
February 9, 2022 – Pure and Consistent Collusion, But...

I made public the segment of Saturday's Weekly Review dealing with the blatant collusion amongst all the commercial traders (banks) in COMEX gold and silver dealings in the latest COT report, with a suggestion to ask the regulators for an alternative explanation. In the comments section, I was asked a couple of questions that I'm sure are on a number of subscribers' minds, so you might want to check that out as well.

<https://silverseek.com/article/pure-collusion>

As egregious and compelling as the evidence of collusion was in the most recent COT report, the uniform futures contract positioning of the COMEX commercials, which stands out as the main price determinant in gold and silver, was hardly a one-week affair. The collusive commercial positioning has been in place for nearly four-decades and is what first occurred to me as a result of Izzy Friedman's original challenge back in what now seems to be the Stone Age.

Therefore, I find it remarkable how this one constant – banks collusively zooming the managed money technical traders on the COMEX – has endured for all this time, considering all the other significant silver developments that Izzy never came to fully witness or appreciate. Here, I'm referring to things like the silver ETFs coming to hold more than 60% (1.2 billion oz) of the world's total inventory of good delivery 1000 oz bars (2 billion oz), and the remarkable rise of JPMorgan to dominate gold and silver matters, including its accumulation of 1.2 billion oz of physical silver and 30 million oz of physical gold. I'm not sure how Izzy would react to my allegations that Bank of America leased and sold short massive quantities of this metal, because I don't recall many conversations with him about leasing back in the day.

So, seeing how my original discovery that collusive COMEX positioning, certainly including the still-concentrated nature of the short selling by the 4 largest traders, has endured for decades, it's reasonable to ask why the bank strangle hold on prices can't endure for decades longer, if not indefinitely. After all, if the same basic mechanism – COMEX commercial collusion – is still in place, as was clearly indicated in the latest COT report, what could bring about a radical change after all these decades? Please allow me to present those things that could, should and must bring about a radical change in the price pattern of silver.

For openers, there is the reality of the physical market. Yes, I know that I and others (including Izzy) have long-touted the coming physical shortage of silver in the wholesale market as the one thing that would bring the COMEX commercials' control of prices to an end – in that physical metal would trump the paper control of prices. Although that has yet to occur in full view, there have been clear signs we have come close to the final breaking point over the years, only to have the final moment of truth delayed at the last moment. Here, I'm referring to the historic run up in price into early 2011, as silver prices ran up to near \$50 on what was physical demand for metal in the silver ETFs, principally SLV.

True, JPMorgan, the main COMEX short seller at the time, succeeded in bombing prices at the last moment, ushering in a decade of depressed prices and resultant dismal investment demand; but it's also true that JPM used that same decade to accumulate its hoard of physical metal on the cheap,

thereby setting the stage for the coming and final price liftoff. Now, with the clear double cross and snookering of Bank of America by leasing, both the price weakness of the past couple of years and the coming liftoff are fully explained. The “dumping” of leased metal by BofA both depressed prices and has created a powerfully bullish force from this point on.

While the physical shortage in the wholesale market has been held at bay, that hold appears to be coming under increasing stress. Retail forms of silver have been as tight and for longer than most can remember, and while retail is different from wholesale, we are still talking about silver “not oranges or kumquats.” The reason that shortages have been averted in the wholesale silver market is that the supply lines have generally held, albeit somewhat tenuously, to judge from the experience in any number of commodities similar to silver in production and use. There are many reasons why many (most) industrial metals have hit or are about to hit new all-time price highs and all those reasons are centered on the inability of production to keep up with demand, exacerbated by breaks in supply lines, none of which exclude silver.

Of course, the real point here is that while all industrial metals appear to be looking down the gun barrel of continued tightness and higher prices, only silver has that incredibly-rare bonus kicker of also being a prime and elemental investment asset. No other commodity, away from silver, has this remarkable dual demand profile “vital and necessary industrial commodity demand and basic investment asset demand.” I know I have beaten this drum for decades “in full concert with my dear-departed mentor and friend” but that doesn’t lessen the message one bit. Someday (and I think soon), the industrial silver users will panic and rush to build up inventories of physical metal to forestall the stoppage of assembly lines. Think of silver in same terms as semiconductors in the manufacture of automobiles and other devices.

Even more remarkable, the mechanism that will grease the skids for both widespread investment and industrial user demand for silver exists and is fully in place. Here, I’m referring to the silver ETFs, the largest of which is SLV, which holds 45% (545 million oz) of the 1.2 billion oz of silver held in all silver ETFs. (The 9 top silver ETFs hold 95% of the 1.2 billion total ounces). SLV has been around for 16 years and despite its long existence and proven track record, it remains the one silver ETF many love to hate. I fully-understand that much of the criticism comes from the those selling alternative silver forms, but I am less understanding of those promoting dubious forms of metal storage where the basics of sound professional storage (such as serial numbers, weights and hallmarks) are not provided. Kinesis comes to mind in this regard.

Despite the criticism, SLV remains far ahead of its competitors in terms of volume and liquidity. Perhaps most remarkable of all is that SLV has experienced the lion’s share (more than 95%) of what I term “conversions” by which shareholders convert shares to metal for the purpose of more direct ownership in which public reporting requirements don’t exist. In fact, this is the principle means by which JPMorgan was able to acquire as much physical silver as I’ve claimed over the years. I believe this conversion of shares to metal still remains and will remain a key bullish factor ahead. Over the past two weeks, physical inflows into SLV have amounted to 20 million ounces of silver “not exactly chump change and suggestive of new conversions of shares to metal ahead.”

What I’ve just described is the dead-solid certain backdrop in silver, where the realities of the physical market inevitably overpower the collusive paper forces of manipulation on the COMEX. More to the immediate point, however, is the current status of the market structure conditions, following last

week's epic results in the COT report. Simply put, from a collusive and corrupt COMEX commercial perspective, the time has never been better for an explosive move higher in silver and gold.

There shouldn't be any doubt that the commercials colluded in driving silver and gold prices sharply lower over the reporting week or that they succeeded masterfully in buying as many contracts as they did. Cutting to the point, there is only one reason why anyone – including the commercial crooks on the COMEX – buy anything and that's in the expectation of higher prices. Therefore, the most basic motivation behind the remarkable amount of commercial buying in the last reporting week is that the buyers expect higher prices.

Even temporarily lower prices (which I don't expect) wouldn't alter the fact that every commercial trader that bought in the last reporting week in COMEX gold and silver futures – which happened to include virtually every commercial trader – bought under the expectation of higher prices to come. I'm not trying to trick anyone would this assertion.

Instead, the questions become what type of rally do the commercials expect and what do they intend to do on that rally? In other words, how high and do the commercials, particularly the very largest, intend to sell into the rally and if so, how aggressively? Even more specifically, do the four largest commercials shorts, particularly in silver, intend to add enough new shorts to cap and contain the coming rally – just as they have done on every past occasion over the decades?

Here, let me both acknowledge that I have always opined, on all such previous occasions, that the big shorts would stand aside and that the big shorts always ended up adding enough new shorts to cap and contain prices. In my defense, we did almost always get those rallies and with enough advanced warning that the 4 big shorts were adding new shorts to take defensive measures.

So, this time I'm sure you won't be surprised that I am adopting the same opinion, namely, that this time there will not be the capping and containing we've always witnessed. (What's that saying that consistency is the hobgoblin of little minds?). Actually, Emerson's saying referred to a foolish consistency, and I'd like to think – right or wrong – that what I'm postulating is far from foolish. I fully expect the smaller commercials (the raptors) which are now significantly net long, to sell out those long positions as and when gold and silver rise; my concern is whether the 4 big shorts in silver will add new short positions on the coming price rally.

Despite the 4 big silver shorts always adding aggressively to new short positions in the past, that past doesn't include the last year – as the big's short position in COMEX silver is still lower by more than 20,000 contracts from where it stood a year ago at the price highs (adjusted for managed money participation). Admittedly, we haven't seen a price rally to speak of in that time, so the jury is still out for what's to come. But, in time, we will see a silver rally in which whether the 4 big shorts add or don't add to shorts will be the critical factor. I'm also mindful, of course, about my correspondence with the CFTC and its highly unusual response that it was taking my allegations of the manipulative effect of the concentrated short position into consideration. Time will tell how much consideration the Commission gave to this issue, but at this point, it's still an open issue.

This time around there is also much greater awareness about the ongoing silver manipulation – more, in fact, than ever before. Certainly, neither the CFTC nor the CME Group or anyone else for that matter, has been able to explain how virtually every commercial trader in COMEX gold and silver futures was a buyer in last week's price rig job lower in non-collusive terms. And I would venture to

say that no legitimate explanation will be forthcoming. Soon the regulators may be faced with the reverse of that question, namely, how is it that every commercial turned seller on the rally to come and not one of them was legitimately hedging? It seems to me that the best remedy for avoiding questions difficult to answer legitimately is to avoid the circumstances that led to those difficult questions.

One relatively new thought occurred to me in this matter. Not that I expect the CFTC or the CME Group to ever acknowledge the full extent of the ongoing silver manipulation, but it is not unreasonable to assume they would prefer it would all just go away. The best chance of that occurring would seem to be the ending of the manipulation because until now, the continued existence of the scam certainly hasn't made the issue or the criticism of the regulators go away.

In summary and to be blunt, I'd be lying if I told you I wasn't expecting silver (and gold) prices to explode momentarily. That's not something you can or should take to the bank, of course, but at the same time I would be negligent to keep that to myself. The setup, both from the culmination of the physical crunch aspect in silver and the current paper market structure on the COMEX, appears to me to warrant as maximum exposure to silver as is practical.

As far as what to expect in Friday's COT report, I don't think there will be significant positioning changes, certainly nothing approaching last week's expected and actual reported changes. I suppose there might be some deterioration (managed money buying and commercial selling) in gold, as gold prices were up and through the same moving averages penetrated to the downside in the prior reporting week. But considering how bullish the market structure was in gold and silver in the latest COT report, it would take quite a bit of deterioration to undo the bullish structures.

Silver also rose above one of the two moving averages it penetrated to the downside in the prior reporting week and touched, but did not penetrate the 100-day moving average by yesterday's cutoff. The 200-day moving average in silver still lies more than a dollar above current prices, but should silver decide to bust a move, that remaining moving average can be penetrated in a millisecond.

Trading volume has been notably light over the current reporting week, which I find particularly constructive as it suggests no big managed money buying or commercial selling yet. Silver (and gold) prices seem to be creeping up and suggesting (to me) a sudden surge out of nowhere. I don't recall this type of price pattern previously.

The rise in gold and silver prices since Friday has added more than \$800 million to the 8 big shorts' total losses, now standing at \$9.4 billion. The paradox is that while the collusive commercials as a whole beat the snot out of the managed traders at just about every turn, the 8 big shorts' position has been rock-steady with big losses that they don't appear capable of eliminating.

(On a housekeeping note, I had to revise my calculations in Saturday's review for the position of the 4 big shorts in silver, as I was off by 2000 contracts. I'm not sure what caused my screw up - it had to be a simple fat finger on my highly sophisticated and complex \$2 solar calculator that I haven't been able to kill in more than 25 years. Special thanks to long-time subscriber Turner for keeping me honest)

Ted Butler

February 9, 2022

Silver – \$23.30 (200 day ma – \$24.51, 50 day ma – \$22.83, 100 day ma – \$23.20)

Gold – \$1835 (200 day ma – \$1807, 50 day ma – \$1804, 100 day ma – \$1797)

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