, to the raptors.

Ted Butler

April 23, 2022

Silver - \$24.20 (200 day ma - \$23.96, 50 day ma - \$24.98, 100 day ma - \$23.91)

Gold - \$1932 (200 day ma - \$1832, 50 day ma - \$1936, 100 day ma - \$1870)