

## June 24, 2023 – Weekly Review

Against a backdrop of what I see as nothing but bullish factors in precious metals accelerating, prices instead got crushed, with gold down by \$41 (2.1%) and silver absolutely hammered by \$1.80 (7.4%) for the week, both near 4-month lows. As a result of silver's sharp relative underperformance, the silver/gold price ratio surged by nearly five full points, to 86 to 1, not surprisingly also the most undervalued silver has been relative to gold in more than four months.

I won't bore you with restating the obvious dichotomy between what was and what should have been, because it is beyond obvious that the only possible explanation was the highly intentional and deliberate paper positioning (or the attempts at same) on the COMEX. It was long-feared that the collusive COMEX commercials might stage a final flush out to the downside, before an expected explosive rally, so the price blast to the downside this week can't possibly be called truly surprising.

However, based upon indications in the new Commitments of Traders (COT) report yesterday and the extremely low trading volumes, particularly in silver, on the price smash since the Tuesday cutoff, a new development may have presented itself, namely, what if the collusive commercials staged a sharp selloff in which the managed money traders didn't participate? The whole purpose of the commercial rigging of prices is to induce puppet-like managed money technical fund buying or selling. Without the expected managed money reaction, the whole purpose of rigging prices goes out the window – kind of like arranging for a big party in which no one shows up.

Obviously, it's way too early to reach such a potential game-changing conclusion, but the news out of Russia overnight of what appears to be an armed government resurrection looks to be the first serious candidate for a black swan event in quite some time. As a supply/demand guy who advocates silver for all the reasons I present tirelessly, I hold silver for reasons unrelated to a sudden and widespread flight to quality.

That said, the possible intersection between the best set up I've ever seen in silver, both in physical supply/demand terms and the highly-unusual developments in the COMEX market structure (the extremely low and reduced concentrated short position) create a tinder box situation in the event this Russian development gets out of hand. Certainly, regardless of how the news progresses from here, the very last thought that should be on folks' minds is a rush to sell gold and silver.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued quite strong at 5.9 million oz, particularly for a four-day work week. Most of the movement was of the "out" variety, as total COMEX silver holdings fell by 4.2 million oz (including a one-day out movement of nearly 3 million oz), to 267.9 million oz. This is the lowest level of total COMEX silver warehouse levels in five years, even longer for the registered category.

Much has been made of the decline in COMEX silver inventories and for good reasons, as it's hard to argue that such reductions aren't in keeping with widespread reports of surging silver demand against a stagnant supply. Further, when the 103 million oz in COMEX holdings thought to represent holdings held on behalf of SLV, the big silver ETF, are considered, the resultant 165 million oz level of holdings looks mighty skimpy indeed.

The 130 million oz reduction in total COMEX silver holdings over the past two and a half years (from what were all-time peak holdings of 400 million oz) in the face of what was a fairly sharp decline in price of close to \$6 (20%) since then, was not something that could be explained in free market terms. This leaves only non-free market terms to explain the phenomenon of falling prices against a backdrop of supply not keeping up with demand, to the point of sharply reducing inventories. The real story here is the ongoing artificial COMEX silver price suppression — but hey, what's new?

Total COMEX gold warehouse inventories fell for a second week, by 150,000 oz to 22.4 million oz. No change in the JPM COMEX gold warehouse which stood at 8.55 million oz.

The only news in terms of the soon to be ended deliveries in the COMEX June contracts is the somewhat surprising lack of deliveries or closeout of the remaining open interest in the June silver contracts with only a couple of days before the contracts must be settled one way or another. The quantities are not large, around 2.5 million oz in the combined standard and mini contracts and it's near impossible to imagine a contract delivery default, but, nonetheless, it stands out — particularly with the big July silver contract scheduled to begin this Friday. The only real conclusion I have is that it was a blunder by the CME Group to allow the June contract to go unsettled until now — unless its intent was to inflame unwanted attention to the ongoing silver manipulation for which it is primarily responsible.

ETF metal flows featured outflows from GLD, the big gold ETF, of a bit over 200,000 oz, largely in line with price movement (remember, ETF flows generally follow COMEX-generated price moves). However, the opposite occurred in silver, where the extremely sharp selloff, resulted in more than 6.6 million ounces coming into SLV, the big silver ETF (although there were some smaller redemptions in other silver ETFs). The highly counterintuitive deposits in SLV may have been intended to reduce the short position in SLV, although not in time for Tuesday's new short report. Besides, the short position in SLV has already collapsed — thanks, I still believe, to behind-the-scenes actions by the S.E.C. and BlackRock. That said, I will be surprised if the short position in SLV doesn't continue to decline, although predicting specific short reports is difficult (at least for me).

I would note that the combination of the sharp reduction in COMEX silver inventories this week, along with the even sharper increase in SLV holdings, in addition to confirming my take that the unprecedented physical turnover in silver inventories is particularly noteworthy in itself, the combined 738 million oz in the COMEX warehouses and in SLV holdings is not that far below the 750 million oz — bottom of the barrel — premise I made several months ago. I'm not rooting against further declines, of course, and should we see notable declines from here, I would characterize such additional declines as getting into bedrock territory and highly-supportive of a sudden price explosion.

Turning to yesterday's COT report, I admit to being disappointed initially, since it didn't come close to my expectations of significant improvement, particularly in gold. But upon closer examination of the price action over the reporting week, which came down to only one real day of a price decline

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â?? the Tuesday cutoff â?? it became clear I may have expected too much. (I suppose thereâ??s some possibility of misreporting, but that would be quickly corrected in subsequent reports).

As indicted earlier, Iâ??m now more taken with the possibility that the collusive commercials may be â??pushing on a stringâ?•, particularly in silver, where despite always being able to get the managed money traders to dance to the tune of commercial price rig jobs, what happens if the managed money traders donâ??t play along? It is way too early to declare which it will be, commercial success in getting the managed money traders in silver to go heavily short or commercial failure to do just that. It should not take long to determine which it will be.

In COMEX gold futures, there was little change in the total commercial net short position which increased by 500 contracts to 186,500 contracts. With such a small overall change, there wasnâ??t much in the way of change by commercial categories. Since I misstated by a small amount last weekâ??s change, it look like this week a reduction of around 600 contracts in the big 4 short position to 171,272 contracts (17.1 million oz) as of Tuesday is correct. The big 5 thru 8 traders added around 300 new shorts and the big 8 short position came in at 230,407 contracts (23 million oz). The raptors (the smaller commercials apart from the big 8) sold off around 600 long contracts and held 43,900 contracts net long.

On the managed money side in gold, these traders were net buyers of 1396 contracts consisting of the sale and liquidation of 198 longs and the buyback and covering of 1594 short contracts. The resultant managed money net long position stood at 76,039 contracts (110,314 longs versus 34,275 shorts) and at a level not excessive enough to prevent either a rally or selloff.

In COMEX silver futures, the commercials reduced their total net short position by 2300 contracts to 36,200 contracts. There was good news by my way of thinking in that the big commercial shorts did all the buying. The posted big 4 short position fell by around 1400 contracts to 35,238 contracts and because I believe that a big managed money trader is still holding at least 7000 short contracts, the commercial-only component of the big 4 short position is closer to 28,000 contracts (still one of the lowest on record). Therefore, allâ??s still right with the world as far as my premise of the role of the concentrated short position in silver is concerned.

The next 5 thru 8 largest traders bought back 1200 shorts and the big 8 short position fell to 57,205 contracts on a straight calculation basis, but after deducting the 7000-contract big managed money position, is around 50,000 contracts. This would mean that the raptors, sold off close to 700 longs and held 13,800 contracts net long as of Tuesday. I was particularly encouraged by the big 4 and big 8 buying and the selling by the raptors, although the amounts werenâ??t particularly large.

On the managed money side of silver, these traders were net sellers of 2741 contracts, consisting of the sale and liquidation of 1679 longs and the new sale of 1062 short contracts. The resultant managed money net long position of 10,256 contracts (37,289 longs versus 27,033 shorts) leaves a lot more room for higher rather than lower prices. Despite the increase in managed money shorting, Iâ??m leaving unchanged my estimate of the big managed money short at 7000 contracts, both for being conservative and to recognize there may have been some managed money technical shorting.

Since I am still focused on the unprecedented reduction in the big 4 short position in silver, particularly as regards the commercial-only component, I can only be encouraged by the still-low level and the fact that the big commercial shorts appear eager to cover more shorts. The real test, of course, will come

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only when we turn higher in silver prices and we get to observe what the former big commercial shorts do at that point, in the form of adding aggressively to shorts or by standing aside and allowing silver prices to run free. I still believe the 4 big commercial shorts tipped their hand by not shorting on the rally that began in early March.

The other critical feature is whether the manage money technical fund traders plow onto the short side as the collusive commercials are clearly trying to bring about. They didn't come onto the short side heavily in the just released COT report and, based upon volume and open interest changes since the Tuesday cutoff, but only the passage of time and new COT report data will tell the tale.

We are witnessing unprecedented physical tightness in silver, evidenced by the approaching July deliveries at week's end, while we still haven't resolved the June deliveries and are fast approaching the end of the second quarter and first half – generally times that signal an end to commercial price rigging to the downside.

On top of all these things, the biggest and fattest black swan just flew in, in the form of the Russian news of internal dissent. How this plays out is anyone's guess, but it does reinforce a persistent thought I've held for just about forever, namely, the role of such an unexpected event in providing a perfect "cover story" for a silver price explosion. Certainly, if, for example, this Russian news coincides with a silver price explosion, then there is no doubt in my mind that this will be widely accepted as the reason for the silver price move higher.

As such, the news and move will be embraced by those most responsible for the long-term silver manipulation, including, of course, the collusive COMEX commercials, with special honorable mention to the master crooks at JPMorgan and the prime manipulation enabler and defender, the CME Group. In such an event, if you listen closely enough, you'll be able to hear the collective sigh of relief emanating from Washing DC, as all the do-nothing regulators from the CFTC, S.E.C., US Treasury Dept and everyone's favorite whipping boys, the Justice Department, silently rejoice at not having to explain a silver price explosion in terms of the long-term manipulation.

This is something I can very easily live with, should it occur. At this point, all I wish to see is an end to the current silver price rigging and the liftoff in silver prices. Then, after silver prices have finally lifted off, we can take names and make accusations. The more immediate concern is seeing the end to the current deliberate price rig lower, which shouldn't take much longer time wise and, hopefully, not much more price wise.

Ted Butler

June 24, 2023

Silver – \$22.45 (200-day ma – \$22.42, 50-day ma – \$24.39, 100-day ma – \$23.43)

Gold – \$1930 (200-day ma – \$1855, 50-day ma – \$1991, 100-day ma – \$1952)

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