August 23, 2023 – One Way or the Other

By way of very brief review, I have contended for much of the past near-40 years, that silver has been manipulated and suppressed in price by means of excessive short selling on the COMEX, mostly by commercial traders which happen to be banks. As a result of this decades-long price suppression, the free law of actual supply and demand has progressively become artificially distorted in that the price has reduced supply and current production and increased demand (both industrial and investment) to the point where a wholesale physical shortage has emerged.

Since a physical shortage is the most bullish circumstance possible in any commodity, it stands to reason one should expect silver prices to climb sharply to address the deepening silver shortage â?? explaining the high degree of bullishness Iâ??ve expressed on these pages. However, it is not enough to simply be extremely bullish on the prospects for sharply higher silver prices as too much will be lost if proper appreciation is not given to the past 40 years of price suppression. You have to know where youâ??ve been in order to understand where you are going.

In order to appreciate where the price of silver is headed, one must understand the mechanics of the COMEX price suppression. Distilling it down to its essence, the suppression centered on one key fact, namely, that the commercial traders on the COMEX, particularly the largest short sellers, never bought futures contracts on rising prices â?? either to add longs (in case of the smaller commercials, the raptors) or to buy back short positions. Never is a long time for one group of traders not to have ever collectively made, in effect, a bad trade that needed to be corrected.

The time that silver rose to $50 in 2011, the commercials didnâ??t Â sell or add short positions, but neither did they buy on higher prices, proving that just the lack of selling allowed prices to rise sharply. While it may sound difficult to distill the essence of a complicated 40-year price manipulation into such a simple concept, I would contend that the COMEX commercial traders always collectively selling on rising silver prices and always buying on lower prices (which they rigged lower) is the concept that explains the manipulation the best.

Most importantly, if I have distilled the core of the 40-year COMEX silver suppression correctly, then it follows, as night follows day, I have also distilled the end of the 40-year price suppression as occurring when the uniform pattern of collective commercial buying and selling changes. In other words, the 40-year silver price suppression will end (and end dramatically) when the commercials buy (or at least donâ??t sell) on rising silver prices.

As you know, this is exactly why Iâ??m so bullish on silver at this time â?? precisely because I think the big commercials wonâ??t add to short positions aggressively on the next (current) silver rally (although I expect the smaller commercials, the raptors, to sell out long positions). Of course, I canâ??t know for sure whether the big commercials will or wonâ??t add aggressively to short positions on the developing silver price rally and this is something I must be circumspect about because I have a track record of always predicting the big shorts wonâ??t add and have been consistently incorrect.

At the same time, it is no prediction on my part to declare that someday the big COMEX commercial shorts wonâ??t add aggressively to the short side, as that is guaranteed. Not knowing what the big commercial shorts may or may not do prior to any prospective silver rally is one thing and knowing they wonâ??t sell one day is completely different. Knowing they wonâ??t add aggressively to shorts someday is a certainty and what makes it a certainty is the deepening physical supply/demand shortage. Therefore, if you know something is certain, but are unsure about the timing, it seems most prudent to go with that which is certain to occur in time. Hence, thatâ??s why Iâ??m so bullish that I am jumping out of my skin.

In fact, a new thought has occurred to me along these lines. As I believe you know, there was always a fundamental difference of sorts between my departed Â friend and silver mentor, Izzy Friedman, and myself over whether the big shorts would get caught with a full short position (Izzyâ??s full pants down premise) or whether the big commercial shorts would have already dramatically reduced their short positions prior to price liftoff (my version and as exists currently).

However, it now occurs to me that there was more of a tacit agreement between Izzy and I, in that in either event we were, essentially, saying the same thing, namely, that there would come a time when the big shorts would stop shorting. In Izzyâ??s version, the big shorts would be forced to stop shorting (by massive increasing losses); in my version, they would do so voluntarily (to avoid massive losses). Â One way or the other, it comes down to the big COMEX commercials not adding aggressively to shorts ending the silver suppression.

In other developments, the two former traders from JPMorgan convicted of â??spoofingâ?• in precious metals were sentenced to prison terms of one and two years, although both sentences are now under appeal. Essentially, this brings to a close a case that began in 2018.

https://www.reuters.com/legal/two-former-jpmorgan-traders-sentenced-prison-fraud-2023-08-22/

Like just about everyone interested in precious metals, I have my own take on this latest development. My version goes like this. Having complained to the Department of Justice in early 2018 about JPMorganâ??s continued manipulation of silver (not the first time I did so), I was naturally delighted and encouraged when later thatÂ year the DOJ brought charges against the bank and its traders. Unfortunately, my feelings turned quickly to disappointment when it became obvious the case was strictly limited to spoofing â?? the short-term manipulation of prices and not the much more serious issue of the long-term silver price suppression.

Spoofing was always just a tool the banks used to â??guideâ?• prices higher and lower and while this specific trading technique was just a tool, the DOJ refused to see it that way, instead considering spoofing as the center of the criminality and ignoring the more serious manipulation and price suppression despite all manner of attempted convincing on my part, including complaining to the departmentâ??s Office of Professional Responsibility about the attorneys prosecuting the case. In the end, I came to the realization that there was no way the DOJ was ever going to accuse JPMorgan of what this crooked bank was really guilty of, namely, suppressing the price of silver for more than a decade because to have done so would have put the nationâ??s most important bank out of business.

On the positive side, even the very limited actions by the DOJ appear to have persuaded the crooks at JPMorgan to finally give up their manipulation of silver, so all wasnâ??t lost.

The big news this week, of course, has been the sharp jump in silver prices â?? so far very much along the lines I outlined on Saturday and of late. While itâ??s too soon, of course, to declare that this is the start of the long-awaited final liftoff in price, thereâ??s nothing suggesting otherwise at this point.

Therefore, it appears prudent to play it like it is the big move. As always, if it does turn out that the big commercial shorts reenter the short side aggressively, there should be ample time and warning to that effect, along with higher prices.

To this point, it certainly appears that the collusive COMEX commercials have played the managed money technical funds masterfully, getting the technical funds to sell and sell short over the past five reporting weeks (through yesterdayâ??s cutoff) more than what I would have expected. Because the highly-deliberate positioning of the managed money traders was so extreme in silver (and gold, copper and platinum) and because the physical shortage in silver also seems so extreme, itâ??s hard for me to imagine the pop higher in price this week is anything but the start of the real deal.

Whether the big COMEX commercial shorts are adding aggressively to the short side will only be known in the fullness of time and the release of future COT reports (not this Fridayâ??s report), but it is my hope and expectation that they are not â?? or at least, not all of them are adding to shorts. As collusive as the COMEX commercials are in many instances, we happen to be at a particularly sensitive juncture where the big commercials could double cross each other and one or two big commercial shorts could decide to quit playing the short side. Hopefully, Iâ??ll be able to detect that in future COT data. Regardless, the move this week in silver looks and feels like the genuine article.

There can be no question that silver has behaved differently this week price-wise, in that it has led the way higher and, if anything, has pulled gold higher. As always, I have detected no real change in actual supply and demand fundamentals, in that they are just as bullish as they were all along. Therefore, this weekâ??s price move can be solely attributed to COMEX positioning, with todayâ??s trading being due to managed money buying and raptor selling (long liquidation). Interestingly, trading volume was quite low Monday and Tuesday, only picking up today and even then, not of the blockbuster variety â?? which I find quite encouraging.

It seems to me that the managed money traders have been slow to buy aggressively in silver to this point (either in adding new longs or covering shorts), despite all the key moving averages being decisively penetrated to the upside. I donâ??t know why they are dawdling in buying more aggressively than they have to this point and I donâ??t really care, as they must at some point and the longer they wait the more bullish it becomes. And I become more convinced daily that if we have finally begun the big move higher in silver, the managed money technical funds are most likely going to miss the move and how that was always written in the stars.

Back in prehistoric times, when I solicited clients to invest in managed money programs, one of the pitches I used was how for those commodities traded in a typical account, I could just about guarantee that if there was a big price move up or down that trended for a reasonable period of time, then the program was very likely to catch and profit from that move. And that turned out to be largely true, with very few exceptions.

Looking back on my experiences with managed money accounts at that time, I can see now how there is no way the commercials would â??allowâ?• the managed money technical funds to get massively long in silver and actually profit in a big way â?? because the only way the managed money traders could get massively long is if the big commercials went massively short. Thatâ??s probably the best argument for the big commercials not getting aggressively short silver â?? but time will tell.

Ironically, I also believe we are getting close to the point where futures contract positioning on the

COMEX, which has been the sole determinant for the price suppression in silver for 40 years, is about to run its course as the main if not sole price influence. That might sound like blasphemy coming from someone who has focused more on COMEX silver futures positioning than anyone else, but Iâ??m just trying to tell it as it is.

Should the big commercial shorts on the COMEX stand aside from aggressively adding to short positions, as I hope and expect, it means the game has changed drastically from how itâ??s been played for 40 years and something else will then determine silver prices. That â??something elseâ?• will be physical market considerations, most likely driven by investment demand in the silver ETFs, later to be joined by industrial user inventory stockpiling. Thatâ??s when you are really going to have to hold on to your hats.

As far as what to expect in Fridayâ??s COT report, I would expect some continued improvement (managed money selling and commercial buying) in gold and the opposite in silver, although not to an extreme extent. After all, gold did set a few new price lows, while silver prices popped a bit over the reporting week ended yesterday. Todayâ??s price action, of course, wonâ??t be included in Fridayâ??s report.

A week or so ago, I mentioned some unusually large buying in some Kamikaze call options on SLV that I had an interest in. Unbeknownst to me at the time, it turned out that the big buyer was a fellow subscriber â?? which, while it makes perfect sense, was somewhat of a surprise when I found out. Another long-time subscriber informed me he bought a good-sized chunk of a similar series of call options (different month) and had the good fortune of paying for the calls with profits he made on puts which he bought when I issued the Code Red â?? reasoning correctly that the big increase in short selling by the 4 and 8 largest traders the week of July 18 would result in a price smackdown. Please join with me in hoping these call option buyers make a gazillion.

Ted Butler

August 23, 2023

Silver – $24.40Â Â Â (200-day ma – $23.33, 50-day ma – $23.66, 100-day ma – $24.15)

Gold – $1947Â Â Â Â Â Â (200-day ma – $1911, 50-day ma – $1951, 100-day ma – $1976)

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