

For a second week, gold and silver prices rose, with gold up by \$31 (1.5%) and with silver ending higher by “only” 32 cents (1.3%), given its selloff yesterday after scoring fresh one-month price highs earlier in the day. As a result of gold’s slight relative outperformance on the week, the silver/gold price ratio widened slightly to just under 84.4 to 1. Given the actual developments in each metal, I can only shake my head at how completely and unreasonably silver is as undervalued to gold as it is.

That sentiment is not intended as any suggestion that gold is extremely overvalued, despite this week’s price close being the second highest weekly close in....well, ever, and on track for its highest-ever yearly close and up by 12.5% year-to-date. All while silver has struggled to eke out what looks like a roughly unchanged finish to the year.

Always trying to keep things in proper perspective, this year’s relative performance of each metal closely mirrors the relative and absolute performance over the past three years - with gold up the past three around what it is up this year and silver struggling to remain unchanged over this same time. And against a broader financial background where one would have thought (well, at least me) that both gold and particularly silver would have done much better price-wise - especially this year with the deepening physical shortage in silver.

Trying to explain why silver hasn’t performed better in light of the now near-universal agreement that a physical shortage - the most bullish possible condition in any commodity - has failed to drive prices sharply higher is the 800 lbs. gorilla in the living room, namely, the ongoing COMEX price manipulation. The good news is that more have come to this conclusion to the point that no other explanation for why silver prices have remained stagnant seems plausible.

Also, mostly good news was revealed in the new Commitments of Traders (COT) report yesterday, in regard to the extensive comments I made in last week's review about a potential sea-change in managed money/commercial positioning as a result of the extraordinary development of the total open interest in silver dropping sharply, instead of increasing sharply, as a result of the very large price surge after the Fed meeting a week and a half ago.

While I was careful to point out that my comments and speculation were quite tentative and subject to misinterpretation, I did lay out a number of specific speculations that, on balance, seemed to have been realized, to the tune of being 80% or more as correct – but I'll review all the changes in detail in a bit and, as always, leave it up to the reader to decide how close I came (or how far I missed) and, more importantly, what it portends for future silver prices. Let me run through the usual weekly format first, which, increasingly, pinpoints developments on the physical side of silver (as opposed to paper-positioning on the COMEX, which has determined prices for 40 years).

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged sharply this week to more than 8.2 million oz, the largest such movement in 7 months. Total COMEX silver inventories increased by 5.2 million oz, to 274.9 million oz – the largest total since August (4 months). No change in the JPMorgan warehouse for a second week, which remained at 133.1 million oz. (And no response yet from the CFTC about my question of whether the 103 million oz of the JPM COMEX warehouse are being held on behalf of SLV and, effectively, being double-counted. Monday will mark the six-week mark from when I emailed my petition on Nov 13).

There was a slight reduction (mainly due to rounding) in the COMEX gold warehouse holdings this week of 0.1 million oz, down to 20 million oz. No change in the JPM COMEX gold warehouse, still stuck at 7.34 million oz for more than two months.

While I usually mention briefly or skip over completely the ongoing developments in the COMEX deliveries – mostly because it's hard to discern tangible data leading to specific conclusions – recent deliveries in the December silver COMEX contract, in conjunction with the very large physical metal inflows into the COMEX silver warehouses, requires some attention. Specifically, it's hard not to see a connection between this week's sharp increase in physical silver warehouse deposits (5.2 million oz) and the creation of new contracts in the December delivery month which ended in delivery of close to that same amount (mostly by HSBC, whose customers have delivered over 9 million oz for the month).

[https://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

Given the near-precise match of new metal deposits and concurrent new deliveries of similar amounts over the past week, a direct connection is hard to miss. But what does it suggest? The most plausible explanation to me is that some entity (or entities) were demanding physical silver via COMEX deliveries in the soon-to-expire Dec contract, likely because it or they knew that futures contracts must be physically delivered by the end of the contract's term (next week). If someone needed guaranteed physical delivery in a short time, buying COMEX contracts with an expiration date soon to occur is an excellent way of insuring quick physical delivery.

Further, despite there being nearly 270 million oz on deposit in the COMEX silver warehouses before this week's 5 million oz deposit, it would appear that little of the existing 270 million silver oz already on deposit was available for delivery,

necessitating the new deposit of 5 million oz this week to meet delivery demands. So, between the unusual surge in physical silver deposits this week and the newly-created contracts standing for immediate delivery, the most plausible explanation connecting the two developments is just as it appears, namely, that the vast amount of physical silver in the COMEX warehouses is owned by those not interested in selling (making delivery) at current prices and that new delivery demands required new metal being deposited.

Moreover, I can't help but speculate that those behind the buying of the new contracts in the now-expiring Dec contract for the purpose of getting quick and guaranteed physical delivery were likely to be industrial consumers or users, as opposed to being pure investors – for the simple reason that it matters much less to investors getting quick physical possession as opposed to users. Investors are mostly concerned about establishing a firm price for future potential profit, whereas a user pressing for quick physical delivery may be doing so because he or she has experienced some delay in receiving normal silver deliveries – a delay that could threaten a user's basic operations. You see how regular people panic when a hurricane or snowstorm approaches and clean out the bread and milk shelves. Just wait to see how silver users panic when their assembly lines are threatened by delayed silver shipments.

Of course, this precise current circumstance was a key element of my long-ago discussions with my departed friend and silver mentor, Izzy Friedman, who I wish were still here to witness a development on which there was never the slightest disagreement – aside from the timing. It also always conjures up images of the poet Samuel Taylor Coleridge's classic 1834 poem "Rime of the Ancient Mariner" in that instead of there being "water, water everywhere, but nor a drop to drink", there may

be copious quantities of silver around in the various forms of recorded inventories, but little of it is actually available (drinkable). And that's behind my silver inventories can't go to zero premise because most of it is owned by investors.

Physical silver holdings in the big silver ETF, SLV slipped by a couple of million oz this week, but that was more than offset by much bigger deposits in other silver ETFs. The combined holdings in the COMEX warehouses and in SLV rose this week to 714.5 million oz, up by 4.3 million oz for the week (on top of the 8 million oz increase in the prior week). All this silver, plus another 600 million oz in other silver ETFs and other investment vehicles, is owned by various entities (including me and many of you) and, while this metal is clearly visible, that is a heck of a lot different than being available for sale at anywhere near current prices.

Turning to yesterday's new COT report, let me run through the gold report first, before getting into the nuances of the silver report. Like silver, gold prices rose sharply on the (interpretation) of Fed's words, moving higher by more than \$70 from the lows of that Wednesday to the highs of Thursday on high volume. Therefore, the rather muted increase in total gold open interest, while not quite as stark as the drop in silver open interest, also did suggest something different than the usual expected massive increase in managed money buying and commercial selling and that was largely borne out in yesterday's new report.

In COMEX gold futures, the commercials did increase their total net short position by 14,300 contracts, to 227,100 contracts. While this is the largest short position since May 2022, in past times the weekly increase would have been much greater. A standout feature was that the 4 biggest shorts bought back around 1600 short contracts, reducing their concentrated short position to 153,504 contracts (15.4

million oz), the lowest it has been in 4 reporting weeks. The next 5 thru 8 largest commercial shorts added a hefty 5100 new shorts and the big 8 short position grew to 230,496 contracts (23 million oz). The raptors, the smaller commercials apart from the big 8, sold off 10,800 longs, reducing their net long position to 3400 contracts, the lowest in quite some time and leaving not much room before they start to get net short.

On the managed money side of gold, these traders bought 12,748 net contracts, consisting of the new purchase of 6063 longs and the buying and covering of 6685 short contracts. The resulting managed money net long position increased to 108,276 contracts (155,697 longs versus 47,421 shorts), a position that must still be considered on the bearish side – were it not for all the other non-COMEX more bullish considerations.

In COMEX silver futures, the commercials increased their net short position by 1300 contracts to 48,800 contracts. While I was hoping for an actual decrease in the total commercial net short position, the reported increase was close to a tenth of what one would normally expect on a high-volume and quite dramatic price rally of as much as \$1.60 over the reporting week – particularly considering a move from below all the key moving averages to well above those same moving averages. So, while we did get a slight increase in total commercial selling and not the reduction I was hoping for, I would contend the slight increase, where a much-larger increase would be expected, does largely fulfill the premise I laid out a week ago.

Likewise, while I somewhat disappointed that the 4 largest silver shorts did increase their total net short position by 1400 contracts, to 45,025 contracts (225 million oz), where I was hoping for a reduction, as it turned out, this was 100 contracts more

than all the other commercials sold, including the big 5 thru 8, which bought back 200 shorts and the raptors, which sold off a miniscule 100 long contracts. So, as disappointed as I was that the big 4 added a modicum of new shorts, it has never occurred in my recollection that on such a big and dramatic silver price rally that there such little commercial selling as was reported this week – which was the gist of my premise.

Moreover, based upon the behavior of the big 5 thru 8 traders and the raptors in not selling, I get the strong sense that there was only one (and certainly no more than two) big 4 sellers. I also get the sense that had this big, likely singular, seller not sold as many contracts as it did, silver prices would have likely exploded. If accurate, there could be no greater proof of price manipulation, in case the CFTC or CME Group ever awaken from the self-induced coma of regulatory malfeasance each has suffered for what is now 40 years.

On the managed money side of silver, these traders did buy five times as many contracts than the commercials sold, in buying 6204 net contracts, consisting of the purchase of 1459 new longs and the buyback and covering of 4745 short contracts. While the resultant managed money net long position rose to 14,871 contracts (34,931 longs versus 20,060 shorts), that still leaves the position, relative to the comparable managed money net position in gold, much more bullish in silver. Certainly, the gross managed money long position is much closer to historic low levels than high levels, making long liquidation on orchestrated price rig-jobs lower less probable (but always possible).

Most importantly, in terms of how this week's managed money positioning in silver compared to my pronouncements last week, I think pretty good, since I speculated

last week that the managed money technical funds looked like they took a pass on plowing heavily onto the long side since they had been so badly whipsawed into and out from positions by the collusive commercials. That looks largely to be the case, since they added less than 1500 new longs, versus the 10,000 to 15,000 new long contracts they have typically added in the past on such a dramatic upturn in prices.

Now, if you are asking me to handicap what the managed money technical funds may do in the future, I'm less sure - but I will try to accurately measure that as time and positioning evolve. But I will admit, up front, that this will be quite important. The fact that the managed money shorts bought back so many short contracts wasn't particularly surprising, even though I didn't spell it out in advance; but what was a surprise is that the managed money short in the big 5 thru 8 category, still looks to be holding 3000 contracts short and is a member in good standing in that category, based upon the data in the current report.

Explaining the wide difference between what the managed money traders bought (mostly in the form of short-covering) and what the commercials didn't sell, was heavy net selling by the other large reporting traders to the tune of nearly 5000 contracts - which I mentioned would not be a surprise last week. In fact, it was the heavy selling by the other large reporting traders (mostly long liquidation) that allowed the commercials from having to sell heavily into one of the sharpest rallies in silver in quite some time.

Now whether this is a one-off or a strong indication that we have seen a sea-change in COMEX positioning (as I speculated last week may be the case) should be known in the relative short-term. While I can't predict how this potential COMEX positioning paradigm shift may play out, nothing in this week's COT report suggests



it is dead. Not that it is particularly important (except to myself), I would grade myself at 80% or more, say B+ on last week's fairly dramatic speculation – having missed mainly on what the big 4 might do (which, somewhat ironically, occurred in gold).

Short term speculative guesses aside, the more important consideration is how much longer this increasingly obvious COMEX silver price suppression can last, particularly in light of the increasing and overwhelming evidence of a physical shortage. Most of the time (but especially, lately), I expect silver to erupt higher at any moment – although I know full-well, after observing this COMEX scam and fraud for too many decades that the crooked commercials can still orchestrate a sudden and illegitimate selloff (like on Friday).

Maybe it has to do with my advancing age, but more than ever, the moment of true liftoff in silver seems palpably so close that I can almost feel it. I'm certainly not manufacturing the specific instances of physical silver tightness or signs of potential serious changes in COMEX positioning or in the growing general awareness of other commentators that something is “wrong” in regards to silver's actual supply/demand fundamentals and its price – with the COMEX scam, increasingly, becoming the default explanation.

But perhaps the strongest influence for my growing and intense sense that something is about to break big on the upside in silver is the realization that, very much unlike the near-universal adverse reaction I received decades ago when I first advanced my COMEX price manipulation claims, there is no longer widespread or hardly any disagreement with the manipulation premise. Of course, there will always be disagreement from those who contended there was no silver manipulation from

the get-go, but how can anyone like that ever admit to be wrong for decades?

More to the point is why I never receive rebuttals or complaints from those who should rebut my allegations and, particularly, those I label as crooks, such as the CFTC, the CME Group and JPMorgan (all of which I send all my article). What does a guy have to do to extract a rebuttal or “stop calling us crooked or else” responses? It’s certainly not because the issue of market manipulation is not the most serious market crime of all or because there is an obvious and reasonable alternative explanation for the mismatch between silver’s documented supply/demand fundamentals and its price; so it is bewildering why my allegations go unaddressed.

The only explanation I can think of is that the regulators, having first denied and missed the COMEX silver manipulation for decades have no interest whatsoever in saying or doing anything now that might upset the applecart. As it is, the regulators seem to have trouble answering a simple question about the possible double-counting of recorded inventories. As far as JPMorgan denying that it has been a market crook in silver, as I have alleged for close to 15 years, its actual legal record indicates a big good luck with that.

The good news is that while I may not be able to get a cogent response or proper action from the regulators to end this seemingly interminable COMEX fraud and scam, the flow of developments now strongly suggest a much higher power will dictate future silver price action. In fact, the power I speak of is the strongest price force of all – the law of supply and demand. While I never thought it would take this long (decades) for this force to arrive on the scene, it sure looks to me that it has now arrived and isn’t about to leave until the price of silver fully reflects the physical shortage.

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Merry Christmas and Happy Holidays to all.

Ted Butler

December 23, 2023

Silver - \$24.47 (200-day ma - \$23.73, 50-day ma - \$23.65, 100-day ma - \$23.38)

Gold - \$2064 (200-day ma - \$1971, 50-day ma - \$2003, 100-day ma - \$1965)