Gold prices finished slightly higher by $3 (0.2%) for the week, but silver got clipped to the downside by 75 cents (3.2%), its third straight week of successive year to date new lows. As a result of silver's continued underperformance, the silver/gold price ratio widened out by another two and a half full points to 77.5 to 1, also the most undervalued silver has been relative to gold this year.

It is fully understandable that silver investors would feel a mix of emotions ranging from demoralization, fear of further declines, uncertainty and anger. In fact, I would be hard-pressed if any silver investor didn't feel some or all of these sentiments – I know I'm in that camp, particularly when it comes to be angry at what has transpired because it's so patently clear what this selloff is all about – the great cleansing of the commercial concentrated short position in COMEX futures trading, as continues to be confirmed in the latest Commitments of Traders (COT) report data.

It is at times like these when I think back on previous occasions of sudden sharp silver selloffs and recall what my dear departed friend and silver mentor, Izzy Friedman, would say, which was, essentially, that such selloffs forced you to think about your investment in silver. A quick Google search uncovered an old article from 2007 that I helped write for Izzy titled just that.

https://www.investmentrarities.com/ted-butler-commentary-july-3-2007/

It is truly remarkable on how many occasions since then that the same basic premise has played out, namely, every single sharp silver selloff over the years has had the same foundation and cause of the commercials inducing the non-commercials (managed money traders) to sell so that the commercials could buy. In fact, Izzy's article was written even before the CFTC began publishing Disaggregated COT reports in 2009 and back when I referred to the managed money traders as the technical funds. Izzy's article was also written before JPMorgan took over Bear Stearns in 2008, becoming the short selling kingpin and going on to manipulate silver (and gold) prices for more than a decade while accumulating a mountain of physical silver and gold.

It's just amazing how entrenched the COMEX price manipulation has remained for all these years, particularly since JPM has long-abandoned the short side. On the sharp selloffs, never is there the slightest evidence of negative real world metal fundamentals driving silver prices lower. Still, not only have we seen flashes when the manipulation came close to ending (the run up to $50 in 2011), the stage is set, better than ever, for the complete demise of the manipulation based precisely on this most recent deliberate price smash. While it is painful to witness the latest blatant price rig to the downside, more indicators than ever before point to this being the last such price rig job.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off to 4.2 million oz this week, just slightly below the weekly average of the past ten years. Total COMEX silver holdings rose by 0.5 million oz to 361.8 million oz, stabilizing over the past couple of months after falling by close to 50 million oz from early in the year. The holdings in the JPMorgan COMEX silver warehouse fell by 0.6 million oz (one full truckload) to 186.2 million oz.

Total COMEX gold warehouse holdings fell by 0.4 million oz to 34.9 million oz, with most of the decline being attributed to a decline in the JPM warehouse of 0.3 million oz to 12.8 million oz.

There is not much new to report on the expiring COMEX deliveries for August as far as price influence is concerned, since futures positioning is really all that has mattered. Of some interest, of course, is the approach in little more than a week of the first delivery day for the September silver contract, but as always, it's impossible to speculate on what price influence that may have.

Some silver left the big silver ETF, SLV, this week, but I continue to be amazed that only around 3 million oz have been redeemed since the latest silver price smash. Looking ahead to this week's new short report, I would still expect that the lack of more metal being redeemed in SLV on this selloff being related to short covering, but this report is always difficult (for me) to handicap. Should there not be a substantial reduction of the short position in SLV (to say nothing of an increase), I would have to conclude that actual physical availability of 1000 oz bars is even tighter than I conclude.

Turning to yesterday's new COT report, which I was reluctant to handicap, the results were in general conformity with the price action over the reporting week ended Tuesday. Gold prices were strong (up as much as $65) during the reporting week, and by much more if you count from the extreme price lows on the Sunday evening price smash. Even though gold's key moving averages were not penetrated, the rally was sufficient enough to prompt many of the managed money traders which plowed onto the short side in the prior reporting week to buyback short positions (at a loss) this week.

Silver's price action was rotten enough over the reporting week that no such managed money short covering took place; in fact, the managed money traders added more silver shorts. Essentially, there were no man bites dog stories in this week's COT report – price moves were fully explained by the recorded positioning changes, same as it ever was.

In COMEX gold futures, the commercials increased their total net short position by 18,400 contracts, to 214,000 contracts, about half as much as was the reduction in this short position in the prior week. Still, the current commercial short position is very much at bullish readings. By commercial category, the 4 big shorts added 4000 shorts to a short position totaling 148,558 contracts (14.9 million oz). The next 5 thru 8 largest traders bought back around 1200 shorts, but the big 8 short position increased to 223,809 contracts (22.4 million oz). The smaller commercials (the raptors) were the biggest sellers this week, in offloading 15,600 long contracts, reducing their net long position to 9800 contracts.

I don't say it often enough, but while I always feature the concentrated short position in gold alongside silver and, in terms of dollars and cents, the concentrated short position in gold is more significant than it has been in silver, in many ways, it is the silver short position that matters much more than its counterpart in gold. That's because the amount of real gold bullion in the world (3 billion oz) is so much larger than the concentrated short position on the COMEX relative to the numbers in silver as to greatly differentiate the two short positions. Simply put, and as is evidenced in the recent price smash in silver, it is silver that is at the core of what matters most to the commercials. No one would go to efforts of rigging prices so blatantly without a very good reason.

On the buy side of gold, the manage money traders bought 23,675 net contracts, consisting of the purchase of 5380 new longs and the buyback and covering of 18,295 short contracts. This week's commercial/managed money tango was about half of the mirror image results of the prior week. The smaller non-reporting traders were net sellers of 4800 contracts, making up for the difference between what the commercials sold and the managed money traders bought.

In COMEX silver futures, the commercials reduced their total net short position by 4400 contracts to 35,500 contracts. While I had no firm expectations for silver in this week's report, I was hoping for no deterioration, so my hopes were more than realized. Once again, this was the lowest (most bullish) total commercial net short position since May 5, 2020, which was, in turn, the lowest commercial short for a year prior to that.

By commercial category, the big 4 were largely unchanged, buying back a mere 16 short contracts, which was enough to reduce their concentrated short position to 39,379 contracts (196.9 million oz), another slight new low not seem since 2015. The 5 thru 8 next largest shorts added 2400 new shorts, increasing the big 8 short position to 56,761 contracts (283.8 million oz), up from last week's level, but still the lowest since late 2014. The smaller silver commercials (the raptors) were the most aggressive buyers, as they added 6700 new longs to a net long position amounting to 21,300 contracts on Tuesday, the most these smaller commercials have been net long since April 6.

I would imagine most readers know that large raptor long positions are associated with important silver price bottoms and the largest raptor long position of the past year occurred on March 30, when it hit 25,000 contracts, coinciding with the then-lowest year to date price level in silver ($24). Subsequently, silver prices rallied as much as $5 over the next couple of months, although as is their custom, the raptors sold out on the first $2 to $3 of that rally. Generally speaking, when the raptors do amass a large long position, like now, they buy more on even lower prices, only to sell when a sharp rally commences. In this regard, the raptors provide stiff buying competition with the 4 big shorts on lower silver prices – with both categories vying to buy as many managed money contracts as can be induced into being sold.

This week, the managed money traders were sellers to the tune of 1985 net contracts, comprised of the buying of 1596 new longs and the new short sale of 3581 contracts. I found both the new longs and larger new shorts to be encouraging. For the new longs, the best explanation was that it suggested further significant managed money long liquidation may be limited and the new shorts just added provide even more rocket fuel buying power whenever silver prices turn higher (as was evidenced in gold this week).

Yes, should significant numbers of new managed money shorts be put on (as I've noted all along), that means silver prices are likely headed lower in the near term, just as the number of new managed money shorts added to date has accounted for the lower prices we've seen. While the number of managed money shorts (38,471) is the largest number since late 2019 and along with rather low managed money longs (48,227), there can be no guarantee that the managed money traders won't put on more new shorts.

However, there are also some other "near" guarantees, such as the extreme likelihood that when the dust finally settles and the managed money short position is eventually covered and bought back, there will be large collective realized losses to those closed out shorts. Also, as occurred in gold this week, the managed money shorts are not likely to wait until the key moving averages are actually penetrated before buying back their silver shorts, as the moving averages are a full three dollars above current prices and that would allow for too much of a loss. So, while it's possible for more managed money shorts to be put on, there is just as much chance or more that a short covering rally could commence at any point.

Please don't confuse my acknowledgement that more managed money shorts can be lured into the market by the commercials on still-lower silver prices that that negates in any way my take on Wednesday that we are structured for a major upside market event. In fact, lower silver prices on increased managed money shorting greatly enhances the likelihood of an upside market event.

In other developments, another CFTC commissioner has announced his resignation, effective Aug 31, which will reduce the Commission to only three members, two short of the five members called for. In addition, there were press reports suggesting that President Biden had intended to nominate the current acting chairman as the new full chairman, pending Senate approval. While I haven't mentioned any of this for some time, I've been puzzled at the slow pace of both the nomination of a full-time chair and the lack of the administration nominating a full compliment of commissioners. I don't recall this taking so long previously.

There were also widespread reports of certain charges being dropped and other charges being upheld against the 4 former traders from JPMorgan stemming from the case for spoofing and price manipulation yet to be settled in the historic deferred prosecution agreement reached with the bank last year. One commentary seemed to suggest the traders won big, but this report from Reuters seemed more to the point that the more serious charges remained and were set to be adjudicated in a criminal trial scheduled for Oct 19.

https://www.reuters.com/legal/transactional/ex-jpmorgan-metals-traders-must-face-racketeering-charges-judge-2021-08-18/

As a reminder, I've long contended that the charges brought against the traders for spoofing, while deadly serious and which could result in jail time, missed the most important aspect of JPM's manipulation of silver and other precious metals, largely because the Justice Dept, like the CFTC, was afraid to go against the bank because the charges would have consequences too great to handle. And while the traders were legitimately charged, it's a shame that the DOJ limited the case and avoided the bigger issue of JPM's long term manipulation.

I received an email from the same sharp subscriber who pointed out years ago, in the midst of my tussle with BlackRock about the too large short position in SLV, that the short position resulted in the creation of phantom shares on which no management fee was collected and damaged BlackRock shareholders which was particularly helpful at the time. This time, the subscriber inquired whether the traders charged were aware that I had written to the top officials at JPMorgan about the bank's manipulation of silver more than 1200 times over the years and that being the case, wouldn't and shouldn't the top officials of the bank, including relevant compliance personnel have communicated this to the traders charged?

It was a great question to which I had no answer, so I did take it on myself to write to the lawyers for the traders charged, explaining the situation. As it turns out, one of the lawyers, David Meister, was the former head of the CFTC's Enforcement Division for a number of years and while he was there, he was on my regular mailing list. Now, whether this will make any difference in these cases (or whether the attorneys involved will even inform their clients of this) is not for me to say. But if anyone was on trial for a criminal offense in which a much larger crime was being alleged by that person's employer, it wouldn't seem fair to single out individual employees while the main perpetrator – the bank itself – skated off with a slap on the wrist. You can be sure that the traders charged – not that I'm excusing their behavior in the least – are not in the black for the many billions of dollars that JPM is already ahead on its illegally accumulated silver and gold physical holdings.

I wish, both for you and myself, that I could alleviate the pain and consternation that is an integral component of the deliberate silver price take downs that have plagued the market for nearly four decades. But alas, all I am capable of doing is to explain why the selloffs are occurring and how these selloffs not only make you think, they also make silver a much better buy.

The deliberate price weakness this week in silver (net of the slight gain in gold) did reduce the total loss to the 8 big COMEX gold and silver shorts by more than $150 million to just over $9.1 billion.

On a housekeeping note, the approach of Hurricane Henri this weekend does hold the potential of power loss in Maine, so if next Wednesday's article is not posted on time, that is the likely reason.

Ted Butler

August 21, 2021

Silver – $23.00 (200 day ma – $25.89, 50 day ma – $25.45, 100 day ma – $26.13)

Gold – $1783 (200 day ma – $1815, 50 day ma – $1797, 100 day ma – $1807)