Gold and silver prices didn't gain much since Wednesday's report, but still managed to close higher for the week, with gold up $15 (0.8%) and silver higher by a sharper 75 cents (4.1%). For gold, it was the highest weekly close (again) in nearly 8 years and, for a change, silver set its highest weekly closing level in nearly 4 years. Considering the ultra-tight control (suppression) on silver prices by the concentrated shorts over the past 9 years, it wouldn't take much of a price rise from here to see silver register even longer weekly price highs.

As a result of silver's relative outperformance over gold this week, the silver/gold price ratio tightened in by a full three points to 94.6 to 1, equaling its tightest level over the past 4 months and down from the still-unworldly close of 125 to 1 at the depths of the contrived sell-off of mid-March. One wants to be careful about price predictions in the short term, given that silver is still the most manipulated market in history, but barring a stirring goal-line stand by the big concentrated shorts, I'm still convinced the 100 to 1 level will remain in the rear view mirror for the rest of anyone's life reading this.

Speaking of the 8 big shorts in COMEX gold and silver futures, they ended up a bit better than on Wednesday, but not on the week. Total combined realized and unrealized losses came to $9.8 billion as of yesterday's late close, $600 million worse than last week and the worst weekly finish ever. I don't think any of the big shorts were high-fiving each other on their slight comeback since Wednesday.

For more than a year, I have been focusing on the financial plight of the big shorts, pointing out for the first time ever, they appeared unable to do what they had always done in the past, namely, arranged for sudden price selloffs that caused the managed money traders to sell aggressively enough to allow the big shorts to get out ahead or

no worse than even. This dramatic turnabout has had many manifestations, including the necessity of forcing the big shorts to have to bring in record amounts of gold into the COMEX warehouses and actually make delivery in record amounts in the hopes of closing out the losing short positions. That process continues.

For more than two years, I have opined that JPMorgan, lord and master of all things gold and silver, was in the process of double crossing the other big shorts whom it had always worked with closely in rigging prices. Even over the past year of unprecedented growing losses to the big shorts, JPMorgan played both sides of the market, increasing its gold and silver short positions at times, but then buying them back (at profits) while the other big shorts were more flatfooted and stuck with most of their short positions.

As a result of the sharp price smash in March, arranged and orchestrated by JPMorgan, the world's most crooked bank bought back all of its gold and silver short positions, while the other big shorts did very little short covering. As a result, JPMorgan was better positioned than ever for letting prices rip higher and leaving the other big shorts to the wolves.

Finally, for more than 7 years, I have claimed that JPMorgan had conceived and implemented the criminally genius solution to being the biggest short in markets that were destined to move substantially higher by accumulating massive amounts of physical gold and silver. All told, the amounts and average prices I have estimated JPMorgan's physical metal accumulation to be were 25 million ounces of gold at $1200 and one billion ounces of silver at $18.

At yesterday's closing prices, if my numbers are correct, JPMorgan is ahead a total of $16 billion ($15 billion on gold and $1 billion on silver). Even though JPM is much

further ahead on gold than it is on silver, I would point out that at the depths of the mid-March prices lows ($1460 in gold and sub-$12 in silver) JPMorgan was no better than a half billion ahead on its physical gold and silver ($6.5 billion ahead on gold and $6 billion behind on silver), so its astounding $16 billion open profit was accomplished more evenly divided by gains in each metal.

The bigger point is with JPM's current $16 billion open profit (to say nothing of all its realized trading gains in COMEX gold and silver futures) and the 8 big shorts current roughly $10 billion total loss – does that not already qualify as the double cross of all-time? And please remember, we are talking about open positions on both sides – JPM's open long physical positions and the 8 big shorts open short positions. Looking beyond any near term price set backs (always possible), the path looks clear for even more of a double cross in time.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained strong as 7.2 million oz were physically moved and as total COMEX inventories rose by 1.4 million oz to 325 million oz. While this is a new record high in COMEX silver inventories, it's not as if total COMEX silver inventories are exploding, as they have been in gold, where total COMEX gold warehouse inventories have mushroomed by four-fold in as many months. The range in COMEX silver inventories has been 305 to 324 million oz for more than a year, so the new record isn't particularly breathtaking.

The increase in COMEX silver inventories still appears related to the this month's heavy deliveries on the July futures contract, although total deliveries now at 13,903 contracts (nearly 70 million oz), haven't expanded much from the first two days deliveries of just over 13,000 contracts. With about 2500 July contracts still open

(12.5 million oz), I wouldn't be surprised to see more silver brought in, but if that is the case, it suggests the silver already in the COMEX warehouses is not sufficient to satisfy delivery demands. No change, again, in the JPM COMEX silver warehouse, still stuck at 160.7 million oz. And it still remains to be seen if any of the silver issued by JPMorgan this month gets moved – there simply isn't any way of prediction that.

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

While yesterday was the first day in quite some time that no gold was added to the COMEX warehouses, for the week another million ounces were added, bringing total COMEX gold inventories to 33.5 million oz, an increase of 25 million oz or a quadrupling of the 8.5 million oz total of four months ago. The JPMorgan COMEX warehouses took in another 700,000 gold oz this week, bringing JPM's share to 12.67 million oz, or 38% of total COMEX gold inventories.

Many point to the phenomenal increase in COMEX gold inventories, but the explanations for why such big inflows are less clear. I still say it has to do with the big shorts seeking to close out short positions by deliveries, versus having to buy back short positions – which would cause gold prices to soar. It will be interesting to see if the flow of gold into the COMEX warehouses starts to abate, since the 25 million ounces brought in roughly equals the concentrated short position when the inflows started. Since I don't think it's possible for the big shorts to mobilize the 350 million oz to deposit into the COMEX silver warehouses necessary to equal the concentrated short position, the big silver shorts seem to have no choice but to buy back their shorts positions at some point.

The big physical silver story continues to be the inflows into the world's silver ETFs, led by SLV, the largest. Over the past two days, 13 million oz have been deposited

into SLV, with more physical silver deposited in other silver ETFs. In less than 4 months, some 225 million oz have been deposited into the world's silver ETFs, with 165 million ounces of that coming into the SLV. When combined with other wholesale demand for 1000 oz bars and retail buying, total silver investment demand is outstripping total world mine production, as certain a formula for sharply higher prices as can be.

The quandary is why silver prices haven't truly exploded against this back drop of overwhelming investment demand. To that, I have two explanations. The first is that JPMorgan has been leasing most of the silver that has found its way into the silver ETFs and the second is that the 8 big shorts on the COMEX have held their ground on not buying back shorts out of the fear and knowledge that to do so would cause prices to soar. To me, this is very much a damned if you do and damned if you don't dilemma for the 8 big silver shorts. To be sure, this makes the big silver shorts as dangerous as the fiercest and most-desperate cornered animal and their only temporary relief is to try and rig prices lower. Just know that any sharp selloffs will be the big shorts lashing back to save their hides.

I would like to point something out that I had mentioned a very long time ago about silver ETFs, most specifically concerning SLV, that I believe warrants further attention. As I had pointed out in the past, years ago, one of the methods JPMorgan employed in accumulating its massive physical silver (and likely gold as well) holdings, was by means of converting shares in SLV (and GLD) into physical holdings. This enabled JPM or anyone else to avoid reporting requirements on large stock holdings by converting to metal, where there are no reporting requirements.

Generally, silver and gold ETFs report only net changes – net deposits or

withdrawals on any given day. For instance, the past two days featured 13 million oz as being deposited into SLV, but it can't be determined if that was a straight deposit of 13 million oz or, say, a gross deposit of 18 million ounces and a simultaneously withdrawal (conversion) of 5 million ounces or some similar combination. As you know, the movement in and out of the COMEX silver warehouses is much more frantic and active versus the net changes in total warehouse holdings. If the COMEX warehouse movements weren't broken down in detail each day, I never would have discovered the frantic turnover I have described over the past 9 years.

What if there is a large turnover in the holdings of SLV and the daily net changes in holdings don't reflect that turnover? It opens up the possibility, for example, that the net addition of 165 million oz over the past 4 months occurred with a much larger overall turnover, similar to what has occurred on the COMEX. If this is the case, then it's possible that many more than 165 million oz were acquired over the past 4 months as original buyers converted shares to actual metal ounces to avoid share reporting requirements. This is what I allege JPMorgan did for years in accumulating a big chunk of its physical metal holdings. Just food for thought.

Turning to the new Commitments of Traders (COT) report, while we did get managed money buying and commercial selling as expected in the face of the higher prices over the reporting week, the changes in net positioning were, fortunately, less than I feared, particularly in gold. I am a bit concerned about further such positioning on the Wednesday following the Tuesday cutoff, but I suppose that might fit under the need to worry about something category.

In COMEX gold futures, the commercials increased their net short position by a scant 1100 contracts to 302,600 contracts (and not the low double digit increase I

was expecting). Yes, this is still the largest (most bearish) commercial short position since late March and, historically, any commercial short position over 300,000 net contracts have not suggested higher prices, but, then again, everything is relative.

This short position is still 83,000 contracts less than it was on Feb 18, when gold was priced around $1600 and the fact that we are now $200 higher and have less of a short position is remarkable. Add in that JPMorgan was short more than 40,000 gold contracts back then and is completely flat at this point is even more remarkable (and encouraging). The 8 big shorts reduced their net short position by 1600 contracts to 233,120 contracts (possibly by deliveries). One other plus feature (also true in silver) was that among the commercials, the Producer/Merchant category (home to JPM) were net buyers, while the swap dealers were net sellers.

On the buy side of gold, the managed money traders were net buyers of 788 net contracts, comprised of the new purchase of 6284 new longs and the new sale of 5496 short contracts. I'm becoming more convinced that the short position of the managed money traders, now the highest it has been in months is a result of these traders doing more "cash and carry" spreads which involve taking actual delivery of gold and selling a more deferred month to earn interest rate arbitrage profits. This explains the very wide gold spreads in recent months as the commercials making delivery (to close out shorts) need to give an incentive to outsiders to take delivery.

In COMEX silver futures, the commercials increased their total net short position by 2400 contracts to 52,600 contracts, even less than hoped for. The fact that the commercial net short position is still roughly about half of what it was in late February before the severe price round trip, first down to ten years lows (below $12) and then to multiyear highs, is more than remarkable. Even more remarkable

and encouraging is that JPMorgan went from being short 18,000 silver contracts back in Feb to being flat today on what are now higher prices than existed in February.

Of course, JPM had to deliver 30 million ounces on first notice day to close out 6000 of its short contracts. By the way, yesterday's release of the monthly Bank Participation Report suggested no great revisions needed to be made in my running calculations of JPM's silver or gold short positions. Unlike the case in gold, the 8 largest shorts increased their concentrated short position by just over 1500 contracts to 71,534 contracts.

On the buy side of silver, the managed money traders bought a scant 866 net contracts, comprised of 2280 new longs and 1414 new short contracts. I'm starting to think there may be some cash and carry silver spreads occurring. In both gold and silver, there is some room for the big shorts to shake the price tree to shake off some speculative apple selling; but at the same time, there is just as much or more room for new buying.

Just about everything points to much higher prices, particularly in silver. I was astounded to read that even the Silver Institute is now predicting higher silver prices, although its prediction of $21 in the second half is hardly awe-inspiring. Still, in more than 35 years of closely following the Silver Institute's publications, I can't recall a single previous price prediction. To its credit, the Silver Institute attributes the unprecedented buying in silver ETFs (it calls them ETPS – exchange traded products) and retail forms of silver for its first-ever price prediction (although those are my words, not its)

https://www.silverinstitute.org/silver-investment-demand-10-percent-first-half-2020/

Along with the Silver Institute, there has been more bullish commentary on silver than I ever recall previously. This is as it should be, all things considered. Simply put, the near-unanimous bullish take on silver, consciously or not, reflects one unspoken fact – that the price is ridiculously cheap on any and every possible comparison. Yet, very few, certainly including the Silver Institute but also many other recently converted bulls take the necessary next step to offer any explanation for why the price of silver is so cheap to begin with. Talk about missing the obvious!

The facts are clear – not only is silver just about as cheap as dirt, more of it is being bought than ever in history. Huh? Isn't what I just said, not only true, but preposterous at the same time? How can an asset whose price is universally acknowledged as being driven by investment demand, be experiencing the largest investment demand in its history without the price exploding? Should not the greatest physical silver investment demand in history have resulted in the greatest price advance in history as well? And since the price advance to date has come nowhere close to matching up with the documented physical investment buying, doesn't the key question become – why not?

Of course, I believe I have provided the most reasonable answer to that question, namely, due to the leasing of metal by JPMorgan and the concentrated short position of the 8 largest COMEX traders. But leave me out – what do others say? And shouldn't everyone associated with silver, either in a regulatory role (the CFTC, DOJ and CME Group) or simply in the business of analyzing or commenting on silver be responding to how the heck can silver be so cheap if more of it is being bought than ever before? To be sure, if this were occurring in any other commodity, the regulators would be front and center in either explaining or intervening in an obvious ongoing price manipulation. By not addressing this matter, the regulators are

evading their most important function – preventing price manipulation.

As a result, we are forced to live in the bubble of a silver price manipulation where we will be confined to continued downside price rigging or a sudden end to the manipulation. Since history dictates that all manipulations end and end violently, the choice should be easy, namely, play it like it's going to end and not get shaken out until that point.

Ted Butler

July 11, 2020

Silver – $19.05   (200 day ma – $17.02, 50 day ma – $17.43)

Gold – $1802   (200 day ma – $1604, 50 day ma – $1743)