
April 24, 2024 – Not Natural or Legal, But Typical

So, we got our first serious selloff on the price rally that commenced on Feb 27 and carried \$365 (18%) in gold and \$6.20 (27%) in silver through Friday (on a closing basis). The selloff over the past few days into the price lows of yesterday has amounted to more than \$100 in gold and \$2 in silver, quite substantial by any measure. While there are a lot of things one could say about the selloff, like it started and for the most part occurred in the always illiquid trading session starting Sunday evening (typically when the collusive COMEX commercial vermin come out to play) and with no real news to explain it; it could hardly be called unusual in any real regard. That's because we've seen too many of these same selloffs over the years and decades to be truly shocked by this one.

While it's way too soon to determine if this selloff will develop into a more meaningful selloff in which substantial quantities of managed money long positions are sold and liquidated (and new short positions are added) and commercial short contracts are bought back, I'll try to weigh the probabilities of each in a moment. In other words, I'll try to predict the extent of the drop, in my "Drop first, then pop, or pop with no drop" premise that I've been bandying about recently. But in the meantime, there are a number of statements that can be made that are beyond question.

One is that the selloff relieved the mounting financial stress on the shorts, which on Friday's close amounted to \$20 billion for all the shorts in COMEX gold and silver futures. As of last night's close, the shorts clawed back \$4 billion of the open loss. However, that still leaves \$16 billion to go. Another thing that can be said is that the smaller traders caught on the short side, which represent about half of the total losses to the shorts (with the big 8 accounting for the balance of the losses) didn't have much to do with the selloff, as just like the open losses the smaller shorts have absorbed to date, the smaller shorts are mostly along for the ride. Therefore, if anyone arranged the sharp selloff, it had to be the big collusive COMEX commercial shorts.

To my mind, the most important fact in the results to the shorts to this point is the same observation I have made about the collusive COMEX commercials on countless occasions – over the years and decades, namely, that they have always added to short positions on rising prices and only bought back those short positions on falling prices. In other words, the commercials on the COMEX have never, I repeat never, bought back short positions on higher prices. This unaltering pattern, coupled with the rigid trading pattern of the managed money technical funds of buying as prices rise and selling as prices fall, fully explains the 40-year COMEX silver price manipulation. Because the commercials never buy back short positions on higher prices (and take losses on a closed-out basis), all the big commercial shorts have to do is wait out and let the managed money traders buy to their hearts' content, with the commercials knowing full-well that at some point the managed money traders will buy all they are capable of buying and at that point will start to sell as prices start to decline.

What I just described is the COMEX silver manipulation in a nutshell. It's simple, yet sophisticated, as would be required for any long-term price manipulation. Its eventual demise is predicated on something breaking the cycle; and the only two ways that I can see is large enough losses on open short positions that cause some commercials to throw in the towel and seek to buy back shorts due to the inability to meet margin calls beyond some unknown limit. But Friday's \$20 billion total open loss wasn't (at this point) quite large enough, obviously. The only other way for the shorts to be forced to throw in towel is because the physical silver shortage grows so intense so as to take over

true pricing in the silver market. From everything I can see, we are close to that point in the physical silver market. But please keep in mind, the combination of giant open losses on existing short positions and growing pressure from the deepening physical shortage are not mutually exclusive and, in fact, represent a powerfully-bullish combination in silver almost beyond description.

As a coincidence, I received an email from a subscriber late last week (before the selloff began Sunday evening) pointing to my long-mentioned observation how the commercials never bought back short positions on higher prices and how this indicated they would never do so. Certainly, Stuart was correct as far as the price action over the past two trading days and possibly longer. But, at some point, the forces mandating higher prices, namely, the law of supply and demand, must prevail. But considering the long duration of the silver manipulation to date, one cannot help but to assume the commercial crooks on the COMEX may have their way forever. In fact, the essential bet of silver investors is that the COMEX crooks won't prevail forever.

The most important point about the commercials never buying back short positions on higher prices for 40 years, is where the heck are the regulators (the CFTC, the DOJ, the SEC, the Treasury Dept, and the CME Group) while all this has transpired? This is basic regulatory block-and-tackling and it shouldn't be up to an independent analyst to school those regulators tasked and financed to do this job.

As to the question of how deep this three-day selloff might run, it depends on what price level would induce sufficient managed money long liquidation to enable enough commercial short covering for the commercials to call it a day and mission accomplished. Clearly, that has yet to occur. At a minimum, we'll need a series of lower price lows (slicing the salami). So, we either get a much deeper price selloff or we don't and time will tell which it will be. However, I can't help wondering (being the unabridged eternal optimist that I am) that if the steep (but not yet steep enough) selloff these past few days is not a case of my beloved big 4 (yeah, right) buying back the shorts recently added and potentially clearing the way for a renewed price liftoff. After all, hope does spring eternal.

In other silver developments, the highly unusual pattern pointed out by me (still not picked up elsewhere) of unusually large one or a few days of large deposits into the big silver ETF, SLV, only to see the large deposits then turn into physical metal withdrawals continues. I last left off about a month ago with there being seven such large deposits since mid-September and now I can add two more — a near 20 million oz deposit from late March to early April and another 12 million oz deposit over the past two days. All told, that's about 100 million oz in 7 months, or 14 million oz monthly — which comes to 170 million oz on an annual basis — which is a fair estimate for the running annual physical silver shortage.

As to where the metal is coming from, the process of elimination points to the shysters and crooks at JPMorgan, since they are the only conceivable entity capable of providing such quantities of physical silver. It also involves the Department of Justice, since it has to know what JPM is up to (and not just because I've petitioned the DOJ on this matter). My own opinion is that the DOJ made an unintended error in assuming it was doing the right thing by secretly ordering JPMorgan to unload the ill-gotten hoard of physical silver the bank accumulated it over a decade and only now has come to realize that it is now up to its ears in alligators for prolonging the silver manipulation by allowing the non-free market release of metal by JPM through the big sudden large deposits in SLV (which are then quickly bled out to satisfy the ongoing world physical shortage). My advice to the Justice Dept is that

when you find yourself in a hole â?? stop digging. Stop the lunacy and illegality of prolonging the silver price manipulation. Allowing physical silver to come to the market surreptitiously and in a non-free market manner brings great shame to the DOJ and is not worth the damage to its rapidly sinking reputation. When you lie down with pigs like JPMorgan, you canâ??t help but end up covered in mud.

Tonight, we also get the latest short report on SLV and while I havenâ??t had great success in predicting this report over the years, I am, once again, girding for an increase â?? although the price-depressing effect of new shorting is now a thing of the past.

One standout characteristic of the sharp selloff this week is that it has occurred on extremely low outright net trading volume once the always heavy rollover volume at this point of the trading cycle is subtracted from total volume in silver. One basic conclusion of the low net volume is that it does not allow for significant positioning changes, so any big changes in trading positions lie ahead, should we get those big positioning changes amid much lower prices. Again, Iâ??m hopeful it was just the big 4 buying back short positions, but only the passage of time can inform us in this matter.

As far as what to expect in Fridayâ??s new COT report, with silver prices down as much as \$1.50 and gold by as much as \$100 over the reporting week ended yesterday, itâ??s hard not to imagine an improvement (managed money selling and commercial buying) with only the amount of improvement being the only question. As I previously indicated, the improvement in silver should be limited by the lack of true trading volume. As always, Iâ??ll be most interested in the category breakdowns.

It still appears to me that we are still very much in a â??do or dieâ?• situation for the shorts in gold and silver, as they will either be able to flush out the managed money longs in a series of progressive lower price lows or they wonâ??t be able to achieve those progressive new price lows. In the meantime, I wish the Justice Department would wake up and recognize the folly in its thinking it could somehow manage the silver manipulation by joining in with JPMorgan in a non-free market distribution of JPMâ??s illegally-acquired physical silver stockpile. The DOJ has had absolutely no business in having involved itself in this matter.

Ted Butler

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Silver – \$28.25 (200-day ma – \$23.91, 50-day ma – \$25.22, 100-day ma – \$24.38)

Gold – \$2333 (200-day ma – \$2035, 50-day ma – \$2196, 100-day ma – \$2119)

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