
July 5, 2023 – If Not Now, When?

***Get smart, get down with the pow wow
Never been a better time, than right now***

Â Â Â Â Â Â Â Give It Away â?? Red Hot Chili Peppers

I'll get into the prospects of this being an extremely opportune time to load up on silver in a moment, but there have been a number of new stories on silver these past few days that warrant mention that are in keeping with this basic theme.

The first story, contrary to a pattern over the years of less silver being used in PV solar panels, strongly suggests that a lot more silver might be used, due to recent technologic developments. So much silver, as it turns out, that it's a real question of where all the silver might come from, given stagnant world mine production.

[https://www.bnnbloomberg.ca/the-world-s-appetite-for-solar-panels-is-squeezing-silver-supply-1.1940833#:~:text=\(Bloomberg\)%20%2D%2D%20Changes%20to%20solar,mine%20production%20on%](https://www.bnnbloomberg.ca/the-world-s-appetite-for-solar-panels-is-squeezing-silver-supply-1.1940833#:~:text=(Bloomberg)%20%2D%2D%20Changes%20to%20solar,mine%20production%20on%20)

While silver's current low price makes it very attractive to use the greater quantities required to make solar cells more efficient, according to the article, that advantage might slip away at prices above \$30 where substitutes might kick in. What's not mentioned but seems obvious to this old commodity broker is what a compelling case the current price makes for a bona fide user hedge by loading up on silver or silver derivatives to lock in what is currently an attractive price to insure an adequate profit margin. Ironically, this is the precise purpose for why we have futures trading and I can't believe it wasn't brought up in the article.

The second story was the most recent release by the Silver Institute of new potential uses for silver. When I first discovered the COMEX silver manipulation in 1985 (thanks to Izzy's challenge), I devoted myself to learning as much about silver as possible and that included a close study of the Silver Institute's reports on new uses. I've gotten away from this over the years, more intent on studying why prices remain suppressed, but this new report from the Institute includes some fascinating findings.

<https://www.silverinstitute.org/wp-content/uploads/2023/06/TSI-NL-June-2023-28-June-2.pdf>

I know how we're not supposed to fall in love with any investment asset held for profit purposes, but one thing I've learned over the decades is that the more you study it, the easier it is to look favorably upon silver outside the profit perspective. In addition to having a documented history dating from the origins of recorded civilization, it is perhaps the epitome of a good news commodity, with most of its beneficial aspects to mankind coming over the past century or less and in an accelerating manner. In fact, I just remembered that close to 20 years ago, I actually wrote an article titled, "The Good News Metal".

<https://www.investmentrarities.com/ted-butler-commentary-november-29-2004/>

Finally, there was a comprehensive and fairly well-written (and apparently authored anonymously) article on silver over the past few days, in which I had only one quibble, namely, its cavalier and dismissive take on whether the price is manipulated.

<https://www.commoditytrademantra.com/silver-trading-news/silver-a-highly-undervalued-golden-opportunity/>

The unnamed author asks why would a group of banks (most of which were found guilty of price manipulation through spoofing) collude and suppress the price of silver for decades? And because the author couldn't come up with a satisfactory answer, he or she concludes there can't be such a plausible explanation. To that, I say poppycock. The answer to why a group of banks — in fact, most banks involved in precious metals activity — would collude on the short side of silver is for two reasons, for profit and because they had no choice.

Perhaps the first thing I discovered in 1985, when silver was trading in the \$5/oz range, is that I knew of no one (in terms of clients or brokers or anyone associated with or who had an interest in silver) that was interested in shorting silver. Sure, there were plenty of folks who made and lost fortunes in silver on the Hunt Bros.-inspired run to \$50 into 1980 and subsequent collapse — but I knew of no one seriously bearish enough to short or want to short silver at \$5 in 1985. Everyone I ran across was long or out, with Commitments of Trader (COT) report data confirming this.

It was precisely because the public was overwhelmingly long that the banks, playing the role of market makers, had to be short. Everybody can't be long in a derivatives contract, as there must be a short for every long and vice versa. So, by default, the banks were short to the public's long silver position — they had no choice. But how did the banks hope to profit from such a lopsided arrangement? Luckily, for the bank shorts, a number of things worked in their favor.

For one thing, COMEX silver futures offered tremendous leverage, where a contract could be purchased with no more than a 5% or 10% deposit, which meant that in a 5% or 10% move in silver (25 to 50 cents), a speculator faced either a doubling or a full wipeout of deposited funds in an upside or downside move. Back then, there were proportionately many more individual speculators, employing technical trading methods and stop-loss orders.

In addition, the managed money crowd were just staring out with most deploying technical signals to buy and sell. Invariably, these managed money technical traders bought on rising prices and sold on declining prices — much as they do to this day. The combination of smaller speculative traders using extreme leverage and attracted to long side of silver, but using stop loss orders under current prices and the presence of managed money traders using strictly technical signals created an irresistible opportunity for the banks to go short on rising prices and then to trigger selloffs in which the speculative small longs and larger managed money longs would sell out, allowing the bank shorts to buy back and cash in profitably.

This is the motivation for manipulation that escaped the unnamed author of the silver article. And here's the kicker and not just for the article referenced, but for every recent bullish article on silver, which are too numerous to count. Every article spells out in varying detail why the price of silver is a

great buy (too low) considering the supply/demand facts surrounding it, but rarely is there a hint as to why the price is too low to start with. It's as if only the authors of these articles have discovered that silver is too cheap and everyone else has missed it. In my opinion, not asking why or explaining how silver is so cheap to begin with is analytical/commentary malpractice.

Turning to the theme of this article, namely, why now might be the time for silver to explode, my explanation is related to what I just wrote, in terms of the ongoing COMEX manipulation which is to say there are signs galore that the manipulation is ending. Of course, it goes without saying that all this is speculation on my part and the collusive and the crooked COMEX commercials might succeed in postponing the end for a while longer. Then again, there's not much to be gained in failing to disclose signs of a silver explosion after the fact.

I just described how the motivation for the 40-year COMEX silver manipulation was the dual profit opportunity and the banks' mandatory requirement to be short (because everyone else was long). Therefore, it follows that if the profit opportunity and/or the requirement to be short by the banks were no longer present or could be sidestepped, the basic mechanism for the continuation of the manipulation would be eliminated. And the signs are strong that seems to be the case.

First, as far as the banks' shorting of silver being the almost always profitable operation as it was when it started decades ago, that has changed. In fact, I started tracking the combined losses of the 8 big commercial shorts in COMEX silver and gold a few years back (before suspending the running scoreboard). Their combined losses hit over \$16 billion, before retracing to \$4 billion or so. I stopped tracking the big 8's losses because the composition of the traders changed after JPMorgan fled their ranks and the OTC derivatives position of Bank of America emerged, but the fact is that the 8 big shorts in COMEX silver and gold futures have gone profitless for the past few years.

At the same time, it's quite true that the smaller commercials apart from the big 8 commercial shorts, whom I refer to as the raptors, have continued to make profits by establishing long positions on gold and silver selloffs and then selling those long positions at profitable higher prices. This is what explains the continued manipulation despite the losses to the big 8 commercial shorts. But even here, the profits to the raptors have generally been on the decline, strongly suggesting to me that the vice-grip of the commercials on the price of silver is on the wane and not the ascent.

While it has been a process of sorts to this point in the potential ending of the long-term manipulation and suppression of the price of silver, the mechanical operation of how things work on the COMEX strongly suggest that at almost any time, there will, most likely, be an abrupt and sudden surge in silver prices that will surprise and shock most observers. I would imagine there might be some news or made-up news to explain the sudden silver price surge, but it won't be any special news that drives the price surge, but instead, the mechanical operation on the COMEX.

All this, of course, is dependent on the former big 4 commercial shorts on the COMEX, not adding aggressively to their short positions on the next silver rally, as I have intoned repeatedly over the years and more recently. This is the key to whether silver explodes (as it should). As you know, I have been most impressed that the 4 big former commercial shorts had not added aggressively (or at all) to their silver shorts on the recent silver rally of \$6 from early March to early May for the very first time in history, and considering the flow of silver news since then, there would appear to be little in the way of a legitimate reason for adding shorts at this time. Moreover, there is a special feature to this singular critical concern.

Should the inevitable time be upon us that silver moves higher (without a further sharp selloff first), the conditions are such so as to make the issue of whether the 4 big former commercial shorts add or not to their existing short positions all the more critical. That's because if we were to rally sharply from here the relatively low net long position of the silver raptors (around 20,000 contracts) only allows for the selling of 10,000 to 15,000 contracts (absent big 4 shorting), plus a possible modest amount of shorting by the big 5 thru 8 shorts.

Against the potential selling of perhaps 15,000 commercial contracts (mostly raptor long liquidation), it's easy to imagine as many as 35,000 contracts of speculative buying (25,000+ contracts by the managed money traders, plus another 10,000 contracts by the other large reporting traders and smaller non-reporting traders). This would leave a gap of as many as 20,000 commercial contracts needed to be sold and even if the big managed money trader adds to its short position, without the big 4 former shorts suddenly returning aggressively to the short side, it's hard for me to see how silver prices could be contained.

Of course, should we move lower first, the dynamics would likely change in that the raptor long position would likely increase, allowing for more additional potential selling on the coming silver rally, but only to the extent of postponing the coming price explosion. Certainly, in light of the current conditions in actual silver supply and demand, any talk of a sharp decline in price makes absolutely no legitimate sense.

This Friday's new Commitments of Traders (COT) report will cover positioning changes through Monday's close, given the Independence Day holiday yesterday and I have no strong sense for major positioning changes. I will, of course, be particularly interested in the category changes, in light of what I wrote above. We would appear to be lined up for an imminent silver price explosion, but I suppose the collusive commercials could delay the launch for reasons not at all clear to me.

Perhaps, I thought, there might be a delay associated with the three-year expiration of the deferred criminal prosecution agreement (DPA) agreed to by JPMorgan and the Department of Justice due this September. But regardless, the DOJ was never going to charge the crooks at JPM with any real accusation for the role the bank played in the ongoing silver manipulation - sticking instead to chicken-feed spoofing charges - so why would the DPA matter? By the way, if you've never seen a copy of the order, here it is

https://www.justice.gov/d9/press-releases/attachments/2020/09/29/jpm_dpa_fully_executed_0.pdf

Lastly, on Monday, the CFTC announced a consent order involving another crooked retail precious metals dealer, First State Depository Company (FSD), that raised more questions than it answered.

<https://www.cftc.gov/PressRoom/PressReleases/8741-23>

The "settlement" was quite large, \$146 million (of which \$122 million was earmarked as restitution). While it always saddens me that there are so many crooks out there preying on the unsuspecting (and using silver as the bait), there are aspects to this particular case we can learn from. Holding metal with the dealer you purchased it from is always a no-no, and I'm starting to think all private vaults are suspect. Certainly, any mention of "leasing" should be a big red flag, as I never met a precious metals lease that was legitimate.

That having been said, I have specific questions about this case. I get the feeling those agreeing to the terms of the order have little or no intent of truly cooperating when it comes to the promise of restitution. This appears to have been a long-term criminal scheme (and where the heck is the DOJ with criminal charges?), starting in Jan 2014, and the fraudsters had to know they were scamming folks from the start - implying the money and metal ripped off has been squandered or hidden from collection. My reading of the associated filings strongly suggest those agreeing to the Commission's order have no intention whatsoever of proving restitution - they just agreed to save the legal fees it would cost to argue against the consent order.

This order could be for \$146 billion and not \$146 million because in either case, full restitution looks highly improbable. It took the Commission nearly nine years to uncover and end this obvious scam, hardly reassuring, and the extremely low likelihood of full restitution is hardly in keeping with the self-congratulatory tone of the press release.

Obviously, it's still way too soon to declare that today's "spikey" silver price action is indicative of an imminent price explosion, but neither is it a strike against such an explosion.

Ted Butler

July 5, 2023

Silver – \$23.35 (200-day ma – \$22.54, 50-day ma – \$24.10, 100-day ma – \$23.43)

Gold – 1924 (200-day ma – \$1862, 50-day ma – \$1979, 100-day ma – \$1953)

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