“Sign, sign, everywhere a sign

Blockin’ out the scenery, breakin’ my mind

Do this, don’t do that, can’t you read the sign?”

That was from a teenage song of rebellion some 50 years ago, by The Five Man Electric Band (from Canada), I believe protesting the “no shirt, no shoes, no service” notices appearing in many fast-food joints back in the day. Yes, it was a simpler time.

I’d like to talk about different signs today, specifically, the signs I see proclaiming that something highly unusual is occurring in the silver market. The most visible sign of all, the price of silver, seems wildly out of synch with other signs to the point that either the price or the other signs must be wrong. The price sign is saying, loud and clear, that there is plenty of silver available to the market – otherwise the price wouldn’t have been consistently lower all year long.

On the other hand, there are many more signs suggesting just the opposite, namely, that there isn’t enough silver to go around and that we may be on the verge of an actual physical shortage in the one form of silver – 1000 oz bars – that matters most to price. What are these other signs?

First, there are the signs in retail forms of silver in the persistently higher premiums and delayed delivery times that have prevailed for the bulk of the year – the highest premiums I can recall. Yes, I know that retail forms of silver are different from prices for 1000 oz bars, but to dismiss out of hand what the unusually persistent high premiums and delayed delivery times may be signaling may be wrong. After all, with current premiums, it is impossible that retail forms of silver are being converted into 1000 oz bars and not the opposite. Over time, this does matter.

Along these same lines, the highest premiums of all in retail forms of silver are the premiums on Silver Eagles, the flagship retail form of silver produced by the US Mint – or I should say former flagship product, since the US Mint has seen fit to unilaterally curtail production of what has always been the world’s most popular silver bullion coin. That’s no longer the case, for the first time in the 35-year history of the Mint’s bullion coin program.

It’s hard to fully comprehend why the US Mint has seen fit to restrict production of Silver Eagles, since other world mints, such as the Royal Canadian Mint, have had no problem producing competing coins – particularly since there is a public law requiring the US Mint to produce enough Silver Eagles to meet demand – but that in no way diminishes the clear sign that something is quite “fishy” with the lack of Silver Eagle production.

Other signs that the price sign is sending a false message is the fact that at least two well-known and publicly-traded silver miners, First Majestic and Endeavor Silver, have withheld some silver production rather than sell it at what each consider to be depressed prices. Regardless of whether their actions will prove successful, there are no other commodities that I’m aware of where producers are withholding production due to perceived low prices – making this a clear and incontrovertible sign the price of silver is out of kilter with these two miners and, I’m convinced, with other silver miners as well.

Then there is the formation of the grassroots movement of the $Wallstreetsilver reddit group which came into existence earlier this year for the sole purpose of encouraging investment in silver precisely because it was too cheap. If that isn't a sign that the price is wrong, then nothing is.

Finally, there are the clear signs of incredibly robust investment demand in the statistics from the world's leading silver ETFs, of which SLV is the largest. Over the past year and a half, some 500 million oz of physical silver in 1000 oz bar form have been bought and deposited in the world's silver ETFs, the most in history, with no real signs of investor liquidation. What makes this all the more remarkable is the fact that most often investors buy as prices rise and sell when prices fall, but here we are seeing something else, namely, investors essentially holding strong in the face of what has been pretty punk price action in silver – which not only is down more than most assets for the year, but is also the only asset down more than 50% from its highs of ten and forty years ago. The only thing I can see that would cause such unusual collective investor behavior is the widespread intuitive recognition that the price of silver is too low. Again, if that's not a sign that contradicts the price sign, I don't know what is.

Finally, there has been the literal explosion of independent Internet commentary pointing, quite specifically, to the blatant COMEX silver manipulation. While some include gold in their manipulation commentary, there are hardly any similar allegations in other commodities or markets. And in the face of the growing allegations of specific wrongdoing in COMEX silver, the regulators at the CFTC and the CME Group have remained silent, instead of addressing the matter head on. It used to be that public accusations of illegality or impropriety against the likes of the CME Group or JPMorgan would result in swift and direct legal threats to cease and desist. No longer is that the case, as it seems nothing can induce those accused of wrongdoing or complicity to mount a counter-argument.

So, with a plethora of signs aligned against the most visible and widely followed sign of all – the price – which sign is correct? Or stated differently, why is there such a deep conflict between price and all the other signs? The best way to judge that, it seems to me, is to examine the mechanics behind each sign.

First, let's look at how all the signs that disagree with the price sign get formed. Can there be any suggestion that the premiums and delivery delays on retail forms of silver are artificially derived at? In other words, is there any credible evidence that retail investors haven't bid up the price of retail silver items or conversely, is there any evidence that retail dealers are deliberately holding back supplies to have created an artificial tight supply situation? Either suggestion would be preposterous – markets with wide numbers of participants don't work that way.

How about the suggestion that silver mining companies are just pretending to be suffering from low silver prices and are secretly making massive profits at current prices that they are publicly (and illegally) misreporting to shareholders for some unknown reason? Again, that's absurd and preposterous, as the silver miners, alone among all commodity producers, are suffering from unusually low silver prices.

I can almost understand the skepticism that the growing amount of public commentary about a silver price manipulation being nothing more than a broad consensus being wrong about a market. After all, I'm a contrarian at heart and am deeply suspicious when the crowd strongly agrees on something. But this is different in that in the past the crowd always became uniformly bullish after prices had risen sharply. This is the first time in history, I believe, where there is nearly uniform bullishness on silver long before prices rose.

How about the suggestion that 500 million oz of silver weren't really bought and deposited into the world's silver ETFs and those ETFs are simply pretending and falsely misreporting such purchases? Come on man, where do we draw the line at all the signs of strong investor demand and no net selling before we look at the one sign in conflict with all the other signs? Here, I'm talking about the same thing I always talk about – the corrupt pricing of silver on the COMEX, where the price of silver is set.

A relative handful of financial institutions, mostly banks, for the past 40 years have colluded with each other in selling short aggressively in sufficient enough quantities whenever silver prices rose to cap and contain all silver rallies. After the rallies were capped, the principal buyers on those rallies, the managed money technical funds, having exhausted their buying power, would begin to sell. At that point, the collusive commercial short sellers would grease the price skids lower through a variety of dirty trading tricks, and buy back their shorts at a profit – the old wash, rinse, repeat routine.

So, considering how all the signs pointing to an extreme physical tightness in silver don't seem to have come about by some convoluted reasoning other than silver prices being too low, while the price setting process on the COMEX is demonstrably corrupt, it seems clear that the plethora of signs pointing to tightness are telling the real story and not the most visible sign of price.

Yes, it is unfortunate that the regulators have blown the opportunity to do the right thing many years (decades) ago, and cracked down on the manipulative price scheme on the COMEX, but that's on them and water largely under the bridge. What lies ahead is a reckoning based upon a higher regulatory authority, namely, the immutable law of supply and demand. Prices kept too low for too long must result in a physical shortage – period. Pinpointing in advance the exact timing of the shortage is generally beyond human capacity, but not its inevitability.

It is this inevitability of a physical silver shortage that should be focused on and the best way to insure one doesn't miss profiting from the equally inevitable upswing in price is to be in place and holding silver before the shortage becomes obvious. Fortunately, the easiest way to ensure participation is to be holding physical silver – not a particularly difficult thing to do (if you block out the daily noise and take advantage of the phony pricing). Buying and holding and then waiting for the inevitable physical shortage is as simple as falling off a log – provided one doesn't get caught up too closely with the daily exposure of the phony price, as well holding the right form of silver (please be wary of digital silver investment schemes). It's all a matter of reading the signs correctly.

Turning to other developments, I can't help but feel another indication that the COMEX silver price sign is sending deliberately false signals is the relative price of silver compared to gold. I'm not just talking about the current extreme relative undervaluation of silver compared to gold as reflected in the silver/gold price ratio, but something else.

Over the past nearly 5 months (since mid-July), there has been what appears to me to be a concerted effort on the part of the collusive COMEX commercials to prevent the price of silver from upwardly penetrating silver's 200-day moving average. Over that same period, the price of gold has been "allowed" to upwardly penetrate its 200-day moving average on at least five separate occasions, with each upward penetration lasting from days to weeks. Where do I get off alleging this observation involves a deliberate attempt by the COMEX commercials to keep the silver price sign sending out the false message of physical metal abundance?

As you probably know, I'm not technically-oriented and the moving averages mean little to me personally. But that doesn't mean I don't recognize that others, specifically including the managed money technical funds are not strong adherents of moving average signals. And since the old wash, rinse, repeat scam on the COMEX involves, essentially, the crooked commercials scamming the hapless managed money dupes, paying attention to the details of the scam becomes imperative.

Here's my conclusion for the reason that silver has not been allowed to upwardly penetrate its 200-day moving average even once, while gold was allowed to upwardly penetrate its 200-day moving average repeatedly – more than anyone else, the COMEX commercials know just how critical the real supply/demand situation is in silver and are doing everything in their collusive power to prevent an upward penetration of the key 200-day moving average because that will add a certain and significant new level of buying in silver that perhaps might undo the long-running manipulation.

Yes, any buying by the managed money traders on an upward penetration of the 200-day moving average (or even the 50-day or 100-day moving averages) will be all in the form of paper futures contracts, not physical silver. But since the only sign that silver is still abundantly available and not close to a physical shortage is the false price sign of the COMEX price, it's imperative for the commercials not to allow any type of buying – paper or physical – that might encourage others to buy on higher prices (which is what investors normally do).

So, yes, I'm suggesting that the one remaining false sign of silver abundance – the phony COMEX-generated price – has become so critical to the collusive commercial crooks that they won't (can't) allow it to upwardly penetrate key moving averages, while they have allowed gold to upwardly penetrate its key moving averages on multiple occasions over the past months. Please understand that I am not at all bearish on gold and believe it will rise sharply in the future. In fact, gold has held up fairly well to this point following my tentative "all clear" signal last Tuesday (silver not so much). It's just that it appears to me that the crooked and collusive COMEX commercials are working beyond overtime to keep silver from rising similarly, as that false price sign is all they have left. When all you have left is paint and not real silver – you paint the tape.

The first two days of delivery against the December futures contracts have been quite interesting, particularly in silver. I would put deliveries almost on a par with futures pricing in the sense it is generally controlled by the collusive commercial crooks, but after two days and 3107 total silver contracts issued, there is still a quite large remaining open interest in the December contract of 6000 contracts or so. My only question is if JPMorgan will show up as a big issuer to rescue the shorts. Stay tuned.

As far as what to expect in Friday's COT report, based upon price action and catch-up reporting that may have been missing in last week's report, I would expect improvement (managed money selling and commercial buying) in silver, but gold looks less clear (having moved both above and below its key moving averages over the reporting week). I will be particularly interested in the now-normal elements – big 4 and managed money positioning in silver and any changes by the gold whale.

As miserable as the price action in silver has been this week, when you dig into the reasons behind the crummy price action and the inevitability of a profound physical shortage at some certain point, a sense of "this too, shall pass" should flicker within. No one individual can stop the crooked COMEX price setting from running its course, but neither can the COMEX commercial crooks prevail against the law of supply and demand indefinitely. At some point, the false price sign emanating from the COMEX will vanish like dust in the wind.

At publication time, weakness in silver since Friday's close (gold has been remarkably steady) has helped the 8 big COMEX gold and silver shorts to reduce their total losses by $400 million to $8.2 billion.

(With the arrival of first delivery day in December, I'm switching to the February gold contract and the March silver contract for closing price purposes).

Ted Butler

December 1, 2021

Silver – $22.35   (200 day ma – $25.27, 50 day ma – $23.59, 100 day ma – $23.98)

Gold – $1783   (200 day ma – $1792, 50 day ma – $1792, 100 day ma – $1794)