# February 20, 2021 – Weekly Review

Gold prices remained under COMEX positioning pressure all week and ended $40 (2.2%) lower; in turn pressuring silver to end 10 cents (0.4%) lower on the week. For gold, it was the lowest weekly close in nearly 7 months, while silver, in stark contrast, is close to its highest weekly close over that same time.

As a result of silverâ??s continued sharp relative outperformance, the silver/gold price ratio continued to tighten, this week by more than a full point to 65.25 to 1, the best close for silver in 4 years and just a fraction above what would be the best close for silver in 7 years. Notwithstanding whatever the 4 COMEX big short silver crooks might pull off in the short term, the second largest point move in the ratio in history (over the past year) appears to have miles to go before it rests.

One of the things that makes the tightening of the silver/gold ratio over the past six months or so unusual is that the bulk of the historic tightening occurred by last August as both gold and silver raced to new price highs, all-time in the case of gold and for 8 years in silver. From last March, when the ratio blew out to 125 to 1, the rally in gold and silver through August caused the ratio to collapse to 70 to 1, as silver simply outperformed on the upside, as is most typically the case.

What makes the ratio tightening over the past 6 months so unusual is that it came from pronounced price weakness in gold, while silver remained, essentially, flat in price. I canâ??t recall a previous tightening in the ratio occurring in this manner, namely, with gold weak and silver flat. Previously, the silver/gold price ratio only tightened notably when silver rose more sharply than gold, but always with gold rising as well. So what best explains the unusual tightening this time?

It appears near certain to me (as previously noted) that the big COMEX shorts were deliberately rigging gold prices lower in order to keep a price lid on silver and this rigging lower of the gold price was the agent behind the tightening of the ratio. This is confirmed in COT data, particularly in the report issued yesterday. But hereâ??s the problem for the big shorts â?? by rigging gold prices lower, it has only strengthened the market structure in gold to the point where a sharp rally is more certain than ever. As and when this gold rally takes place, then silver will be freed from the chains of weakening gold prices and set to outperform to the upside as is almost always the case.

Complicating the dilemma for the big shorts in COMEX gold and silver, is the growing clarity of a developing physical shortage in silver and the explosion of interest in the issue of the concentrated short position, particularly in silver, across every manner of interaction on the Internet. Let me run through the usual weekly routine before returning to this theme.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued to surge over what was a 4 day work week. Some 7.4 million oz were moved in and out from the COMEX warehouses, as total inventories rose a slight 0.7 million oz, to 396.7 million oz, in the same manner of extremely large turnover with much less net change in the total level of inventories of the past decade.

The holdings in the JPMorgan COMEX warehouse rose by 1.9 million oz to 197 million oz, another new record. And I still remain convinced that JPM, through its affiliates and special friends and family program owns at least another 100 million oz held in other COMEX warehouses, as evidenced this week by the coordinated switch from registered to eligible metal in multiple non-JPM COMEX silver warehouses.

Iâ??ve resigned myself to the conclusion that few care to contemplate the meaning of billions of ounces of physical silver being moved over the past decade, but such enormous amounts of silver are not being physically moved around for kicks and giggles. And Iâ??d pay a kingâ??s ransom (if I were a king) for a plausibly-sounding alternative explanation for the unprecedented and unique to silver physical movement â?? other than tight, hand to mouth physical tightness.

The continuing tight intra-month spread differentials in both gold and particularly in silver are still of interest with next Fridayâ??s first notice day of delivery for the March silver contract fast approaching. While the gold and silver spreads in COMEX futures are as opposite as possible when compared to last springâ??s spread blow outs, I sense the heavy hand of price manipulation in that the key March/May silver spread differential, while tight, is much wider than would be called for based upon the total spread configuration of all the months.

Without getting too much into the weeds, thereâ??s no doubt in my mind that the big shorts are keeping the March/May spread as wide as possible (within the confines of an overall tight spread environment) so as to discourage anyone from thinking a physical delivery squeeze is imminent. Just like the manipulation of the absolute silver price, spread differentials are quite easy to manipulate in the short term (up until physical crunch time) and I believe the big shorts are doing just this. Hey, if they are resorting to smashing gold to keep a lid on silver, tinkering with the spreads is childâ??s play.

Physical flows in the gold and silver ETFs continue to fascinate. The sharp drop in gold holdings in the gold ETFs looks to me to be plain-vanilla liquidation due to net investor selling in response to the COMEX-induced gold price weakness. In silver, different forces seem to be in play. While there is no doubt there is some switching from SLV into PSLV, considering all the Internet and Reddit-inspired talk to do this, I would point out such pure switching is neutral to the price of silver (a sale matched by a buy). I do applaud the net new buying in PSLV and hope it continues.

However, it seems impossible to me that the now near 60 million oz that has come out of the big silver ETF, SLV, following the enormous 110 million oz deposit over three days recently is remotely connected to net investor selling. Remember, there are two ways for silver to be withdrawn and redeemed from a silver ETF â?? straight investor liquidation by the net selling of shares or by a conversion of shares to direct metal holdings. Since silver prices have been rather firm (in the face of pronounced gold price weakness), the likelihood of plain-vanilla net investor selling is remote. Iâ??m almost certain that the bulk of the 60 million oz that has come out from the SLV is not due to net investor selling, but are conversions by large holders â?? which is bullish on its face.

Turning to yesterdayâ??s Commitments of Traders (COT) report, the expected managed money selling and commercial buying in gold was more extreme than the moderate amounts that I anticipated, which is always to the good. The changes in silver were mostly unexpected, if minor, but there was no disappointment, only instruction in the category changes.

In COMEX gold futures, the commercials reduced their total net short position by a quite significant 17,100 contracts to 275,100 contracts, the lowest (most bullish) level since mid-September. By commercial category, the short covering buying was fairly evenly divided. The big 8 shorts bought back just over 8400 contracts (3300 by the big 4) and now hold 238,430 contracts net short (23.8 million oz). The smaller commercials (the raptors) bought back 8700 short contracts. JPMorgan appears to have bought 2000 contracts and is now net long by that same amount.

On the sell side of gold, the managed money traders were the big sellers, having sold a much greater than expected 19,684 net contracts, consisting of the sale and liquidation of 8736 long contracts and the new sale of 10,948 short contracts. The resultant net managed money long position of 67,956 contracts (125,997 longs versus 58,041 shorts) is now the lowest (most bullish) it has been since June 2019 and the wonder is that they sold this aggressively. The other large reporting traders bought 3246 net gold contracts, including new longs in the amount of 2993 contracts.

In addition to being in concert with my contention that the sharp selloff in gold was due to commercial rigging (these crooks always end up as big buyers on all sharp selloffs), the added bonus this time for the commercials was that pressure was kept on silver. Sort of like killing two birds with one stone.

In COMEX silver futures, the commercials reduced their net short position (I expected an increase) by 1400 contracts to 71,400 contracts. Let me correct that a bit – the 4 big shorts bought nearly 2700 contracts, while the big 5 thru 8 added around 1000 new shorts and the raptors sold 300 longs. The 4 big shorts reduced their concentrated short position to 62,405 contracts (312 million oz), while the big 8 short position fell to 81,677 contracts (408 million oz). JPM still looks to be net short by no more than a slim 1000 contracts.

In other words, the 4 big COMEX short crooks went from being practically the sole short sellers in recent weeks to the sole buyer this week. Do you know what they typically call a market dominated by just a few traders? Â Yes, thatâ??s correct â?? a manipulated market.Â  Funny how more and more observers can see this, while the regulators at the CFTC and the CME Group, still canâ??t seem to see whatâ??s going on. Yeah, real funny.

The managed money traders did buy (as I expected), but only to the tune of around 1300 net contracts, while the other large reporting traders and particularly the smaller non-reporting traders were net sellers (mostly in the form of new short sales â?? which I find bullish).

In summary, the commercial rigging of gold prices lower had the twin beneficial effect of washing out further an already washed out market structure in gold as well as having the temporary price capping on silver, which the 4 big shorts appear to have taken advantage of in being the sole commercial buyers this reporting week. But as a result of the gold price carpet-bombing (which continued since the Tuesday cutoff), the larger than expected managed money selling and commercial buying leaves the gold market more prone to a sharper rally than otherwise.

I am amazed that with gold still close to $500 higher from where it first broke out in June 2019, that the market structure is as bullish as it was back then, as the eventual $750 rally unfolded into this past August. While I am, obviously, much more silver focused, gold seems every bit as capable of rallying as much or more as it did from June 2019 to August 2020 on COMEX market structure considerations alone. Add in the current macroeconomic economic and financial circumstances that confront us and itâ??s hard to imagine how they (the commercial crooks) can keep the price of gold down on the farm after it has seen Paris. In the current circumstances, itâ??s even harder to imagine how a strongly rising gold price wonâ??t set off the silver rocket ride.

Which brings me to the current quite surreal state in silver. Itâ??s always hard to pull yourself away from something that you have been intensely interested in for decades and that happens to be coming into long-overdue attention. It can be difficult to put things in proper perspective when long-held convictions attain wide attention. Yet that seems to be exactly what is occurring in silver. Finally, after many years and even decades, the issue of the excessive and extreme short position on the COMEX has achieved center stage.

To be sure, there were previous times when I thought we were on the verge of widespread awareness of the suppression and manipulation of the silver price by excessive speculation on the short side of COMEX silver futures, such as back in 2004 and 2008 when thousands of people petitioned the CFTC to initiate legitimate speculative positions in silver and to explain the legitimacy of the concentrated silver short position. Those petitions resulted in the agency having to publish public letters denying concentrated short selling was manipulative and dangerous (despite the largest short seller at the time, Bear Stearns, going belly up).

Unfortunately, the CFTCâ??s public denials, the last in 2008, did the trick and the issue of concentrated short selling on the COMEX was put to rest for many years. But while the CFTC tried to wash its hands of the matter, concentrated short selling suppressing the price of silver never went completely away for the simple reason it was and is the only explanation for why silver is so depressed in price to this day. And while 35 years is a very long time in anyoneâ??s adult life and even in terms of a typical Wall Street concocted scam, so what? Since when have things that should have ended, done so precisely when we expect them to end?

To be clear – I had no inkling that such a thing as social media, in the form of the Reddit/Robinhood/WallStreetBets/#SilverSqueeze would or could come along. Yet it has and I now canâ??t see how it will go away quietly. It is a development both unexpected and now apparently unstoppable. Over the years, Iâ??ve discussed the growing popularity of the COT reports as a form of legitimate market analysis and the increasing focus on the issue of silver (and gold) manipulation, but I never imagined the explosion of interest in the silver manipulation that has occurred of late. And itâ??s not confined to the chat sites, it seems that there are more (good) interviews on silver manipulation than ever by a very wide margin. Itâ??s also more than interesting how quiet most of the former strong deniers of the silver manipulation have become.

About the only thing that might stop the surge in the silver manipulation movement (aside from an inevitable price explosion and burn out after some decent amount of time) would be a credible and convincing counter-argument as to why the concentrated short position was legitimate. But not only are there no legitimate arguments being offered, the few attempts to explain away the concentrated short position (like the one by Goldman Sachsâ?? Jeff Currie) are downright embarrassing because they are so devoid of substance.

Therefore, about the only entities appearing capable of offering a convincing rebuttal to the explosion of commentary about silver being manipulated by excessive and concentrated short selling on the COMEX is the federal commodities regulator, the CFTC, or the industryâ??s self-regulator, the CME Group. Letâ??s face it, it has now been nearly 13 years since the last time the CFTC publicly commented and denied that the concentrated short position on the COMEX had any influence on the price of silver and there is now more demand than ever to explain why itâ??s legitimate for so few traders to hold such a large short position.

Certainly, no one can deny that the issue has merit and should be addressed forthwith. Particularly from the CFTCâ??s and CME Groupâ??s own best interests, a public and fully-transparent discussion and explanation for why the concentrated short position is completely legitimate and not manipulative to the price of silver is just what the doctor would order from the regulatorsâ?? point of view to make what appears to be a growing and legitimate controversy go away. No sense in allowing something to fester that can be explained away.

A reasonable person would only conclude that the catâ??s got the regulatorsâ?? tongue in this matter because if you have nothing legitimate to say, itâ??s best to say nothing at all. But we deserve better from our tax-payer and trading fee supported regulators than silence in the face of legitimate allegations. This weekâ??s congressional hearings on GameStop and RobinHood proves the folly of allowing things that can be fixed to go unfixed to the point of crisis. Youâ??ll forgive me, but I can no longer bear watching elected representatives posture shamelessly before TV cameras and I must disclose I just couldnâ??t watch the hearing.

With that caveat, please allow me to summarize what went wrong in GameStop. It is simple â?? the regulators, in the form of the SEC and self-regulating stock exchanges blew it by not cracking down and limiting the short position in GameStop, which grew to be 70 million shares (equal to total shares outstanding) just before prices exploded from $20 to near $500 to back down to $40 in a matter of few weeks. Clearly, short covering drove the price rise and subsequent collapse as shorted shares fell to 21 million as of Jan 29.

Had the SEC and exchanges taken prudent steps to prevent the short position in GameStop from growing so excessively large, this whole kerfuffle could have been avoided. But they didnâ??t and as a result, the markets were doomed to wild and non-constructive price swings and the resultant preening of elected officials. And this is what we are all deemed to experience because the CFTC and CME Group refuse to (or are incapable) address the excessive and concentrated short position in COMEX silver, with some very important distinctions.

One distinction is that I am aware of no prior warnings to the SEC about the excessive short position in GameStop. Iâ??m not saying there werenâ??t warnings, just that I havenâ??t heard of any and even if there were none, the SEC should have been alert enough to learn of the short position on its own. But in the case of the CFTC and the CME and the concentrated short position in COMEX silver, the public warnings have been incessant just from me alone. Plus the data about the concentrated silver short position emanates from both regulators â?? they are the source of the data.

The other big distinction, of course, is that because the concentrated short position on the COMEX has so depressed and distorted the price that an investment opportunity of truly staggering proportions has been created. With GameStop, a marginal (at best) ongoing business was temporarily vaulted in price to the sky (only to collapse) by virtue of the covering of a wildly excessive short position.

The difference in silver is that it is a vital and indispensable commodity that the world cannot exist without and that is extremely depressed in price by excessive short selling. This, I would submit, is a very big difference between GameStop and silver. The only trick is to buy silver before the short covering commences, not afterwards. Like now.

The deliberate downward pressure on gold did bring relief to the 8 big shorts (in addition to allowing them to buy back some shorts) and at yesterdayâ??s late closing prices, they were able to whittle their total losses down by about $1 billion for the week to $11.1 billion. One can never rule out further additional price rigs to the downside, but it sure seems to me that the big shorts are quickly running out of asphalt on their road to induce as much non-commercial selling as possible. And I fail to see how a sharp selloff in silver (should we get one) will quiet the clamor coming from the #SilverSqueeze corner.

Ted Butler

February 20, 2021

Silver – $27.35Â Â  (200 day ma – $23.50, 50 day ma – $26.13, 100 day ma – $25.17)

Gold – $1785Â Â Â Â  (200 day ma – $1858, 50 day ma – $1853, 100 day ma – $1868)

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