

February 24, 2021 – What Would You Do?

By now you would have to be the proverbial recluse living in some isolated mountain hideout, cut off from society, not to be aware of the Internet grassroots movement to squeeze the silver shorts. The silver movement burst upon the scene only a matter of weeks ago, no doubt inspired by what occurred in the shares of GameStop and other heavily-shorter stocks, which rose many fold before coming back to earth.

The movement to squeeze the silver shorts is remarkable, not only for the speed with which it burst upon the scene and appears to be intensifying, but also in the near-universal criticism and disdain from what might be considered more “establishment” corners. As someone who has alleged that a short-selling manipulation on the COMEX has existed for 35 years (most of my adult life) and has worked as hard as possible to bring the manipulation to an end, it should be no secret on which side I favor in the current #silversqueeze movement.

To that point, it seems to me that the most efficient thing for the movement is to focus as sharply as possible on which specific silver shorts are responsible for suppressing the price of silver. With GameStop and other heavily-shorter stocks, it was easy to identify the short position in the shares. But in silver, it’s different because the excessive short position is not in the shares of silver ETFs or even in the silver mining companies for the most part.

The manipulative short position depressing the price of silver exists on the COMEX futures market on the part of the 4 and 8 largest short sellers. Even though this concentrated short position is fully disclosed in the weekly Commitments of Traders (COT) reports, the manner in which it is disclosed makes it difficult for those not fully-versed in the nuances of the reports to easily comprehend. It is this complexity that has enabled the silver price suppression to last for decades. In a very real sense, the concentration data are hidden in plain sight.

But when the concentrated short data in COMEX silver futures are defined and compared to all other commodities in real world production terms, it’s easy to see that the concentrated short position in silver towers over every other commodity. And when silver’s concentrated short position is compared to the short position of the closest commodity to which it can be compared, gold, in terms of available world inventories it can be shown that the short position in silver is some 70 times greater than the comparable short position in gold. That’s why there is a silver squeeze movement and not a gold squeeze movement. Again, the data are hidden in full view.

As a result of the excessive and concentrated short position in silver, in which the 4 largest shorts hold more than 312 million oz short and the 8 largest shorts hold more than 408 million oz short, the price of silver is artificially depressed much lower than it would be if these short positions were in line with every other commodity.

The most remarkable thing is that there is no apparent legitimate explanation for why anyone would be short these excessive amounts of a commodity considered cheap by any objective standard. Surely, if there were such a legitimate explanation, we would have heard it by now and the silver short squeeze movement would be quickly kaput and not intensifying as is the case.

Accordingly, a key question becomes what has motivated the 4 and 8 big shorts in COMEX silver to

have become as short as they are? While many offer deep conspiracy theories, involving the US Government and other world financial authorities as being behind the long term manipulation of silver prices, I'm still of a mind that something else explains the big short silver position. That's not to say the CFTC is not aware of the manipulative price influence of the big shorts, as no one could be that incompetent and clueless. It's just that neither is the government capable of orchestrating a decades old price manipulation.

The 4 and 8 big shorts find themselves in their current position because concentrated shorting worked fabulously for them over the past 35 years, as they were almost always able to get out profitably or at worst breakeven every time they added excessive amounts of short positions. Sure, once in a while one of them got stuck pretty badly (like Bear Stearns in 2008), but the profitable game for the rest went on. Or at least it went on until March 2020. Since then, two big developments changed the game dramatically.

The first development was JPMorgan, formerly the leading silver short seller and ringleader since acquiring Bear Stearns 13 years ago, covered all its silver short positions and abandoned its silver shorting ways by the end of last March. Having accumulated a billion ounces (or more) of physical silver while depressing prices from 2011 to 2020, JPM is sitting pretty and is now ahead by about \$10 billion on its physical silver holdings (plus another \$15 billion on its 25 million+ oz of physical gold). It would appear that the 4 and 8 big remaining shorts were caught completely flat-footed by JPMorgan's monumental double cross.

The second big development, which dates from the summer of 2020, was the sudden refusal of the big shorts' previously always willing and reliable counterparties to play along as the suckers they were to that point. For some reason the managed money traders in silver stopped being the trading suckers they had been for decades. It was the managed money traders that enabled the big shorts to perfect their never losing trading record. Maybe the managed money traders revert to their old form of playing the Washington Generals to the big shorts' version of the Harlem Globetrotters, and if they do we'll see it in futures COT reports but that hasn't been the case for many months.

Therefore, it appears clear to me that the 4 and 8 big silver shorts badly miscalculated and failed to recognize that JPMorgan had slipped away from its theretofore manipulative short selling and had accumulated massive amounts of physical silver and gold and that the managed money traders were no longer willing to play the role of sucker in COMEX silver trading.

As such, the 4 and 8 big silver shorts appear to be trapped. These big shorts haven't appeared capable of rigging the type of selloff that would generate the amount of outside selling that the short sellers could buy back in order to cover their own big short positions. And for the big shorts to rush to buy back their shorts positions on higher prices would be tantamount to financial suicide because it would drive silver prices so sharply higher so as to not only bring financial ruin to the big shorts, but to serve as undeniable proof that silver had been manipulated in price for decades.

So the question for you today is what would you do if you were in the shoes of the big shorts' damned (eventually) if you continue the manipulation at all costs or damned (immediately) if you moved to end your manipulative control and rush to buy back your silver short positions? Admittedly, you would be forced to think like a market crook and criminal in considering this question, not something most of us are accustomed to doing.

My point is that the 4 and 8 big short crooks have no choice but to continue with their manipulation right up to the bitter end; when they have fully-exhausted all their dirty daily trading tricks and with the physical metal shortage finally overwhelming them. They will stick to their guns right up until the last possible moment, because the consequences of the silver price being set free will prove to be their financial death knell. That moment appears closer at hand than ever before, but will only be known for sure afterwards.

What does appear obvious to me is that there will be a sudden price reaction the moment the big shorts lose control. I have visions of a \$5 or \$10 move or higher in a day or so and don't see at all a two steps up, one step back price move that occurs in a free market. That's because the silver price manipulation is as opposite of a free market as can be imagined.

The big shorts, knowing that the end of the silver manipulation is doomsday for them, will hang on to the last possible moment. These big shorts not only face financial ruin when their long-running scam ends, but also a ruination of reputation and the real probability of civil and criminal liability. The bright side to this is that silver will be cheaper than it would be right up until the last possible moment, as well. In other words, don't let the big shorts fool you they are providing cheap silver for as long as they hang on.

The other great question of the day is where the heck is the CFTC, the federal commodities regulator, and the CME Group, the designated SRO (self-regulatory organization), while all this is going on? The acting chairman of the agency did come out with a statement earlier in the month that indicated the Commission was monitoring the situation in silver closely and was conferring with other regulators, exchanges and stakeholders in order to preserve market integrity and guard against manipulation.

Just yesterday, Acting Chairman Behnam, in opening remarks before the Commission's Market Risk Advisory Committee, stated that, "With respect to precious metals, I want to reiterate that we are closely monitoring recent activity in markets and on social media".

<https://www.cftc.gov/PressRoom/SpeechesTestimony/behnamstatement022321>

I'm not sure which social media the acting chairman is referring to, because the only such forums I am aware of involve the tens of thousands of participants of the #silversqueeze section on Reddit and the tens of thousands more following on Twitter and in other widely-followed sites which have featured interviews in which hundreds of thousands have listened. Virtually all the combined many hundreds of thousands of participants and listeners are concerned with one thing and one thing only the concentrated short position in COMEX silver futures. Not corn, not crude oil, not even gold just silver.

In fact, this is a recurring phenomenon in silver, in that the concentrated short position in COMEX silver has been, by far, the one issue the public has petitioned the agency to address. The CFTC did address and try to dismiss the issue back in 2004 and 2008 (and on other prior occasions) in public white papers on the matter, but the issue, obviously, hasn't gone away and now it's been nearly 13 years since the Commission has addressed it. The public outpouring on social media, Twitter, in newsletters and interviews has been nothing short of overwhelming.

The CFTC exists to protect the integrity of the markets it regulates and according to the public

outpouring, there is a vast and unified opinion that the agency is not doing its job in silver. Therefore, the question arises – why won't the CFTC (or the CME Group) address the matter of the concentrated short position in COMEX silver? The answer would appear to be obvious – it's not a question of won't answer, it's a matter of can't answer.

If the CFTC or CME could possibly come up with a plausibly-sounding legitimate explanation for why the concentrated short position in COMEX silver towers over that of any other commodity and how that wouldn't be responsible for silver's depressed price – we would have heard it by now. But because no such legitimate explanation is possible, instead we get nebulous and child-like statements about closely monitoring the markets and social media. Earth to CFTC – enough monitoring already, it's time to do something about the manipulative concentrated short position in COMEX silver – like order it to be reduced.

Certainly, it would appear the CFTC and CME Group will have to respond to the swelling public clamor about silver at some point, because the policy of ignoring it or offering platitudes doesn't seem to be working.

Turning to other matters, Friday's first notice of delivery for the big traditional March COMEX silver contract has received much commentary concerning the still-large number of contracts remaining open. However, I'm more concerned with how the entire delivery period plays out, not just the first day, in light of persistent reports of tightness in wholesale silver.

One thing that does strike me about the March delivery period is the lack of buildup in COMEX silver warehouse silver stocks. Usually (whatever usually means nowadays) there is some increase in warehouse stocks as big deliveries approach as participants prepare for delivery. It's true that COMEX silver warehouse inventories are quite close to record highs, but it's also true that has been the case for months now.

Another striking feature of late is the extremely large amount of registered silver being transferred to the eligible category which is completely counterintuitive to what usually occurs as a big first delivery day approaches. Usually (there I go again), eligible silver is transferred to registered to get ready to make delivery before a big delivery month. No physical metal movement is involved (that's a separate issue) with category changes, but nonetheless, these category switches are highly unusual to say the least.

Some 17.5 million oz have been switched from registered to eligible over the past week or so, with switches in the JPMorgan warehouse accounting for more than half of the total and with several other COMEX silver warehouses also involved. My best guess is that all this switched silver belongs to JPMorgan and its affiliates and friends and family and is being moved into eligible status to reduce ongoing storage costs and strongly suggests JPM et al is still acquiring physical silver (and gold) – with no intent to sell or part with the metal any time soon.

In fact, while I find the idea to be somewhat preposterous in terms of its chutzpa, more and more I believe JPM is actively acquiring more physical silver. The recent immense inflows of metal into SLV and other silver ETFs, coupled with the tremendous amounts of redemptions in SLV, convince me that JPMorgan and its affiliates may have picked up another 100 million oz over the past less than a month. JPM appears to have been leasing metal to the other silver ETF authorized participants to provide to the ETFs, but, increasingly its friends and family appear to have been the ETF buyers. Is Elon Musk

one of JPM's friends and family? Only the Shadow knows. But nothing defines double dealing better than being on both sides of a transaction and JPM would appear to be the master double dealer.

Even I am taken aback by JPM's apparent unimaginable duplicity, but that's the most plausible explanation. Yes, I realize how extreme all this may sound, but I would remind you that I am citing the hard facts first, and then trying to come up with the most plausible explanation for those facts.

Turning to the silver ETFs, there was a large deposit of 7.8 million oz into the big silver ETF, SLV, last night, no doubt the result of Monday's high volume rally, following a string of redemptions that I still see as conversions of shares to metal, rather than plain-vanilla liquidations based upon net investor selling. New buying and metal deposits continue in PSLV, which is great and the total amount of silver in that ETF is now a record 120 million oz.

While scorn still seems to be heaped upon SLV and other silver ETFs apart from PSLV, I would remind you that total physical silver holdings in all silver ETFs combined is now more than 1.25 billion oz, of which the amount in PSLV represents almost 10% and meaning that more than 90% of the metal held in the silver ETFs is outside the silver held in PSLV. I know that some try to imply (or state) that the metal in the silver ETFs outside PSLV somehow doesn't exist, but that's absurd on its face.

The important point is that the 1.25 billion oz in total silver ETF holdings, up by 450 million oz in less than a year is the single biggest reason why the silver market is as tight as it is. Without these silver ETF holdings, in my estimation, the silver manipulation could have lasted for years, if not decades longer. As such, the silver ETFs have been and are the silver investors' best friend. What is that song about always hurting the one you (should) love?

With yesterdays close to the reporting week, all eyes turn to Friday's COT report (along with first notice of delivery day). The reporting week in question was such that I'm not able to offer a prediction in which I feel confident. It was a bifurcated week price wise, with gold making new price lows immediately following the prior week's cutoff, before rebounding sharply on Monday. There was similar action in silver, with prices falling by a dollar in early Globex trading Thursday evening before rebounding sharply into that day's close. For the reporting week, silver both fell and rose by a dollar from last Tuesday's close.

Making matters more confusing, is that total open interest in both markets fell sharply over the reporting week, with gold's open interest down by 22,000 contracts and silver's by 11,000 contracts (although spread liquidation likely played a role in silver). The prospect for a significant change in net positioning exists, but for the life of me, I just don't have a handle on what the net change may be, so I won't pretend otherwise. Obviously, I will be most interested in what the big shorts were up to, particularly in silver, as how the big 4 go, so goes all that matters in metals.

At publication time, the 8 big COMEX gold and silver shorts have suffered additional losses from Friday's close, on the order of \$500 million or so. That would put their total losses at \$11.6 billion. Please remember, the big shorts' greatest potential liability resides not on the financial scoreboard until now, but what lies ahead.

Ted Butler

February 24, 2021

Silver – \$27.82 (200 day ma – \$23.63, 50 day ma – \$26.27, 100 day ma – \$25.25)

Gold – \$1796 (200 day ma – \$1860, 50 day ma – \$1851, 100 day ma – \$1866)

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