
February 26, 2022 – Weekly Review

After an extremely volatile price week for gold and silver (and most other markets), in late trading yesterday, gold prices ended the week down \$10 (0.5%), while silver ended higher by 39 cents (1.6%). As a result of silver's relative outperformance, the silver/gold price ratio tightened in by a full point and a half to 77.7 to 1 – still a sign that silver is grossly undervalued relative to gold.

Of course, this week's extreme price volatility in markets can be connected to the invasion of Ukraine by Russia, but as troubling and profound as is this event, it is far from the only thing that matters in gold and silver or other markets. My sense is that the invasion of Ukraine will accelerate and intensify market outcomes that would have occurred in time.

On Wednesday, I focused on the price prospects for silver as and when it upwardly penetrated its 200-day moving average for the first time in 7 months and even longer in other respects. In late trading that day, this key moving average was penetrated and the following day, prices and trading volume exploded on the invasion news, only to reverse sharply as the day wore on, eventually closing back below the 200-day moving average. Most interestingly, silver prices crawled back to close right at the 200-day moving average late yesterday.

I plan to get into my recent obsession with the 200-day moving average in silver and how silver's wild price fluctuations above and below this technical standard was at the heart of explaining just what the heck did happen on Thursday and what it may portend from here. But there is much to discuss in non-war related developments this week, so let me address those developments first.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses accelerated again this week, particularly considering this was a four-day work week (given Monday's President's Day holiday), as just over 6 million oz were physically moved – thus preserving and extending the shocking and unprecedented average weekly physical turnover in silver for what is now 11 years (starting when JPMorgan began accumulating physical silver and gold in early 2011). Since then, more than 2.5 billion oz of silver (more than all the silver in the world in 1000 oz bar form) have been moved in and out from the COMEX silver warehouses and yet it remains a topic not mentioned anywhere else to my knowledge.

More attention will likely be placed on this week's reduction in total COMEX silver warehouse inventories, which fell by 2.6 million oz to 348.3 million oz – the lowest level since August 2020 and down more than 50 million oz from the peak in January 2021. Holdings in the JPMorgan COMEX silver warehouse fell by 0.6 million oz to 182.9 million oz.

I understand the attention placed on reductions in the total levels of silver in the COMEX warehouses (although I am less-sympathetic to the obsessions over "registered" vs "eligible" forms of inventories), as it seems to imply a tightening of the physical screws in silver. And I would add going into a major delivery month, March in this case (which just commenced), there is usually a tendency for silver holdings in the COMEX warehouses to increase in preparation of delivery, instead of a decrease, as just occurred – making the reductions perhaps more notable.

But here's what I don't get – for the past year and half (since August 2020), total COMEX silver inventories have ranged from 340 million oz up to almost 400 million oz in January 2021 and are

now back down to 348 million oz – a move of 60 million oz in and then 50 million oz out over 18 months – back, essentially, to where inventories were 18 months ago. Yet, over that same time, close to 500 million oz have been physically moved, by truck, both into and out from the same COMEX warehouses and no one mentions the 500 million oz. Go figure.

My explanation all along, of course, is that such frantic physical movement can only come from an intense, almost hand-to-mouth demand for physical silver among all commodities, where this warehouse movement is, largely, missing. As far as why this hasn't resulted in exploding silver prices, as it should have – have I ever mentioned that silver prices are manipulated? Just kidding.

Total COMEX gold warehouse holdings fell by 0.2 million oz to 32.5 million oz, the lowest level since June 2020, but comparisons with silver are not entirely applicable, in my opinion, as there was a different pattern of sorts in gold compared to silver. In early 2020, COMEX gold inventories surged by more than 30 million oz, eventually to a total of nearly 40 million oz, and have slowly come down over the past year. In silver, there was a surge mostly into the silver ETFs of several hundreds of millions of ounces (but also some into the COMEX warehouses). Of course, I have come to learn the explanation for the surges in both physical gold and silver deposits in early 2020 was the borrowing and short sale of the metals by Bank of America.

My discovery of what the dingbats at Bank of America got hoodwinked into features in COMEX gold and silver deliveries over the past year or so, and with the first day of deliveries in the March COMEX contracts – a traditional delivery month for silver, but not for gold. Bank of America was featured prominently in both gold and silver. In gold, BofA, for its house account, stopped (took) delivery of 2576 gold contracts, or 85% of the 3024 total contracts issued on first notice day. JPMorgan, in its house account issued 1077 gold contracts, with Barclays being the biggest issuer with 1198 contracts for a client(s). Based upon the open interest in the March gold contract going into delivery of 4764 contracts, it will take new delivery contract month creation – always possible – to ramp up the gold delivery drama.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

It was both similar and different in silver. BofA was a big stopper and JPMorgan was a big issuer in their respective house accounts, same as in gold, but the total amounts were extremely low, compared to the 8572 open contracts in the March contract. A very low total number of silver deliveries were made on first delivery day – only 996 contracts (just under 5 million oz). BofA stopped a big percent of total deliveries (304), as did JPM on the issuer side (338), with customers of JPM issuing 654 contracts, but the standout feature was the low number of total silver deliveries relative to the open contracts in March. In gold, 63% of the open contracts were delivered against on first delivery day, while in silver, only less than 12% of the open contracts were delivered against on first delivery day.

This is not a completely unprecedented situation, as I recall many times when a small number of silver contracts were delivered on first delivery day, only to be followed with much larger deliveries on the days immediately following first delivery day. And with JPM the biggest issuer both for clients and for its house account on first notice day, which infers it holds a large percentage of the remaining short position in March (it can also be long in other months), the chance of a delivery default by JPM is unthinkable. But that's not to say the first day of delivery in silver doesn't look unusual – and bullish, I might add.

For one thing, the shorts in a delivery month always hold the option of when to deliver and longs must

wait until the shorts decide to make delivery, but the shorts must deliver by the last delivery day at month's end. This is true in all physically delivered commodities, not just on the COMEX. But it's also true that a short in a delivery month has no economic incentive to wait beyond first notice day, since the delivery price is already set and any delay on a short's part only delays payment for the goods that must be delivered. About the only economic incentive for a short in a current delivery month to wait beyond first notice day is in the hopes that the longs standing for delivery will change their mind and liquidate their longs and not demand delivery.

Other bullish delivery signs at this time in silver is that the spread differentials between March and May (the next big contract month in silver) have tightened noticeably in the days leading up to first delivery day, usually an indication that the shorts would prefer not to make delivery and instead hold their physical silver and pay a bit more (in terms of spread differentials) to roll their shorts to another month and not deliver. All this is likely to be resolved soon (the next few days) and if it were anyone else but JPM on the potential issuer side, I would be more excited by this set of developments but, hey, you never know. At the very least, none of this is bearish in any way or an indication of anything but physical tightness in silver.

Onto other bullish developments. There wasn't much physical gold deposited this week into the gold ETFs and there were close to 7 million oz redeemed in the silver ETFs, so how could I possibly consider that bullish? Well, if you recall on Wednesday, I mentioned that the buying in SLV appeared to be of the large investor variety (opposed to smaller retail buying) and because of that, I fully-expected conversions of shares to direct physical metal holdings and it looks to me like this is precisely what has occurred. OK, I can almost hear you say, but what about the gold ETFs? Weren't you expecting big deposits in GLD that never materialized?

Yes, in the article of Wednesday, Feb 16, "Silver Price Mechanics", I mentioned that the surge in trading volume in GLD on Friday, Feb 11, of around 26 million shares, suggested to me that the GLD was owed as many as a million oz and subsequently only 200,000 to 300,000 oz came in whereas it was different in SLV and we did get as many as 5 million oz deposited (before the recent conversions). Well, it seems the mystery of the missing gold in GLD was solved in last night's release of the new short report on stocks.

The new short report, for positions held as of Feb 15, indicates that the short position in GLD increased by nearly 4 million shares (400,000 oz) to 12 million shares (1.2 million oz), the largest such increase in quite some time. This largely explains the "missing" deposits in GLD as a result of the surge in trading volume on Feb 11 (in addition to being a big help to my sanity in trying to understand things in this crazy world). In my article of Feb 16, I did mention that last night's short report should help us learn more. What this also confirms, somewhat surprisingly to me, is distinct physical tightness in gold.

<https://www.wsj.com/market-data/quotes/etf/GLD>

The same short report indicated a reduction in the short position on SLV, the big silver ETF of nearly 2.4 million shares to just under 29.4 million shares (ounces). While still large, there was no real reason to expect an increase in the short position in SLV, since unlike the case in GLD, there have been very heavy deposits into SLV, making an increase in the short position unnecessary. I did breathe a sigh of relief that the short position in SLV came down a bit, because an increase would have likely required me to rattle BlackRock's cage (as I wrote at the time).

<https://www.wsj.com/market-data/quotes/etf/SLV>

Much more importantly than any personal inconvenience, the reduction in the short position in SLV, particularly in light of the sharp increase in the short position on GLD, suggests to me that BlackRock is well-aware of the large short position on SLV and is mindful of the prospectus change of a year ago which warned the shorts in SLV to mind their P&Qs in shorting shares of the trust. If I'm reading this correctly, this is unabashed bullish news.

Turning to yesterday's Commitments of Traders (COT) report, the results were extremely close to my predictions and about the only thing I got wrong was my statement on Wednesday that total open interest in gold had increased by more than 60,000 contracts, when the actual number was closer to 50,000 contracts. What was ironic was that this was the only number truly known at the time and I misstated it. Had I realized my misstatement at the time, I probably would have ratcheted down my predictions for gold deterioration.

There was little question that there would be deterioration in both gold and silver for the reporting week ended Tuesday, seeing how gold was up as much as \$65 and silver up by as much as full dollar - the only question was how much managed money buying and commercial selling occurred. Since I haven't mentioned it in quite some time, please understand that the only reason I offer predictions of what prospective COT reports may indicate is to test myself and my premise of what moves prices. Obviously, there's nothing else to gain by such predictions.

In COMEX gold futures, the commercials increased their total net short position by 30,800 contracts to 269,700 contracts, the largest (most bearish) short position since Nov 16 (I had expected 40,000 contracts or so). By commercial categories, it was a rerun of the prior week, when it was all big 4 and raptor (smaller commercial) selling. The 4 big shorts added 13,466 new shorts to a concentrated short position totaling 168,771 contracts (16.9 million oz) as of Tuesday. This is the largest concentrated short position in years

The big 5 thru 8 traders bought back nearly 400 shorts and the big 8 short position stood at 255,602 contracts (25.6 million oz) as of Tuesday. The raptors sold 17,700 gold contracts flipping a net long position of 3600 contracts to a net short position of 14,100 contracts.

On the buy side of gold, it was almost exclusively a managed money affair, as these traders bought 31,270 net contracts, consisting of new longs of 31,826 contracts and the new sale of 556 short contracts. In the other large reporting traders' category, these traders added new longs of 5001 contracts and new shorts of 6736 contracts. The new shorts are in addition to the 10,746 shorts added in the prior reporting week and my question is how many more than the nearly 17,500 new shorts added over the past two reporting weeks may have been added on Thursday's burst to new price highs in gold, as well as how many may have been bought back on the price smash later that day and into yesterday. The short traders in the other large reporting category had been on the money of late and I'll be interested if their trading success holds.

There was an increase in the concentrated long position of the 4 largest longs of around 3700 contracts and I keep wavering between the biggest long being John Paulson or Bank of America, with either holding around 40,000 contracts.

In COMEX silver futures, the commercials increased their total net short position by 7400 contracts to 43,700 contracts (almost exactly the midpoint of my 5000 to 10,000 contract prediction). Therefore, the resultant market structure in silver is much more bullish than the structure in gold, also expected. More importantly, there was relatively little selling by the 4 big shorts in silver as these traders added around 900 new shorts, to hold 48,144 contracts net short (241 million oz). The big 5 thru 8 traders added maybe 100 contracts and the big 8 short position amounted to 65,498 contracts (328 million oz). The raptors (the smaller commercials apart from the big 8) sold 6400 longs, reducing their net long position to 21,800 contracts. I don't believe there are any managed money traders left in the big 8 short category, which looks again to being purely commercial.

On the buy side of silver, it was entirely a managed money affair, as these traders bought 8184 net contracts, consisting of the new purchase of 2462 long and the buyback and covering of 5722 short contracts.

I am still most impressed by the fact that over the past three reporting weeks (from Feb 1 to Feb 22) and on a gold rally of just over \$100 and a silver rally of nearly \$2, the commercial net short position in gold has grown by 68,500 contracts (6.8 million oz), while the commercial net short position has only grown by 8400 contracts (42 million oz). More importantly, over this same time, the concentrated short position of the 4 largest traders in gold has grown by 28,600 contracts, while the big 4's short position in silver has grown by a mere 600 contracts. Granted, this is a highly selective and somewhat arbitrary time/price frame and I am well-aware of how any such short-term comparison is fair game for criticism.

Of course, a big explanation for the much greater relative deterioration in gold, both in total commercial selling and by the 4 largest shorts than in silver, is that gold spent the last three weeks mostly well-above all its three key moving averages, while in silver, the 50-day and 100-day moving averages were upwardly penetrated, but as of the close to the current reporting week, the 200-day moving average was not penetrated to the upside (only afterwards). But that's exactly the point I've been trying to make of late, namely, there has been a concerted effort by someone to keep silver from upwardly penetrating its 200-day moving average.

As to who that someone in silver is, by process of elimination, it has to be the 4 big commercial shorts. The raptors wouldn't appear to care much about the 200-day moving average, as they are content to sell out at a profit at any and all price levels and the big 5 thru 8 haven't maintained a large enough short position to make a difference. The main issue has always been the 4 big shorts in silver.

Even in gold, the big 4 short position, whether it's as low as 13.2 million oz, as it was on Jan 4 or as high as 16.9 million oz this week (which, coincidentally, happen to be the extremes of the past couple of years) doesn't make that much difference. How much difference does it make in a world where 3 billion oz of gold bullion exists, if the 4 largest traders' paper position varies by 3 or 4 million oz?

That's the reason I never petitioned the regulators about the concentrated short position in COMEX gold futures; only in silver. That's because a 20,000 net contract swing in the big 4 silver short position amounts to 100 million oz, a meaningful amount in a world growing increasingly scarce of industrial commodities of all types. There's a reason why COMEX silver always has the largest concentrated short position of any commodity when equalized in terms of actual production and consumption. The reason is because without the excessive and concentrated short selling by the 4

largest traders, silver prices would be higher, not just by dollars, but by factors of the current price.

Please understand that this doesn't mean that I'm bearish on gold, because that's far from the truth. Yes, the market structure on the COMEX is more bearish than it has been in a while and I suppose that might mean we may see a selloff to make the COMEX market structure more bullish. I still remain bullish on gold due to the clear signs I see of physical tightness (described above) in a world slowing going mad and that could potentially unravel at any moment. It's just that the sum total of everything I see in silver tells me that this is the market that will truly get uncorked to the upside, almost regardless of whether the world goes mad or not.

As promised, a quick word on what the heck happened on Thursday, when silver and gold prices surged higher, only to give back all the gains. I believe the 4 big commercial silver shorts on the COMEX joined in on the commercial short selling early in the day, only to buy back any added shorts by day's end, or at least into early Friday trading. We all should know by now that on silver (and gold) rallies, the commercials always sell all of them. And we should all also know by now that on sharp selloffs, the commercials are always big net buyers. Always, always, always. No exceptions, ever. Did I say always and ever? This is at the heart of the ongoing scam and manipulation that has endured for decades.

But so clear, collusive and successful has the commercials' repetitive selling high and buying low become that I believe the commercials themselves, particularly, the 4 largest in COMEX silver are sensitive to others seeing it, not the least of which being the regulators at the CFTC (although I have no hope that the crooks running the CME Group will ever choose to see it). Because of this new-found sensitivity on the part of the big 4 silver shorts (or maybe they were told by the CFTC over the past year due to my petitions), these 4 big shorts have not meaningfully added to short positions in more than a year the longest such stretch ever.

In fact, while I believe the 4 big shorts added fairly aggressively to their silver short positions early Thursday, they had also planned to buy back those shorts before this would have been revealed in the next COT report. Without the confirming data in the COT report (for positions held as of the close on Tuesdays), I'm not sure the CFTC itself would bother to check or if it could even verify on an intraday basis what the 4 big shorts were up to. In essence, the big 4 allowed silver prices to blowoff on Thursday morning, knowing full-well they had to buy back any added shorts quickly and the only way of doing that was to rig a large enough selloff immediately.

Now, before anyone suggests this might be the new game plan for the 4 largest COMEX commercial crooks to continue to keep silver prices manipulated and suppressed for an extended period of time, let me explain why I don't think so. It just doesn't seem practical in the least to plan on daily blowups in the price accompanied by same day smashes so that the 4 big shorts can add and then cover big numbers of shorts without detection. At the very least, finding dupes to go along with this, even the braindead managed money traders, seems like a real stretch.

What occurred on Thursday seems like a one-off to me and now that it has occurred, it is unlikely to be repeated often or otherwise. Instead, Thursday feels more like a sign of a real turning point higher rather than a harbinger of what's likely to be repeated any time soon. Coupled with the unmistakable intensifying signs of physical tightness, not only in silver, but also in gold, I admit to being even more bullish than I have been. Throw in the nitwits at Bank of America, which increasingly look every bit as trapped and foolhardy as I allege in being the biggest gold and silver shorts at precisely

the absolute worst time to be short in even the smallest amounts and all I can say (again) is that I couldn't make this stuff up if I tried.

To that end, I heard a pundit commenting on my allegations about Bank of America being short 800 million oz of silver as a result of the lease/short sale I allege, as suggesting I might be overdoing it a bit and the actual short might be closer to • 650 million oz. Hello? 650 million oz would be the equivalent of 130,000 COMEX silver contracts • a position nearly three times larger than the combined short position of the 4 largest shorts and likely 6 or 7 times greater than the current single biggest COMEX short. Even back in the day when JPMorgan was the single biggest COMEX silver short, its short position rarely got to be more than 40,000 contracts (200 million oz).

It is nothing less than astounding that two full months after I first made the allegations about Bank of America being short as much as 800 million oz of silver (and later in being short 30 million oz of gold) • and not some rinky-dink paper short position on the COMEX, but a physical short position, infinitely more manipulative and dangerous • that no one in authority has stepped forward to throw the BS flag at me. This is serious stuff.

The combination of lower gold prices and higher silver prices allowed the 8 big shorts some respite in their total loss calculations, by \$100 million or so, which brought their total loss down to \$11.1 billion. At Thursday's price peaks, the total loss grew by well over \$2.5 billion – I believe a sign of what's to come. As far as Bank of America, if they are short the 30 million oz of gold and 800 million oz of silver, I believe to be the case, its losses hover around \$7 billion.

Ted Butler

February 26, 2022

Silver – \$24.34 • • (200 day ma – \$24.34, 50 day ma – \$23.18, 100 day ma – \$23.37)

Gold – \$1890 • • • • • (200 day ma – \$1811, 50 day ma – \$1828, 100 day ma – \$1812)

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