February 15, 2023 – Restating the Obvious

The recent declines in gold and silver prices would appear due to the same old pattern of the COMEX commercials rigging prices lower to entice managed money selling, as all the familiar signs appear present. Those signs include deliberate weakness in the thinly traded overnight market, the â??gunningâ?• for stops orders at key moving average price levels and the usual â??salami slicingâ?• intended to encourage technical fund selling. Certainly, Iâ??m not aware of any developments in the â??real worldâ?• of metals to account for the price weakness.

Donâ??t worry â?? Iâ??m not intending to rehash how the collusive commercial (bank) activity on the COMEX is the only plausible explanation for the continuous pattern for the same-old otherwise inexplicable reason for the gold and silver price selloffs or the failure of the primary regulator, the CFTC, to see the obvious and apply the law against manipulative behavior. Instead, in the â??gallows humorâ?• department, this latest COMEX commercial price rigging is something that should almost be celebrated Â (emphasis on â??almostâ?•).

â??Celebratedâ?• in two senses. One, as always, it will result in an important price bottom when the very last managed money trader which can be persuaded (tricked) into selling, does sell. Unfortunately, that is something only known for sure in hindsight, but there are signs we may be close to that point (which Iâ??ll discuss later). But there is another new reason that this typical COMEX commercial price rig job might be celebrated, instead of being lamented.

It dawned on me, as I was deep into mourning and anguish over this latest price smash (words not quite strong enough), that the good thing about the deliberate price smash is that without knowing it was intentional, I (and by extension, you) would be lost in trying to comprehend it. Letâ??s face it, every single prompt and development from the actual world of metals points to a growing physical shortage in silver (and every other industrial metal) and high physical demand in gold. Thatâ??s the exact prescription for sharply higher prices, not salami-slicing to the downside.

My point is this â?? without the full knowledge that one thing and only one thing could possibly be responsible for the pronounced price weakness Â when the law of supply and demand arguing just the opposite â?? I, for one, would be lost (as in losing my mind). Iâ??m a commodity guy, meaning I donâ??t care about the CPI, or the Fed, or world politics, or the latest conspiracy theory â?? Iâ??m focused on actual supply and demand. The only reason I stumbled upon the COMEX silver manipulation more than 35 years ago was because â??somethingâ?• was messing with the actual law of supply and demand.

That the same â??somethingâ?• has persisted to this day, with important developments over this time (mostly concerning JPMorgan), is clearly evident in the official data published by the CFTC (although not for the past weeks). Quite frankly, were it not for the continuing reinforcement from the official data, showing unequivocally that silver (and gold) prices are still being manipulated on the COMEX, I would have given up on silver long ago. And I sense that is true for many others, as once you come to see and understand the COMEX price manipulation as the only explanation for why prices donâ??t rise in a clearly developing physical shortage, itâ??s not something you can (or should) cast aside.

Perhaps â??celebrateâ?• is not the most appropriate word at times like these, when the crooked commercials on the COMEX are doing their thing, yet again, but at least one doesnâ??t have to question their sanity or basic understanding of how things are supposed to work in the cut and dry matters of supply and demand. Absent the existence of COMEX price manipulation, there is no plausible alternative explanation for why silver prices have behaved as they have, both recently and for the past four decades.

All that said, and with my sanity apparently preserved (at least for now), letâ??s look at how much more there might be to go on the downside, as well as the circumstances surrounding the delay in the publishing of Commitments of Traders (COT) reports. While itâ??s easy to conclude that the developing price bottom in gold and silver will be in when the last managed money trader which will sell has sold, anticipating that in advance is a different matter. One is fact, the other speculation.

At the time when the CFTC stopped publishing COT reports (as of date January 24), the net managedÂ money long position in gold (and the total commercial net short position) was at the highest (most bearish) level in many months. In silver, the managed money net long position (and counterparty commercial net short position) werenâ??t as extreme as in gold, thanks to silverâ??s relative lackluster price performance into January 24. My concern, therefore, was that the collusive COMEX commercials might use a selloff in gold to induce a selloff in silver.

I think that, largely, is what has occurred, although, as is usually the case, silver slid more than gold, in penetrating two of its key moving averages (the 50 and 100-day moving averages), while gold has only penetrated its 50-day moving average. Of course, it goes without saying that should the commercials gun for the remaining moving averages and the managed money traders get hoodwinked into selling much more, prices will go lower. Â But there are some signs that the managed money traders may not be selling as many contracts as they have in the past. What signs?

Well, after falling the most in a long time in a matter of two days, back in the beginning of February (on the Fed cover-story), when silver fell $2 and gold by $100, the pace of the subsequent price declines has subsided (although still being more painful). It appears to me to have been almost classic commercial behavior –Â a sudden giant smackdown, followed by salami-slicing of slight new price lows. I would define salami-slicing as a succession of new price lows and in gold there have been five new price lows in as many days, while in silver there have been eight new price lows over the past nine trading days. The fly in the ointment this go-around, is lack of increase in total open interest on the engineered price move lower, which typically involves increased managed money short selling.

As of yesterdayâ??s-cutoff for the reporting week â?? which would be the third reporting week since the last one reported by the CFTC, as of January 24 â?? the total open interest in gold is now more than 76,000 contracts lower and silverâ??s total open interest is 3000 contracts less than on January 24. In the case of gold, total open interest was expected to be lower as a result of deliveries (a bit over 14,000 contracts) on the Feb contract and as a result of expected phony spread liquidation into first delivery day.

No doubt there has been managed money long liquidation on the price smash in gold, but significant new short selling by these same traders appears to be lacking. Without such new short selling, itâ??s hard to imagine significantly lower gold prices. Should we get significant new managed money short selling on lower prices, gold will move significantly lower.

In silver, total Feb deliveries of just over 800 contracts, leaves the net reduction in total open interest closer to 2000 contracts and while I sense greater relative managed money new shorting in silver than in gold, at this point, the lack of a greater or any increase in total silver open interest is telling. It suggests either we may be reaching the end of managed money short selling in silver or maybe these traders will sell short more aggressively on lower prices (if so, watch out to the downside).

I donâ??t mean to sound wishy-washy, as in if we donâ??t go up, weâ??ll go down, as Iâ??m fairly certain I have laid out the mechanics of whatâ??s going on in silver (and gold). Every market has its own unique set of mechanics that determine price and after studying the mechanics in COMEX silver for decades, there is not the slightest doubt in my mind about what determines silver prices or that the mechanics are purely manipulative. Judging how far any particular move may carry is different than understanding the mechanics of the manipulation.

Of course, it helps immensely that the evidence behind the COMEX silver (and gold) manipulation comes from the data published by the CFTC, in the form of its weekly COT reports. As such, it is more than inconvenient that a cyber breach has interrupted the publishing of the data for what is now two weeks and possibly a third week, if Fridayâ??s report gets delayed, particularly at what I consider a critical positioning juncture in COMEX silver and gold.

Shortly before the Commissionâ??s most recent public comment on Feb 10, I had emailed a couple of appropriate units of the agency asking for an update. In addition to the public comment released shortly thereafter, I did receive a personal response on Monday, saying, in effect, that the Commission didnâ??t want to publish data that might be wrong. This was very much along the lines of my own feelings published on Saturday. Still, there is a limit to a reasonable delay.

While Iâ??m still far from concluding that the delay to this point was intended to deliberately muddy the waters as to positioning in COMEX gold and silver, neither can I dismiss the â??coincidenceâ?• of the delay in publishing the COT reports occurring at such a critical time in terms of the highly deliberate smack down in price. Plus, thereâ??s another issue that I havenâ??t seem expressed elsewhere.

If you read the CFTCâ??s history and explanation for the origin and purpose of it publishing COT reports, you canâ??t help but conclude the agency publishes the report strictly as a public service. While I do agree that this data series is a public service and one that Iâ??ve always relied heavily upon, thereâ??s more to it than that. Particularly concerning the publishing of concentration data, the compiling of such data no doubt is a great service to the Commission itself in regulating markets.

There is little doubt that the CFTCâ??s main mission is to root out and prevent price manipulation because manipulation is the most serious market crime possible, for the simple reason that it affects everyone associated with a market being manipulated, even those far from direct dealings on a specific exchange. If silver is manipulated (as I allege) on the COMEX, it affects everyone in the world, producers, consumers and investors, who choose not to deal on the COMEX. The lynch pin of a price manipulation is a concentrated position. Put simply, no manipulation can exist without a concentrated position of a few traders looking to unduly influence price. Without a concentrated position, no manipulation is possible. Period.

Therefore, for the CFTC to ignore the concentrated short position in COMEX silver that has existed for the 40-year life of the COMEX silver manipulation is disingenuous on its face, particularly since it is the entity documenting the concentration.

My point is that the inability of the agency to publish COT reports, due to questions of accuracy, also points to whether the reporting inaccuracies jeopardize the far more important surveillance role the Commission has for monitoring concentration and manipulation. In that case, the markets would not be properly regulated and as an alternative, perhaps trading should be suspended until the Commission is sure concentration and manipulation does not exist (although we already know it exists in COMEX silver).

The best remedy, of course, is to start getting the COT reports published. As part of the personal response I received from the agency, it was noted that once the Commission is satisfied the data are accurate, it intends to publish the delayed reports sequentially, starting with the first such delayed report for as of positions on Jan 31. It did not specify when it would get to the most current report, now as of yesterday, Feb 14, but at this point, that is the most important report.

As for where I think we stand positioning-wise, with now two COT reports missing-in-action, Iâ??ve already thrown out numbers suggesting a 30,000 net contract improvement in gold and a 10,000 contract net positioning improvement (managed money selling and commercial buying) in silver, before this reporting week ended yesterday. Therefore, I should be adding to those numbers based upon the price action over the past reporting week, but I am perplexed about the lack of meaningful increases in total open interest, particularly in silver, so let me be content to review the actual data whenever it gets published.

To conclude, let me include an interview I just had with Jim Cook, President of Investment Rarities, Inc., Â and for whom Iâ??ve been a paid consultant for more than 22 years. I get a kick out of interviews with Cook, because they are always so concise and to-the-point.

Cook: Despite the recent drop in silver, you seem to be more bullish than ever. Why is that?

Butler: We have the tightest physical wholesale market conditions than ever before. The 40-year price suppression on the COMEX has resulted in a shortage of silver the likes of which the world has never experienced.

Cook: Could you explain why a low price leads to a shortage?

Butler: Under the law of supply and demand, the high price causes greater production, less demand and a surplus. A low price means less production greater demand and a shortage.

Cook: How exactly is that playing out today?

Butler: Thanks to the COMEX price manipulation, too low a price for 40 years has created a monster of a silver shortage â?? now emerging.

Cook: What are the signs of a shortage in silver?

Butler: The clearest sign of all is the sharp decline in the holdings in the worldâ??s silver ETFs and in the COMEX silver warehouses over the past two years. More than 300 million ounces have been taken out.

Cook: Is that because investors are selling?

Butler: There are no signs of investor liquidation. Remember, silver is both an investment asset and industrial commodity. Silver inventories, particularly in ETFs, should never go down when there is no evidence of investor selling. This means the reductions are caused by industrial demand. Thatâ??s the kind of demand that first leads to a physical shortage. After that, investor demand kicks in.

Cook: Could silver become hard to get?

Butler: Itâ??s already hard to get; thatâ??s what the sharp declines in recorded inventories are saying loud and clear. And as you know, retail forms of silver can become hard to get in a flash. In silver, the combination of low price and current retail availability will not last.

Cook: Youâ??ve explained how a very effective price suppression by the big banks and funds on the COMEX has held down the price of silver. Will this looming shortage force them to change their ways?

Butler: Absolutely. In fact, a physical shortage is the one sure result to end the decades-old manipulation. I had hoped the regulators would have stepped in sooner, or that the growing widespread knowledge of the COMEX manipulation would do the trick, to no avail â?? but a physical silver shortage will end the manipulation â?? pure and simple

Cook: What would a free market look like?

Butler: Since no one living has ever experienced a free market in silver, itâ??s like asking what heaven looks like. At a minimum, it would involve different price action and price levels never seen before, the type of which will be rewarding to those holding silver beyond almost all expectations.

Ted Butler

February 15, 2023

Silver – $21.60Â Â Â Â Â (200-day ma – $21.04, 50-day ma -$23.46, 100-day ma – $21.78)

Gold – $1846Â Â Â Â Â Â Â Â (200-day ma – $1784, 50-day ma – $1862, 100-day ma – $1780)

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