December 31, 2022 – Weekly Review/A Momentous Year

The last trading week for the year saw the price of gold end $24 (1.3%) higher, while the price of silver rose by 26 cents (1.1%) for the week. (As a reminder, I always use the late day close on the leading COMEX futures months, which is Feb in gold and March in silver). As a result of gold's slight relative outperformance, the silver/gold price ratio widened out by a fraction of a point to 75.7 to 1.

I should also point out that yesterday's late close was the highest weekly finish for gold in 6 months and the highest weekly close for silver in 8 months; with gold up by $200 and silver up by $6 from their respective lows a few months ago. In terms of the silver/gold price ratio, yesterday's close featured a 20-point relative strengthening in silver on the rally over the past few months.

While I will look at the year 2022 separately in a moment, seeing as yesterday's close was also the close for the year, I would point out that for the year, gold happened to close exactly as it did a year ago ($1830), not something often seen, while silver added on 83 cents (3.6%) for the year. At last year's close, the silver/gold price ratio was 78.4 to 1 (vs. this year's 75.7 to 1).

Of course, silver's slight relative strength at the yearend belies the fact that it spent the bulk of 2022 much weaker than gold – a fact that no doubt resulted in the record imports of silver into India as well as the rush into retail forms of silver that caused premiums to sky-rocket, and most importantly, was the prime contributor to the current wholesale physical shortage.

Since I'll attempt to put the year just concluded into some semblance of a broader perspective, I'll try to stick to a typical and perhaps abbreviated weekly review. Then, according to what I see as important, I'll try to review this past year in my own perspective.   Fair warning – it doesn't include any of the most popular themes put out – like inflation, interest rates, the worst stock and bond market finish since 2008, the strength or death of the dollar, etc., which factor as low on my scale of what's important to the price of silver and gold as what's for dinner tonight.

The turnover or physical movement of metal either brought into or removed from the COMEX approved silver warehouses finally cooled off over the holiday shortened work week as "only" 3.1 million oz were physically moved, and as total inventories rose by a scant 0.3 million oz to 299 million oz. I would point out that this week's "cool off" in the rate of COMEX physical silver turnover still leaves silver head and shoulders above the rate of physical turnover in any other commodity. The holdings in the JPMorgan COMEX silver warehouse rose by 0.8 million oz to 149.4 million oz.

Total holdings in the COMEX gold warehouses were unchanged at 23.2 million oz, as were the holdings in the JPM warehouse, at 9.13 million oz.

Nothing really new to report on in COMEX gold and silver deliveries or even in physical flows in the world's gold and silver ETFs – which ended the week essentially flat, but with continued "churn" in the silver ETFs, particularly, SLV.

Yesterday's new Commitments of Traders (COT) report at first looked a bit worse than what I was thinking it would be (essentially, unchanged), but a deeper dive under the hood proved less alarming for what I suspect is most important, namely, the remarkable potential "sea change" I spotted in the Bank Participation report of Dec 6.

In COMEX gold futures, the commercials increased their total net short position by a heftier than expected 11,300 contracts, to 153,800 contracts, the largest commercial net short position since August. But the concentration data indicated it was all raptor selling, as the 4 and 8 biggest shorts (all commercials) actually bought back some short contracts and reduced their concentrated short positions.

The big 4 gold shorts bought back 1200 contracts and hold a short position of 127,612 contracts (12.8 million oz) as of Tuesday. The next 5 thru 8 largest gold shorts bought back a couple of hundred short contracts and the big 8 short position fell to 207,699 contracts (20.8 million oz). By mathematical deduction, the raptors (the smaller commercials) sold 12,800 contracts, reducing their net long position to 53,900 contracts.

On a gold price rally from December 6 (the cutoff date for the COT and Bank Participation reports) and on what has been as much as a $60 rally making new multi-month price highs, the total commercial net short position in gold has increased by 23,700 contracts, but with raptor long liquidation accounting for 21,600 contracts and new big 8 shorting amounting to 2100 contracts. This lack of heavier big 8 short selling, along with the appearance of a notable change in the composition of the 8 big shorts, is potentially profound, as I hope I've conveyed.

On the buy side of gold, the managed money traders were the largest buyers (as is almost always the case) as they bought 11,782 net contracts, consisting of the purchase of 2170 new longs and the buyback and covering of 9612 short contracts – a mix somewhat encouraging in that not many new longs were put on. The resultant managed money net long position did increase to 50,877 contracts (106,983 longs versus 56,106 shorts), the highest level since June, but there is still much more potential net managed money buying than selling on a historical basis, to say nothing of conditions suggested in the real world of actual metal.

The other large reporting traders were net sellers of 3700 gold contracts (including nearly 5000 contracts of new shorts), while the smaller non-reporting traders were net buyers of 3200 contracts (mostly covering shorts).

In COMEX silver futures, the commercials increased their total net short position by 2600 contracts to 42,900 contracts. More mixed than in gold, the 4 biggest shorts added 900 new shorts to a short position amounting to 44,198 contracts (221 million oz), as of Tuesday. The next 5 thru 8 largest shorts added another 500 short contracts and the big 8 short position rose to 66,289 contracts (331 million oz). The silver raptors sold off 1200 longs, reducing their net long position to 23,400 contracts.

On the more than $2 rally since Dec 6 and on a 10,600 net contract increase in the total commercial net short position, the raptors accounted for 7700 contracts of that net total increase (by pitching longs), while the big 8 accounted for 2900 contracts in new short selling – with the big 4 only responsible for less than 700 contracts of the big 8 selling.

Considering that I have identified a lack of concentrated short selling as the absolute key to the “big one” from almost time immemorial (at least it’s felt that way to me and maybe to you as well), here’s to hoping the tentative signs of real change are not a mirage or fake out.

On the buy side of silver, the managed money traders bought only 885 net contracts, consisting of the sale of 637 longs and the purchase and buyback of another 1522 short contacts. The resultant managed money net long position increased modestly to 28,816 contracts (45,022 longs versus 16,206 shorts), which does put it at the highest level since April and a full 50,000 net contracts (250 million oz) higher than it was back then.

Usually, this level of deterioration would be a cause for caution or even alarm, but I am still struck more by the relative low pace of concentrated commercial short selling, and what I sense is a change in the composition of the structure of the commercial shorts and, most importantly, the absolutely profound signals of shortage from the wholesale physical market. The record shows clearly that I was as consistently and as extremely bullish as I could possibly be at the lows in silver and gold this year and while I am mindful of the change in market structure on the COMEX, particularly in silver, I am just as bullish currently for reasons I've highlighted all along.

No one is more aware than I am of just how profoundly corrupt and crooked are the COMEX commercials and their ability to rig sharp selloffs at will, but the overall condition of the market, taken in its full totality, leaves me more afraid of pussy-footing at what could and should be the moment of truth.

2022 – A Momentous Year

The last couple of years have been significant in silver (and gold), not particularly price-wise, but in other important ways. For instance, 2020 was particularly note-worthy in that JPMorgan was partially brought to justice for its many years of manipulating the price of precious metals on the COMEX and agreeing to settle with the Justice Dept and CFTC for a reported $920 million.

Of course, the DOJ and CFTC merely scratched the surface of the real ongoing COMEX silver and gold manipulation and wimped out from charging JPM (and the

CME Group) by sticking to spoofing charges and not the overwhelmingly compelling evidence of a long-term price suppression and manipulation. But my most important takeaway was that 2020 marked the exit by JPMorgan from the short side of COMEX silver and gold futures and its double crossing the other large commercial shorts after ten years of non-stop manipulation.

2021 saw the formation of the #WallStreetSilver Reddit movement and marked the first time ever (in decades) in which the CFTC seemed to agree with me or at least didn't argue forcefully against my contention that the concentrated short position in COMEX silver futures was manipulative to the price. The Commission's response to my congressman indicated it would forward my concerns to its divisions of Market Oversight and Enforcement.

The Commission not disagreeing with me may not seem like much, but I would point out that the concentrated short position of the 4 largest commercial silver shorts on Feb 2, 2021 (the date referenced in my letter) was 65,262 contracts and has never been higher since. The most recent Commitments of Traders (COT) report indicated that the short position of the 4 largest shorts was 44,198 contracts, the equivalent of 105 million ounces less than it was on Feb 2, 2021, and after a fairly significant rally in which all key moving averages were decisively penetrated to the upside.

Did the Commission warn or "jawbone" the big commercial shorts to refrain from adding the quantity of short contracts seen in the past or did the commercials wake up and smell the coffee on their own; or neither, meaning the short position will grow from here? Time will tell, in the form of subsequent COT data, but to this point it does look and feel different from the past and "different" is always on my mind in looking for a change in the routine of the decades-old manipulation.

With that prelude, let me turn to the year 2022 and what I see as the most important issues of the year, which, in my opinion, has been the most momentous year of all in the 38 years in which I have studied silver closely. Upfront and as I think I've already indicated, what makes this year the most momentous of all is not due to the typical things trotted out, like inflation, interest rates, the stock, bond and real estate markets, the economy, the dollar or anything of the type, including a devastating war and the most divisive and destructive political scene I've ever witnessed.

Quite frankly, those issues are things that haven't made a bit of difference to the price of silver or gold this year, but I won't be so presumptuous as to conclude such issues won't matter in the future. I hate to disappoint anyone, but all such factors are so low on my totem pole of what matters most to the price of silver that it bugs me to even mention them. The only things I'm concerned with are developments in the physical market, primarily wholesale (1000 oz bars), and the manipulative positioning on the COMEX (and this year in SLV), always with a sense of what the regulators may be up to. And, man oh man, there is no shortage of such factors this past year.

Let me start off on the physical side, where even the Silver Institute, usually quite milquetoast in such matters, has declared the largest mismatch between surging silver demand and stagnant supply, to the point of declaring a near-200 million oz annual deficit, the largest in decades. Or how the 300 million oz silver imported by India was the largest on record, at more than 35% of total world annual mine supply. And prices are largely unchanged?

Closer to home, it has been a fascinating year for silver in the COMEX-approved warehouses in a number of respects. First, total COMEX inventories fell by 55 million oz, from 354 million oz at the start of the year to 299 million oz at year end, with virtually all of the decline coming in the registered category. No doubt the decline in total and registered inventories is important and deserving of the great attention it receives. And just to put it into perspective, the percentage decline in the COMEX gold inventories, of 30% (from 33.6 million oz to 23.2 million oz), over the past year is much larger than the 14% total decline in COMEX silver inventories – although this is not a true apples to apples comparison.

But a much larger amount of physical silver, some 384 million oz, almost seven times the reduction in total inventories, have been moved into and out from the COMEX warehouses, with barely a peep of the widespread recognition it so richly deserves. All told, this year has seen the largest annual physical silver turnover in history, a history that first began in earnest in April 2011, when JPMorgan opened its COMEX warehouse and began to accumulate physical silver and gold.

The physical turnover in the COMEX silver warehouses in 2022, close to 7.4 million oz on an average weekly basis is fully 50% larger than the average weekly movement of the prior decade, yet it continues to remain a topic untouched by virtually everyone – for reasons that continue to mystify. I still maintain the most (and perhaps only) plausible explanation for the near-incredible physical turnover in the COMEX silver warehouses – alone among all commodities – is a physical demand so extreme as to defy description.

And as I recently concluded, the 384 million oz turnover should not be calculated against the total inventory of some 300 million oz, but a “working inventory” total (once long-term investment holdings are subtracted) of what can be as low as a few million oz. The actual working inventory must be derived and calculated and does not exist as a conveniently published number.

Turning to the one reason silver and gold prices did not react to what were nothing but extremely bullish physical developments this year was the manipulative effect of paper positioning, principally on the COMEX, but also in the shares of SLV, the largest silver ETF.

From the price top this year of $27.50 in silver and $2060 in gold (also its all-time high) on March 8, silver prices then fell $10 (36%), while gold prices fell $440 (21%), into the lows of the autumn, before rallying into yearend. It’s not hard to trace the price top as occurring as the total commercial net short position on the COMEX hit nearly 70,000 contracts in silver and 307,000 contracts in gold; only to fall to less than zero in silver and 62,000 contracts in gold, as the price lows were established.

In equivalent ounce terms, the collusive COMEX commercials bought back more than 350 million oz of their total silver short position on March 8, and nearly 25 million gold oz – all by largely hoodwinking and snookering the managed money traders into selling, as the commercials rigged prices lower – an absolute masterpiece of market manipulation.

Since the price lows, silver has risen by more than $6, actually putting it up for the year, and gold has rallied by $200, leaving it at unchanged for the year. These rallies did involve (require) managed money buying and commercial selling and the amounts are not insignificant. In silver, the total commercial short position has increased by more than 45,000 contracts from the lows, some 225 million equivalent oz, while the increase in commercial selling in gold is on the order of 90,000 contracts or 9 million equivalent gold oz – relatively much less than in silver.

Normally, such increases in commercial selling on the rallies we've seen would lead me to conclude the market structure on the COMEX was close to neutral, or even bearish in silver, but still on the bullish side in gold. But as I've recently concluded, a new wild card may have been introduced in that the actual big commercial shorts appear to be different than in the past, particularly in gold – thanks to the most recent Bank Participation report for positions held as of Dec 6. At this point, it looks like not only is the amount of commercial selling on the rallies from the lows lighter than typically seen, the composition of the big commercial traders appears to have changed, particularly in gold.

I've dubbed this the second double cross over the past few years – the first by JPMorgan, in which it abandoned the short side in COMEX silver and gold around March 2020 and left the remaining big commercial shorts holding the bag – only to be followed by the commercial bag holders passing the steaming pile of shorts to a new group of commercial bag holders. Again, all this is tentative and based upon just one Bank Participation report, but nonetheless potentially profound.

Another profound new wrinkle developed in 2022 in the massive increase in the short position on SLV, as this short position grew to more than 60 million shares (55 million oz), at its peak in August. As of December 15, the short position on SLV remained massive at 50 million shares (45 million oz). This has been my second go-around with the short position on SLV and with BlackRock, the trust's sponsor, as more than 10 years ago, the same issue cropped up.

I thought the issue of excessive short selling in SLV was a thing of the past, particularly after BlackRock did a complete about-face from where it stood a decade ago, when it tried to dismiss my concerns that short selling in SLV wasn't its concern. The about-face came in Feb 2021, when BlackRock preemptively added new wording to the prospectus that warned of the danger to short sellers on SLV – with BlackRock essentially adopting the very same position I held a decade ago and of which it preemptively dismissed back then. Funny how things can change over time.

At that time (Feb 2021), the short position on SLV was 17 million shares and the total amount of shares outstanding was significantly greater than currently – meaning the percentage of shares with no required metal backing is all that much greater today at nearly one out of every ten shares outstanding (10%), compared to the less than 3% of total shares outstanding held short at the time of the prospectus warning. In any event, these facts seem to have generated no rebuttal from BlackRock (the world's largest money manager) or the Securities & Exchange Commission to what have been 4 formal complaints by me over as many months and many more before that.

Importantly, even though the short position on SLV is nowhere near as large as the equivalent silver short position on the COMEX, what makes the short position on SLV critical is that the only practical reason one would short shares of SLV is because the physical metal required by the prospectus to be deposited for each share outstanding isn't available and can't be deposited. This is not rocket science, although I continue to be mystified by the silence on the part of those interested in silver on this issue.

Turning to regulatory matters away from the SEC's failure to comment or take action in the shorting in SLV, the most significant development in 2022 was the bald-faced chicanery by the Treasury Dept's Office of the Comptroller of the Currency. After having discovered that Bank of America had built up a massive short position in OTC silver derivatives of some billion oz, starting a couple of years ago, I wrote to the

OCC (again through my local congressman) asking that the OCC comment on my allegations.

The answer he received was a classic non-denial denial (aka confirmation), in which the OCC merely paraphrased my allegations without the slightest disagreement on the substance of what I alleged. But it was what came next that took the cake. The only reason I was able to spot what Bank of America was up to, was because years earlier, the OCC changed the methodology of its quarterly derivatives report to hide something by putting gold into the foreign exchange category, but the unintended consequences of the OCC's removal of gold from the precious metals category in 2016 only made the silver position of US banks incredibly transparent. So, when BofA built up a massive position in silver, it stood out like a sore thumb.

In order to make silver less transparent and because it couldn't rebut my allegations, the OCC then took the lowest road possible and put gold back into the precious metals category (where it should have been all along), this time to muddy the waters on silver. Hard to believe a US Government bank regulator would stoop so low, but if there's any other reasonable explanation anyone can think of, please send it my way.

So, there you have it – my take on what made 2022 a most momentous year. I understand that in dismissing all the much more widely discussed factors, this puts me in a highly distinct category, but if anyone has logically connected all or any of those other factors to the price action in gold and silver this year – I haven't seen it. As far as what to expect price-wise in the New Year, it boils down to one thing and one thing only – does the 4 decade-old COMEX manipulation continue or not? I'm highly encouraged by the signs of change in that regard, but please know that what I'm talking about is extremely consequential.

If my take of late and over the decades is correct (as I believe to be the case), the consequences of an end to what has been a four-decade price manipulation in silver must be necessarily extreme. There's no way an end to a decades-long price suppression won't lead to an upside price explosion of almost unimaginable proportions. But as unimaginable as the coming price liftoff promises to be, it also appears to be unmanageable in that I have real trouble understanding how anyone could prevent the consequences of a worldwide physical shortage by continuing to press silver prices lower.

Even, for example, if the US Government attempted to resort to an outright ban on silver ownership (or some such other extreme attempt) as many have suggested over the years, considering the body of evidence that has developed on the ongoing COMEX silver manipulation over the decades, I have trouble seeing how even that could succeed in the end. The only way to end a long-term price suppression that results in a physical shortage is through higher prices. So, while we must all gird for possible future crooked COMEX price smack downs, we must also be prepared for the certain inevitable price explosion.

A Happy and Healthy New Year to all.

Ted Butler

December 31, 2022

Silver – $24.18   (200 day ma – $21.27, 50 day ma – $21.82, 100 day ma – $20.51)

Gold – $1830   (200 day ma – $1790, 50 day ma – $1750, 100 day ma – $1733)