

## August 9, 2023 – The Singularity of Silver

First, let me define “singularity” in the meaning I intend, namely, as something unique and different as regards silver when compared to all other commodities and investment assets. While there are many things that make silver unique, that’s not to say certain similarities also exist, in which the unique conditions that exist in silver are similar to other markets. But, as far as I can tell, even the similarities existed in silver first, appearing later in other commodities.

The first singularity about silver is that it has been manipulated and suppressed in price for more than 40 years (since 1982-83) in dealings on the Commodities Exchange, Inc. (the COMEX). I stumbled upon the manipulation in 1985, when I discovered something about COMEX silver positioning that exists to this day, namely, a lopsided and concentrated short position held by banks, both domestic and foreign.

While this condition has come to be replicated in other metals, like gold, platinum and palladium, where banks have traditionally been the big short sellers, not to the extent that has persisted in COMEX silver. Other markets, like COMEX copper, have also exhibited symptoms of what I call the “silver disease”, in which the managed money traders aligned against commercial traders have come to determine prices, overcoming actual supply/demand fundamentals, but not where the commercials are banks and none to the extent as in COMEX silver.

I know there exists a strong feeling that it is the US Government behind the banks in originating the COMEX silver manipulation, but I’ve never uncovered compelling evidence of that either way. As far as I can tell, the origin of the COMEX silver manipulation developed for the simple reason that after the record price highs of \$50 were achieved in early 1980 (based upon actions by the Hunt Bros), when silver fell by 90% to the \$5 level in 1982-83, the overwhelming public opinion was that silver was cheap, resulting in a large public net long position in COMEX silver futures.

Since all derivatives contracts, like COMEX silver futures, require an equal number of long and short contracts, the large public net long position in silver mandated that just as large a net short position exist and the banks filled that role in their “market-making” capacity. Had the banks not stepped in to short aggressively to the public longs, silver prices would have had to have risen high enough to attract short sellers apart from the banks. Had the banks refused to sell short aggressively at \$5 40 years ago, silver prices would never have come to be manipulated and you would have never heard of me or of a silver manipulation.

But, as history has shown, the banks did sell short aggressively in COMEX silver futures both back then and whenever silver has rallied over the next 40 years – always succeeding in capping the rallies and then rigging selloffs to buy back the added shorts on lower prices. Never have the COMEX commercials (the banks) ever collectively bought on higher prices or ever failed to hold the largest or near largest concentrated short position in silver in actual supply/demand terms compared to any other commodity. That’s resulted in the big commercial shorts having the silver tiger by the tail and knowing that if they ever refrain from adding shorts on rallies, the game is over and the price of silver explodes.

The role of the US Government has ranged from clueless unawareness at the start of the COMEX

manipulation four decades ago, to undeniable awareness and involvement today, but not necessarily because an explosion in the price of silver would cause the dollar to crash or send the financial world into disarray, as appears to be popularly believed. While I cannot deny that a sudden explosion in the price of silver won't trip off similar moves in other markets, I'm not convinced such an outcome is preordained, given the highly-unique conditions prevailing in silver.

Among those unique conditions peculiar to silver include a decade-long flattening of and actual decline in world mining production and a continuing increase in total world demand to the point that the Silver Institute declared the largest supply/demand deficit in history. Yet, despite such easily documented statements, the price of silver has fallen by more than 50% from its second run at \$50 in 2011.

If a high school or college Economics 101 exam presented a case where the production supply of a commodity had declined over a decade where demand increased over that time and recorded world inventories had fallen by close to 25% (400 million oz) over the past two and a half years it would be expected that any answer that didn't call for higher prices would result in a failing grade. Yet, here we are in the real world where the exam is given to the world at large daily and it is downright remarkable just how few question the legitimacy of the price of silver compared to its supply/demand fundamentals.

Please understand what I'm saying rather than question the legitimacy of the price discovery process and the price itself, because the price is always assumed to be correct, the actual supply/demand and recorded inventory statistics are questioned instead. That's the power of price in altering one's common sense. It apparently matters not to enough observers that clear proof of price manipulation on the COMEX exists.

I'm still of the opinion that the regulators, just like the big bank shorts on the COMEX, are much more interested in delaying the inevitable price explosion because when silver does explode, it's quite likely that attention will be brought to the decades of suppressed prices and the regulatory failure preceding the explosion. In the case of the COMEX bank shorts and the CME Group itself, a silver price explosion could easily lead to unimaginable legal and monetary damages, whereas for the CFTC, the revelation that the agency had bungled its main mission of guarding against price manipulation for 40 years, could (and should) lead to its reorganization and even dismantling. Rather than some deep dark conspiracy with far-reaching but secret consequences, I'm more persuaded that the refusal to own up to the obvious silver price manipulation is more a desire to postpone and delay bad news for as long as possible.

Make no mistake, whatever it is, either some deep conspiracy from the get go or a case of postponing the pain of revelation, the decades-old COMEX silver price manipulation is a very serious situation and one that cannot be resolved quietly. There can be no ending of the manipulation that will be considered minor or go unnoticed. For those like me (and many of you), the hope is that it happens as soon as possible, but certainly before we pass this life. For those who have conducted and overlooked regulating the silver manipulation, the hope is the opposite, namely, that it continues to exist until they have passed, if not in life itself, at least until their terms of office have expired. An interesting set up, to say the least, as well as a compelling reason why anyone would work to continue the manipulation.

This brings me to real point of today's article the singularity of silver as a result of what I claim is undeniable proof of a price manipulation in existence for 40 years is now hard up against the one sure thing that can break it, a physical shortage, along with the unmistakable evidence that the

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collusive COMEX commercials are putting the finishing touches in paper positioning that has always led to price rallies in the past. Naturally, this creates the strongest possibility of the long-awaited price explosion kicking in.

Oh, and one more thing, the silence from the regulators to allegations that go to the core of their most important mission – protecting against price manipulation – is almost deafening. I know that many assume that the CFTC and the CME Group will never lift a finger to do what each should have done decades ago and I agree with that assessment (for reasons I established above). But there's another side to the refusal of the regulators to challenge or rebut my allegations, namely, it raises the question as to whether their silence reflects an inability to challenge my assertions. If they can't offer even reasonably-sounding rebuttals, then the best course is to say nothing at all.

That's certainly how I see it, because I know I have sent the regulators all my articles (plus additional personal communications) and I have never received any feedback. Yeah, I can always write to the Commission through my congressman in order to receive some acknowledgement, but no real dialogue – but my sense is that we're long past that stage. You can lead a horse to water, but can't force it to drink. Likewise, I can lay out the case for a COMEX silver price manipulation, but I can't force the regulators into taking action if they refuse.

Very much included in all this is the quite obvious and highly-successful positioning achieved by the commercials in COMEX futures over the past three reporting weeks, culminating with yesterday's cut off for the reporting week for the report to be issued on Friday. Hopefully, all readers are completely cognizant of what has transpired over the last three reporting weeks, but let me fill in the details.

Prior to release of the Commitments of Traders (COT) report of July 18, since I was alarmed at the explosion of total open interest in COMEX silver futures as a result of the two-dollar jump in silver prices and expecting a massive increase in managed money buying and commercial selling, I issued a "Code Red" market emergency. My expectation of massive deterioration in the market structure turned out to be accurate and left only two possibilities – either the commercials would get overrun for the first time (ala Izzy's full pants down premise) or the commercials would once again rig prices lower to flush out the managed money traders which plowed onto the long side that week – setting the stage for a price explosion or sharp selloff at that point.

In either event, I did expect price violence, either up or down, and while the price violence to the downside has been controlled, it still does appear to meet my definition violence, in that the decisive upside penetration of the two remaining moving averages that were penetrated (the 50-day and 100-day ma's) as of Jul 18, did result in a downside penetration of all three key moving averages (the 50-day, 100-day, and 200-day ma's) on yesterday's cutoff to the reporting week. This is the quickest complete moving average turnaround in memory – and meets my definition of price violence to the downside. Oh, and by the way, there was nothing in actual silver developments that warranted such a violent turnaround in price, but isn't that always the case?

With yesterday's cutoff to the reporting week, it appears the commercials are close to completing their latest designed fleecing of the managed money technical funds, suggesting that most of the price rigging is drawing to an end. In the two prior COT reports following the massive deterioration of July 18, in which the managed money traders added just over 22,000 new longs, there was just over 9000 of those long contracts sold. In the weekly review on Saturday, I had guessed that as many as another 6000 to 7000 contracts of managed money longs were liquidated in the three trading days after the

COT report of Aug 1.

As a result of trading over the past two days, I would increase my estimate of managed money long liquidation this reporting week to around 10,000 contracts and meaning that perhaps 19,000 contracts (hopefully more) of the 22,000 long contracts put on over the week of July 18 have been liquidated. Remember, COT report predictions, as well as actual results, fall into the accuracy category akin to horseshoes, hand grenades and atomic weapons â?? to that of being reasonably close is good enough. On a pure managed money long liquidation basis alone, my sense is that weâ??re close to a bottom or reasonably so.

One wild card I recently raised is what the managed money shorts may do. No, not the big managed money short which was holding around 10,000 contracts (50 million oz) short as of the last COT report. Iâ??m convinced this big short will cover and buy back the big short, most likely on lower prices, as he or she did previously, and hope to spot that in this coming and future COT reports. The managed money shorts Iâ??m concerned about are of the technical fund variety that adds on lower prices. I donâ??t know how to predict this group, other than knowing should they plow onto the short side, it will mean lower prices until they are done selling and at which point all their short selling will turn into rocket fuel type buying on higher prices. I hope they donâ??t come in. but if they do it will be good in the end, just not in the very short term.

Likewise, thereâ??s no way of predicting what the new big silver whale (in the other large reporting category) will do, but if he or she stood pat through yesterdayâ??s close, open losses on the 10,000-contract position (50 million oz), would be close to \$80 million. I will also be most interested in what the commercials did by category, mainly, the big 4 and 8 and the raptors. Again, there is no way that I know of to predict such detailed changes away from studying the COT report when released.

It's important to know that, based upon the expected and already achieved positioning changes, the market structure set ups in silver and gold are now back to where they were prior to the \$2 silver and \$100 gold rallies from early July, although the set ups are not yet back to the lows of early March, which launched a \$6 silver and \$200 gold rally. Of course, if we do move lower in the short term, that will only improve the market structures, making them all the more bullish â?? but no doubt increasing short term worry and doubt. I wish I could make that doubt and worry disappear, but a manâ??s got to know his limitations.

Let me leave you with this observation â?? the commercials have been successful these past few weeks in rigging silver (and gold) prices lower and in inducing impressive managed money long liquidation and that can continue for short while longer. But not only is the vise of the growing physical silver shortage tightening every day, so are the price bands tightening.

Thinking things over, the only reason the big commercial shorts resorted to short selling in the reporting week of July 18, where they didnâ??t on the \$6 rally from March to May, is because they sensed that should silver price take out the May highs (\$26.50), that might have set off the buying that will come (someday soon) away from the COMEX, in the various silver ETFs. This silver ETF buying will be the main force behind the explosive move higher coming to silver.

Ted Butler

August 9, 2023

Silver – \$22.75 (200-day ma – \$23.15, 50-day ma – \$23.84, 100-day ma – \$24.15)

Gold – \$1950 (200-day ma – \$1897, 50-day ma – \$1959, 100-day ma – \$1979)

**Date Created**

2023/08/09