
July 22, 2023 – Weekly Review

Gold managed to hold onto a slim price gain of \$4 (0.2%) for the week, but silver finished lower by 35 cents (1.4%), following last week's much stronger relative gains for silver. As a result of silver's relative weakness this week, the silver/gold price ratio widened out by just over 1.2 points to 79.2 to 1. (Last week the price ratio tightened in by 5 full points.

From my vantage point, we are still primed to see dramatic price swings in the silver/gold price ratio dead ahead, curtesy of the existing "Code Red" condition that I believe exists in the COMEX silver market. Once again, however, I wish I could tell you whether the market emergency I see will result in a severe price smash in silver (around \$2 or so) to shake out the new technical fund longs, followed by an epic price surge higher or if we'll skip the price smash part and move higher straightaway.

Of course, I base this extreme split price conclusion on the expected and now confirmed massive positioning shift in COMEX silver futures that I wrote about in last Saturday's weekly review and Sunday's public article on the Code Red. Whereas I felt confident enough to sound the alarm about my expectations for an historic net positioning shift of more than 20,000 contracts (100 million oz), in those articles, as well as in Wednesday's follow up, yesterday's new Commitments of Traders (COT) report confirmed my expectations in spades.

I'll get into the details of the new COT report in a bit, but just a reminder of what I base my Code Red market emergency in COMEX silver premise on is that the historic increase in commercial short selling, including the sharp increase in the concentrated short position in just one week (actually, closer to three days), coupled with the unquestioned evidence of the tightest wholesale physical silver market (i.e., shortage) in history, point to a blatant price manipulation that cannot be resolved without coming price violence.

That this market emergency is being alleged, from what I am able to see, by only me and that the federal commodities regulator, the Commodity Futures Trading Commission, as well as the designated industry self-regulator, the CME Group (owner/operator of the COMEX) have been silent and, apparently, unconcerned and inactive in dealing with this serious market emergency is the stuff of a great scandal. Either I'm all-wet or the regulators are guilty of a monumental regulatory failure.

Let me run through the usual weekly format, which mostly deals with the continuing evidence of a deepening physical silver shortage, before digging into the details on the historic COT silver report.

The turnover or actual movement of physical metal either brought into or removed from the COMEX-approved silver warehouses remained super-strong this week as 8.1 million oz were physically moved. That's the equivalent of 420 million oz when annualized and more than 50% of total world annual silver mine production. I don't care much any longer that this unprecedented and unique to silver of all commodities physical turnover is ignored by those claiming to analyze and comment on silver and has been for more than 12 years that's on them, not me. And there's no way this unprecedented physical movement does anything but confirm supply attempting to keep up with demand.

Total COMEX silver warehouse holdings fell by 2.2 million oz to 276.7 million oz, with holdings in the JPMorgan COMEX warehouse increasing by 0.5 million oz to 139.9 million oz.

Holdings in the COMEX gold warehouses fell by less than 0.1 million oz to 22.2 million oz, with holdings in the JPMorgan gold warehouse also slipping marginally to 8.35 million oz.

Finally, there is some news to report on COMEX deliveries for July, where Bank of America has turned out to be the outstanding stopper (taker) of both gold but especially silver deliveries over the month and this past week. In silver, BofA has stopped 1752 silver deliveries (8.8 million oz), or 35% of the total 5059 silver deliveries issued this month, with Standard Chartered Bank the biggest issuer at 2403 contracts (12 million oz) or nearly 50% of total deliveries. Fortunately, in silver JPMorgan has been a net stopper of around 1200 contracts for customers and AWOL in its house account.

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

BofA has been the big stopper (also in its house account) in gold, but it's hard for me to read anything deep into this other than as another clear sign of physical silver tightness. I still contend that the dumbos at BofA are short a billion oz of silver and 37 million oz of gold in OTC dealings, so while the COMEX delivery details are of interest, the quantities pale in comparison to BofA's OTC dealings.

In ETF metal flows, it appears the inflows in the gold ETFs have started to return, but there still continues to be pronounced and highly-counterintuitive outflows in the silver ETFs, particularly in SLV, where a further 4 million oz came out this week (following last week's 6 million oz outflow), plus another million oz outflow in other silver ETFs. Although I would note a 200,000 oz deposit earlier in the week for PSLV. My best guess is that the silver outflows were necessitated by more urgent needs for the metal elsewhere (or conversions of shares to metal) and not plain vanilla investor liquidation.

The combined holdings in the COMEX silver warehouses and SLV have now slipped to 730 million oz, from my bedrock level of 750 million oz postulated at the start of the year. While this is only less than a 3% reduction in the total holdings in these two largest of silver stockpiles, combined with the turnover in both of perhaps 200 million oz over the past 6+ months, it still feels to me that the absolute bottom level of combined holdings is not far below current levels although further reductions could only be considered bullish and in line with other important shortage signals.

Turning to yesterday's new COT report, the positioning changes reported were unnervingly quite close to what I expected, namely, at least a 20,000 contract increase or more, in both COMEX silver and gold, in commercial selling and managed money buying. As far as I know, I'm about the only one who ever estimates, by contract amounts, expected changes in upcoming COT reports. I'm not sure why that is, since such estimates are commonly given in a wide variety of government reports, like unemployment, GDP and inflation reports.

More importantly, my estimates of COT contract changes are far from predictions, but much more straight calculations based upon available data in this case, price, volume, past behavior by the traders involved and changes in total open interest with changes in total open interest further dependent on the phony spread creation/liquidation cycle. This reporting week, I went out of my way to point out that there appeared to be little phony spread activity in silver, meaning that the massive

increase in total open interest appeared to be the real deal in depicting a massive net position change, while in gold, since we were in the liquidation cycle for phony spreads, gold's unchanged open interest hid a significant net positioning change.

First, some general comments before I get into the specifics of the COT report. In silver, the increase in the total commercial net short position was 24,300 contracts, or by 122 million oz to 280 million oz from the week before and to the largest level in more than a year. Further, the commercials increased their total net short position by 77% in one week. This is the largest one-week increase in ounces or in percentage terms in years (maybe ever) and occurred on a \$2 increase in price and in the face of the most extreme physical silver shortage in the history of the world.

Therefore, a reasonable observer would have to ask what was the motivation for the record one-week commercial selling. With silver so cheap in price in the face of a documented physical shortage and with strong technical buy signals (moving average penetrations) generated in the reporting week, the buyers, be they driven by supply/demand fundamentals or technical signals, need no explanation. It is the aggressive selling by the COMEX commercials (banks) that requires explanation and only one explanation is possible, namely, the commercials sold so aggressively to prevent an even larger run up in price that would have triggered massive new buying in silver away from the COMEX.

What I just described is nothing but in-your-face price manipulation â?? selling with the sole intent to prevent silver prices from increasing. There can be no other explanation. The fact that COMEX silver is supposed to be a regulated market, by not just the primary federal regulator, the CFTC, as well as the designated self-regulator, the CME Group, and both regulators sit by and do nothing but act as the three blind, deaf and dumb monkeys is nothing less than a national disgrace. The CFTC and CME Group can continue to disgrace themselves, but that's their choice, as I do intend to press the issue to the best of my abilities.

Worst of all, the massive commercial selling this week is what creates the Code Red market emergency in COMEX silver, as there is no way that I can see that the massive positioning gets resolved without extreme price violence. The responsibility for the disorderly market conditions that I now see as being â??bakedâ?• into COMEX silver as a result of the massive one-week surge in commercial selling, lies squarely on the CFTC and the CME Group.

I have been after both regulators for the better part of 40 years to address the ongoing COMEX silver manipulation and despite having to contend with their incompetence and malfeasance for all this time, I never thought both regulators would fail to act so irresponsibly as they are now. Neither would dare to openly debate the allegations of a market emergency, the avoidance of which couldn't be of more significance to each.

In COMEX gold futures, the commercials increased their total net short position by 26,000 contracts to 213,700 contracts. This is the highest (most bearish) level since May 9. By commercial categories, it was a big 4 and raptor (smaller commercial) selling affair. The big 4 added 8300 new shorts to a big 4 short position amounting to 171,629 contracts (17.2 million oz). The next 5 thru 8 largest gold shorts bought back 2500 shorts and the big 8 short position came to 229,964 contracts (23 million oz). The raptors sold off 20,200 longs, which reduced their net long position to 16,300 contracts.

On the buy side of gold, the managed money traders bought a very significant 32,875 contracts, consisting of the purchase of 23,250 new longs, as well as the buyback and covering of 9625 short

contracts. The resultant managed money net long position rose to 115,318 contracts (147,644 longs versus 32,326 shorts), just about the largest (most bearish) net and gross long position since April 2022. Explaining the difference between what the managed money traders bought and the commercials sold, was net selling of nearly 5300 contracts by the other large reporting traders and another 1600 contracts of net selling by the smaller non-reporting traders. I haven't mentioned it, but I see no basis for alleging that a market emergency exists in COMEX gold, but I would imagine the market emergency I see in COMEX silver would cause sympathetic price volatility in gold, as the silver Code Red gets resolved.

In COMEX silver futures, the commercials increased their total net short position by the heretofore mentioned 24,300 contracts to 56,000 contracts. All three commercial categories sold aggressively, with the 4 largest shorts adding 6100 contracts to a short position amounting on Tuesday to 40,828 contracts (204 million oz). This is the largest big 4 position since Jan 31. While the big 4 short position is still 25,000 contracts less than it was on Feb 2, 2021 (when I wrote to the CFTC), this in no way diminishes the disgrace accruing to the CFTC for the new short selling this week. The next 5 thru 8 largest shorts also added a hefty 6000 new short contracts, to a big 8 short position amounting on Tuesday to 64,913 contracts (325 million oz).

My reading of the data indicates that a big managed money traders still holds around 5000 contracts short, meaning that the raptor long position may be as low as 4000 net contracts. If this is correct, the amount of additional selling by the raptors is now near non-existent adding to the emergency conditions I see in silver. Just to be clear, not all the selling this week by the commercials in silver was new short selling, but 12,100 contracts of the 24,300 contracts of the total commercial selling was new short selling by the big 4 and 8 commercials and therein lies the in-your-face manipulation and main reason for the market emergency.

The managed money traders in silver bought 24,191 net contracts, nearly matching to the contract what the commercials sold and consisting of the new purchase of 22,259 longs as well as the buyback of 1932 shorts. It was the sharp reduction in the number of managed money shorts (from 28 to 21) that led me to conclude that the big managed money short was still holding 5000 short contracts or more. The resultant managed money net long position of 29,689 contracts (53,781 longs versus 24,092 shorts) is at or close to highs not seen since April 2022 (just as in gold) and therefore must be considered bearish based upon past experiences. Then again, both potential bullishness and bearishness is greatly exaggerated by what I claim is a market emergency in COMEX silver.

Last week, I mentioned that I detected that a new large concentrated long may have emerged in silver in the other large reporting trader category as a result of big buying in that category the prior reporting week. Upon further consideration, I doubted my conclusions, mainly because the concentrated long position of the 4 largest traders only increased by 1900 contracts over the prior reporting week, so I was prepared to admit to my previous miscalculation when the new COT report came out. But yesterday's new COT report indicated a rather sharp increase, by 6500 contracts, to 28,638 contracts, in the concentrated long position of the 4 largest traders in silver which happens to be the largest such position since June 2022.

While it's most likely that the new big long or longs might be in the managed money trader category, since that category experienced the largest increase in the number of new long contracts added, it's still possible that a trader from the other large reporting trader category is a large long, mainly because

there was also a very sharp increase of the number of traders in the managed money long category from 39 to 55. The number of traders in the other large reporting category decreased from 46 to 42, while the gross long position increased by 2856 contracts to what is now (as of Tuesday) a more than 3 year high

The difference between the managed money category and the other large reporting category is that traders in the managed money category are trading other peoples' money, while those in the other large reporting traders' category are trading their own money. I'm speculating here, of course, but if there is a new large trader long silver in the other large reporting category, if this trader is of the 'activist' variety, it could make a difference. I would define an 'activist' long as someone who might seek to disclose his position publicly, for the purpose of drawing attention to the silver manipulation in the aims of exposing it (much like I do minus the big long position).

Remember, the CFTC and CME Group are prevented by law from disclosing the identity of traders, but such traders can certainly disclose their positions legally. I can't help but think that someone, say like that guy from the electric car company whose name escapes me, were to announce a big long position in COMEX silver, that many people would sit up and take notice and try to imitate his actions. Wouldn't that be something?

Back to reality, there can be no question as to the intent of the commercials which sold heavily on the COMEX this past reporting week. Both the smaller commercials which pitched long positions at a profit and, particularly, the big 4 and 8 manipulative commercials which added aggressively to short positions will both be doing whatever they can to rig silver prices sharply lower. This is nothing less than a matter of do or die for the big commercial shorts. If they succeed in blasting silver prices sharply lower, they kick the can down the road and live to plot and scheme for another day. If they fail and can't rig prices lower, the jig is up and they face financial consequences of the worst kind and possible jail time, as a silver price explosion is all that stands between them and total ruin.

There is no animal more dangerous than one which is cornered and that's the only description that comes to my mind to describe the big COMEX commercial shorts at this time. As such, please hold onto your hats. These crooks have every intention of ripping silver prices sharply lower to flush out all the new buyers, which by past standards suggests prices below all the moving averages, or below \$23, some \$2 lower from here, plus the add-on push even lower to deliberately scare the dickens out of every long.

On the other hand, should the commercial crooks fail for a wide variety of legitimate reasons, then the sky's the limit. If I knew for sure which it would be, I would tell you but, unfortunately, I just don't know.

What I can tell you is that the regulators overseeing this market emergency and travesty are not remotely close to fulfilling their most basic duties. All responsible at the CFTC swore an oath of office to uphold the law and protect the public and are failing spectacularly at both. How they can let down the public and the integrity of our markets and look at themselves in the mirror everyday is beyond my comprehension.

Ted Butler

July 22, 2023

Silver – \$24.80 (200-day ma – \$22.87, 50-day ma – \$23.80, 100-day ma – \$23.77)

Gold – \$1964 (200-day ma – \$1880, 50-day ma – \$1963, 100-day ma – \$1966)

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