Gold and silver prices were hammered lower on Friday, ostensibly in response to a strong monthly employment report, resulting in weekly losses of $53 (2.9%) for gold and $1.20 (4.7%) for silver. Silver's weekly close was the lowest year-to-date, while gold managed to hold on to price lows it closed at seven weeks ago.

As a result of silver's relative underperformance, the silver/gold price ratio widened out by nearly a full point and a half to just under 72.5 to 1, also the most undervalued silver has been to gold since earlier this year. Trying to keep things in perspective, despite silver's punk relative showing against gold very recently, the ratio is still 50 points tighter than it was in March 2020 and tighter than it was over the past few years – although it certainly didn't feel like that yesterday. Once again, short term price projections are a crap shoot, longer term I can't see how silver doesn't vastly outperform gold.

I used the word "ostensibly" to describe the cause of the monthly employment report being given as to what caused the swoon in precious metals yesterday, because I have yet to hear a cogent explanation of why the report would ever impact the metals, silver in particular. After all, silver is an industrial commodity and strong employment would suggest a strong economy, hardly negative to industrial commodities. As an excuse for the selloff, well, that's different, as there always has to be an excuse of some type to explain sudden large moves.

In this case, however, I find the accepted excuse to be almost nonsensical. What moves silver and gold prices is positioning changes on the COMEX, as the continuing record of the Commitments of Traders (COT) report always confirms. Most always, the positioning changes that matter most involve the traders labeled as commercials and those in the managed money category, most typically technical fund type traders

who buy high and sell low in the hopes of catching a developing price trend. These managed money technical fund types strictly consider price change, not what's in the news, as their buy and sell signals. It may look like the managed money traders are responding to the news, but all they are interested in is price change. Obviously, it's easier for most to keep it simple and attribute yesterday's price smash to the news, but doing so overlooks what really is occurring.

While the recent price swoon in silver is no doubt debilitating for long-suffering holders, an objective take is that we are still in the same general price congestion of what is now a full year; following a period of many years of truly depressed prices and which culminated in the historic selloff in March 2020 when prices crashed below $12. I'm not suggesting for a moment that the past year's price consolidation or the period that preceded it had anything to do with actual free-market developments.

Instead, I would argue that silver prices have been artificially dictated, largely by the traders which are referred to as commercials on the COMEX. This latest price swoon is included in that artificial price setting. In the interests of full disclosure, I did add yesterday to my wife's holdings in PSLV, still holding SLV as previously disclosed. In for a penny, in for a pound and all that jazz.

There was an important takeaway from yesterday's COT report, which I'll get into in a moment, but yesterday's positioning changes won't be revealed until next Friday. Let me run through the usual weekly format first.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged this week to 10.8 million oz, the highest level since March. Most of the movement was of the "in" variety, as total COMEX

silver warehouse holdings rose by 6.1 million oz to 360.1 million oz, the highest level since late-April. Of course, total COMEX silver holdings are still down by close to 40 million oz since the all-time highs of January. Bucking the trend, holdings in the JPMorgan COMEX silver warehouse slipped by roughly 600,000 oz (a truckload) to 186.8 million oz.

Since so much attention has been placed upon the recent drain in COMEX inventories and the apparent movement of that metal to the PSLV, I would imagine the leading purveyors of the "drain the COMEX" movement will largely ignore the recent big deposits into the COMEX warehouses since it doesn't fit with their narrative. But forecasting future levels of physical silver in the COMEX warehouses or in the ETFs is a mugs game, as there are a wide variety of reasons why warehouse totals might rise or fall.

Instead of waiting for expected declines in future COMEX silver warehouse levels (which may or may not occur), I can't fathom why the most glaring feature of the COMEX silver warehouses is near-universally overlooked. Of course, I'm speaking of the actual turnover or movement, which is not only apparent this week or this year, but nearly every week for the past ten years. This past week, the equivalent of more than 70% of the total world silver mine production was trucked (mostly) in, but also out of the COMEX warehouses, yet no one speaks of it.

Over the past decade, some 2.5 billion oz of physical silver have been moved into and out from a handful of warehouses in and around the NYC area – that's more than all the silver in good-delivery 1000 oz bars in the world. And it's not as if the data are some deep dark secret – the movement info is on the same daily reports referenced when the warehouse totals are bandied about pointing to a drain on the COMEX, so I

know everyone sees it – they just don't comment on it for some reason. I continue to maintain that all this physical silver is being moved for a reason and that reason is extreme physical tightness necessitated by years of artificial price suppression on the paper side of the COMEX. I'll pass along an alternative explanation as soon as I get one.

Total gold holdings in the COMEX warehouses rose this week by nearly 200,000 oz to 35.5 million oz (mostly due to rounding up), but comparing the movement in COMEX gold warehouses to the silver movement is no contest, which is true for all other commodities as well. No change in the JPMorgan COMEX warehouses, still stuck at 13.09 million oz.

Aside from the large increase in the COMEX silver warehouses this week, there was only a minor increase in the physical holdings in the silver and gold ETFs. I had noticed that over the past month or so, the marked and consistent physical inflows into the PSLV have cooled notably, but net outflows from the silver ETFs have not materialized, while total gold ETF holdings are down around 7.5 million oz from the start of the New Year.

My conclusion is that the silver price correction in place has cooled off overall demand for silver ETFs, but has yet to result in collective investor liquidation, as seems to have occurred a bit in gold. I'm further convinced that should the shackles of price suppression in silver be broken (as I still believe), higher silver prices will ignite a surge in ETF buying, further exacerbating the price rise.

I'm a bit surprised that so many new gold contracts have been created and delivered against in the current COMEX August delivery month, where total deliveries (22,938 contracts or 22.9 million oz) are now nearly as large as occurred in June. However, I

can't see how the deliveries have positively influenced the price. I am encouraged that JPMorgan has stopped (taken) 3898 contracts for its own account and is a net stopper for customers as well.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

I know I focus, almost obsessively, on the goings on of JPMorgan in gold and silver, but its dominance is obvious at every turn. This week, there was an interesting op-ed piece in the New York Times, by JPM's CEO, Jamie Dimon, on the need to break the barriers of employment for those formerly incarcerated, something that JPMorgan seems to have done. JPM is also a noted employer of military veterans and no doubt contributes generously to charitable causes of all types and is as good a corporate citizen as is reasonably possible. My only gripe is that JPMorgan is a stone-cold crook when it comes to silver and gold.

Turning to yesterday's COT report, it was largely superseded by yesterday's price smash, which made the report instantly obsolete. There was a smaller increase in commercial selling in gold than I predicted which I would classify as so what considering yesterday's price action, in that knowing whatever was in the report wouldn't have made any difference. And while the total silver commercial short position increased by a decent amount (5300 contracts), there was very little actual new commercial short selling, as I'll explain. Let me run through yesterday's report before commenting further on yesterday's price action.

In COMEX gold futures, the total commercial net short position increased by 2500 contracts to 231,300 contracts. (I had expected as many as 10,000 contracts). While

not up much for the week, the total commercial net short position was the highest (most bearish) it had been in two months. In other words, yesterday's price smash had little to do with the 2500 contract weekly increase in commercial shorting and everything to do with the 36,000 contract increase in commercial shorting since June 29.

Further, the category profile of which commercials sold was more bearish than the raw numbers suggested. The 4 big gold shorts added 3900 new shorts, increasing their net short position to 152,498 contracts (15.2 million oz), the largest this concentrated short position had been since April 20. The 5 thru 8 next largest commercial shorts added 7700 new shorts, increasing the big 8 gold short position to 228,262 contracts (22.8 million oz), the largest big 8 concentrated short position since Feb 16. (If the big 4 or big 8 short position in silver had increased as much as was the case in gold this week, I'd probably need to be heavily-medicated while writing this review).

The explanation for how there could be nearly a 11,700 contract increase in the big 8 gold short position when the total commercial net short position only increased by 2500 contracts, was that the smaller gold commercials (the raptors) bought back 9200 shorts, reducing their net short position to only 3000 contracts. This, of course, assumes there were no reporting errors. Considering that there had to be heavy across-the-board commercial buying yesterday, it's hard to imagine how the gold raptors would not be net long at this point. And, yes, the divergent path of big 4 and big 8 selling and raptor buying does raise one's eyebrows.

Since the gold commercial positioning was mostly internal, it's no real surprise that there was little change in managed money positioning, as these traders were net

sellers of only 357 gold contracts, consisting of new longs of 1285 contracts and new shorts of 1642 contracts. The other large reporting traders were net sellers of 2696 contracts and the smaller non-reporting traders were net buyers of 5523 gold contracts, rounding off what was a thoroughly unorthodox gold COT report.

In COMEX silver futures, the commercials increased their total net short position by a not-insignificant 5300 contracts to 52,200 contracts. Despite the relatively sharp increase, the total commercial net short position in silver is lower (more bullish) than it has been since early April – save for last week's level – making for a markedly different recent market structure as exists in gold. As indicated earlier, there was very little actual new commercial shorting in silver, as most of the increase in the total net short position came as a result of the raptors selling off long positions of 5900 contracts, reducing their net long position to 9800 contracts. This is a mathematical thing – the raptor selling of long positions increases the total commercial net short position.

The key feature of the silver COT report, as I commented on (and hoped-for) on Wednesday was that the 4 big shorts bought back an additional 1200 short contracts thanks to raptor selling. Remember, silver prices jumped pretty sharply (as did gold) during the reporting week, typically the precise formula for commercial selling in all categories. As a result of the big 4 buying, the 4 big silver shorts hold their smallest concentrated net short position in nearly three years, at 46,490 contracts (232 million oz) down nearly 19,000 contracts (95 million oz) less than on Feb 2. The stark and consistent big 4 short reductions since May and before that of the silver price highs of Feb 2, was what I based my allegations of big 4 silver manipulation to the CFTC. Maybe the reduction in the big 4 (and big 8) short position had nothing to do with my allegations to the Commission and its subsequent response on May 3, but

then again, maybe it did. After all, the big 4 went from their largest concentrated short position on Feb 2 in a year, to their lowest short position in three years in the current COT report. Yes, I know that silver prices are lower since Feb and May, but I also know why they are lower, namely, so that the big shorts could reduce their concentrated short positions.

The big 5 thru 8 short commercial traders did add around 600 new short contracts, but thanks to the even larger big 4 short covering, the big 8 concentrated short position fell to 61,987 contracts (310 million oz), another six-year low. Based upon the price smash yesterday, it's hard not to imagine even lower big 4 and big 8 short records having been set.

On the buy side of silver (apart from the big 4 buying), the managed money traders stood out in buying 4484 net silver contracts, consisting almost entirely of the buying back of 4452 short contracts, plus new longs of 32 contracts. This is a bullish mix to me in that it reduces the odds of heavy long liquidation since so few new longs were added. And knowing that managed money shorts were reduced in the just-reported reporting week, explains how these just-covered shorts were likely just added back yesterday (as opposed to thoughts that many tens of thousands of new managed money shorts are about to be sold – he said hopefully).

Since we know that every sharp price decline over the past 40 years has been the result of the commercials succeeding in getting the managed money traders to sell so that the commercials could buy, there shouldn't be much question about who was buying and selling yesterday. For sure, it was commercial buying and non-commercial (managed money) selling that took place yesterday. We may not know the actual number of contracts and the specific category breakdowns, but we will in

the next COT report.

Particularly infuriating is how the commercials quickly rigged prices close to the lows of the day early on and then kept prices at the lows for the balance of the day and on very high volume. About the only way they could accomplish this feat, as they have done on countless prior occasions, is through flagrant collusion. The commercials know, better than anyone, how many contracts they can get the non-commercials to puke up and they stay at it until the job is done. All while the regulators remain or pretend to remain oblivious to the crime in progress,

And while many will conclude that the price decline was related to the monthly employment report – that's ridiculous on its face. Instead, yesterday's price smash was as deliberately planned and executed as was the casino heist in Ocean's 11 – minus the good looks of Brad Pitt, George Clooney and Matt Damon. We also know that the objective in the movie was to clean out the casino's vault, just as the commercials' intent is to cover as much as the big 4 short position as possible.

Therefore, just as most of the entire movie was in the detailed organization and planning of the heist, so is the detailed planning and execution of the covering of as much of the concentrated silver short position as is possible. The big shorts must buyback as much of the concentrated short silver position as they can on lower prices, because once silver prices turn higher that option will be closed to them.

I know I may be setting myself (and many of you) up for profound disappointment in the event the big shorts turn around and add to short positions aggressively on the next silver rally, but that's merely stating the obvious. Certainly, I can't guarantee that won't be the case – just as it's been for too many years to count. But I am trying to rely objectively on the facts and data as they become available and don't know

what else I can do better. Certainly, all the events since I've been running this service (since 2009) and long before convinces me that profound changes are ahead. The craziest thing is that the story doesn't change radically, and actually gets reinforced. It is said that it's wise to seek out alternative explanations that can tear apart one's strong convictions. I'd give my kingdom (actually, my sanity) for such an alternative explanation. In the meantime, I'm convinced a silver price explosion is not that far off.

The 8 big shorts did themselves quite well this week, as the sharp declines in gold and silver prices erased a whopping $1.6 billion from total losses, reducing those losses to $9.1 billion. Of course, as has been the case since June 2019, for the big shorts to completely remove themselves from their short positions, it's not enough to simply bomb prices lower, they also have to actually buyback the short positions. JPMorgan pulled off this feat, but I still doubt the remaining big shorts can do the same.

Ted Butler

August 7, 2021

Silver – $24.35 (200 day ma – $25.93, 50 day ma – $26.36, 100 day ma – $26.32)

Gold – $1764 (200 day ma – $1821, 50 day ma – $1823, 100 day ma – $1803)