After surging to near all-time price highs on Tuesday (the cutoff day for the COT report), gold fell back sharply over the balance of the week, but still ending higher by $17 (0.9%), its highest weekly close since Aug 2020. Silver mirrored gold's price pattern, surging into the Tuesday close before selling off, but still ending 35 cents (1.4%) higher for the week, its highest weekly close in 8 months.

As a result of silver's relative outperformance, the silver/gold price ratio tightened in a bit to 76 to 1. The stark price difference between the two leading precious metals reflects the fact that while gold is flirting with all-time price highs, silver is still down by close to 50% from its all-time highs set both 42 years ago and again 11 years ago.

Yet I just read a report suggesting that there is such a profound shortage of retail forms of silver, that buyers were turning to fractional gold oz products as a substitute. In other words, investors are turning to gold because they can't buy silver – all while (and because) silver is priced at half of its former price highs. How 'bout them apples? Can this be attributed to anything but silver having been manipulated lower to a shocking extent?

All this, of course, against the shocking backdrop of a devastating and horrific war in the heart of Europe, which still seems somehow surreal, precisely because it is so horrific and its consequences, both in human and economic terms is unknowable. Any one who pretends to know how this will all play out should be disregarded, but there is absolutely nothing about it that appears negative towards higher precious metals prices. Please don't take my sticking to precious metals matters as any indication the war in Ukraine is not upper most on my mind.

A big new development more specific to the metals is the ongoing drama in LME nickel, which I'll touch on as we go along. This is surely one of those times when the news of the day approaches (and exceeds) the ability to fully-comprehend all that's going on. Sticking to the typical weekly format is difficult, but let me try.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses this week came in at 4.8 million oz, roughly equal to the weekly average over the past 11 years (ever since JPMorgan came to town as head silver honcho). Total COMEX warehouse inventories fell by a million oz to 345 million oz, another new low going back to August 2020 and down nearly 55 million oz from the peak of holdings a year ago January. The holdings in the JPMorgan warehouse fell by 0.2 million oz to 182.3 million oz, but, of course, JPM holds plenty more in other COMEX warehouses.

For a change, there was an increase in the holdings in the COMEX-approved gold warehouses of 0.3 million oz to 32.9 million oz. About half the increase occurred in the JPM COMEX gold warehouse, which was up to 12.9 million oz.

The delivery patterns in the COMEX March gold and silver contracts are playing out in the same manner as they began, namely with JPMorgan on the issue side and Bank of America on the stopper side, although certainly not exclusively. Of the total gold delivery issuances of just over 10,000 contracts (one million oz) so far this month, JPM has issued 4365 contracts from its own house account (and more from clients), while BofA has stopped 5748 gold contracts in its house account.

Of the just over 10,000 total silver contracts (50 million oz) issued, JPM has issued 3147 contracts in its house account (with JPM customers are on both sides), while BofA has stopped 2442 silver deliveries in its house account. It's hard not to reach the conclusion that JPMorgan has bailed out both the gold and silver shorts by its delivery actions this month, because if it hadn't stepped up to the delivery plate, the outcome, both price-wise and in physical crunch terms would have been different. By the way, one big participant dictating market outcomes is the hallmark of a manipulated market. Just sayin'

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

The new short report on stocks, released late Wednesday, indicated a rather sharp increase in the short position on SLV of nearly 4 million shares, to just over 33 million shares (ounces), as of Feb 28. This puts the short position on SLV only about 5 million shares shy of the peak several months ago, providing some, but not all, of the answer to the question about the lack of metal deposits into SLV on obvious net investment buying and making critical the next short report on March 24.

https://www.wsj.com/market-data/quotes/etf/SLV

On the topic of metal flows into and out from the gold and silver ETFs, there were close to 330,000 net oz of gold deposited this week into GLD, the big gold ETF – consistent with price action. The story was decidedly different in SLV, where 3 million net oz were redeemed – a far cry from the 30 million oz or so deposit I have claimed the SLV is "owed". So extreme is the disparity between what I was expecting and the actual flows (or lack thereof) as to be a real-head-scratcher. What's going on?

As I have intoned often, analysis is a matter of finding the most plausible explanation around the flow of documented facts. As the facts change, so must the explanation; hopefully, the facts don't change so much so as to destroy a previous premise or explanation and requiring a whole new explanation. To be sure, the lack of deposits of silver into the SLV on what was obvious pronounced net investment buying was so extreme so as to be unprecedented. I would remind you that on the run up in silver prices in Feb 2021, some 100 million oz of silver was deposited into SLV in a matter of days (and later converted from shares to unreported metal).

As I have explained in the past, net new collective investment buying in SLV must result in either the deposit of new physical metal commensurate with the amount of new share buying or there must be an increase in the short position. So, while it is possible that we will see a sharp increase in the short position on SLV in the next short report (on March 24), it's hard for me to imagine BlackRock (the trust's sponsor) tolerating an increase in the short position on the order of 30 million shares or so, which would be a doubling of the short position (in light of the prospectus change a year ago). Should there be no such massive increase in the next short report (which I doubt), then what could possibly explain the lack of silver deposits in the face of the obvious large net buying of shares?

Based upon the reality that necessity is often the mother of invention or new thought, it dawned on me that in addition to either a large deposit of metal or a sharp increase in the short position being the only result of significant net new buying, there must be a third possible explanation for the lack of new metal being deposited into SLV over the past week or so.

Assuming there is no giant increase in the short position in the next short report, the only other possibility is that the net new buying was met with selling from existing shareholders. If new buyers of SLV were met with a commensurate amount of selling from existing shareholders, then no new metal would have to be deposited. But what existing SLV shareholders would sell, just as prices were set to explode? The only possibility, it seems to me, is that the selling shareholders were the friends and family of JPMorgan – who happen to be the largest shareholders in the trust, where a good chunk of the metal I attribute as being held by interests of JPM is held.

Further, since JPMorgan is the clear issuer of last resort in COMEX deliveries, it fits like a glove that interests related to JPM would also be the sellers of SLV for a number of reasons. First, the friends and family of JPMorgan are the only entities who hold silver in size, as a result of their buying over more than a decade. As I described on Wednesday, this may be the start of the distribution process whereby JPM & friends begin to distribute the massive accumulation of physical silver (and gold) initiated in 2011. Also, it would make sense that JPM, in providing enough metal via COMEX deliveries to prevent prices from exploding and a possible default (as has occurred in LME nickel), would do the same in SLV.

While I have to admit that this may somewhat dampen the immediate price explosion premise, it far from eliminates it completely. Silver is still dirt cheap compared to virtually anything else and the total value of the world's inventory of bullion in 1000 oz bar form is only $50 billion, laughably tiny by today's standards. And there is no telling when JPMorgan will grow tired of giving it away (albeit at a profit) at current prices.

As to why JPM has chosen this time and price to loosen up on its silver purse strings and let the shorts off the hook, I still believe it's because at this precise point, it chose not to create the hoopla that would attach to a market default like is occurring in LME nickel and in which JPM is also deeply involved. Is there any market these crooks don't dominate?

While the possibility of a genuine silver short squeeze may have been temporarily averted, it still appears very much in the cards. I would point out that while it appears that JPMorgan can't be faulted for selling metal it had previously acquired at lower prices and, therefore, at a profit, the fact is that its sales in COMEX deliveries and in SLV are as illegal as it gets. How so?

Perhaps the most salient feature of US commodity law is that no one is allowed to buy or sell a commodity (used in interstate commerce) with the intent to manipulate prices. Yet, by any measure possible, this is exactly what JPMorgan did in its recent issuance of COMEX silver (and gold) deliveries and likely sales of shares of SLV. It's painfully obvious that without these deliveries and sales by JPM, silver (and gold) prices would have shot significantly higher and preventing those higher prices was the main intent of JPMorgan. Plain and simple, JPM bailed out the shorts by its actions, clearly violating the law.

Unfortunately, neither you nor I are the adjudicators of US commodity law and those who are, namely, the CFTC and the Justice Department, have zero interest in pursuing any action against JPMorgan, no matter how egregious its actions may be. Just like JPMorgan, the regulators have zero interest in doing anything that would focus attention on the regulators' malfeasance for what has been decades. Sad but true.

Turning to yesterday's Commitments of Traders (COT) report, it was largely an (expected) read 'em and weep affair by conventional and historic standards. After all, it would have been impossible for there not to be significant commercial selling as gold rose as much as $140 and silver by $2 over the reporting week (although, quite amazingly, the managed money traders were also slight net sellers in gold – a first for me).

In COMEX gold futures, the commercials increased their total net short position by

21,100 contracts to 306,900 contracts. This is the first time the 300,000 net contract level has been breached since January 5, 2021 and, obviously, points to a bearish market structure. Back then, gold had traded as high as $1950 or so, a level it was not able to exceed until the last couple of weeks.

This raises the question about whether the heavy commercial selling will be able to turn back prices this time around – what with the world looking quite a bit different today than it did back then. If the commercials shorts prevail yet again (as they always have in the past), I'll be very interested in discovering how many gold market participants actually acknowledge this recurrence. This is in no way a prediction on my part of what's to come price-wise, just an inquisitive observation about what the reaction of those who deny the manipulation might be. After all, I do little aside from trying to expose the fraud and manipulation occurring on the COMEX. Come to think of it, it's almost exclusively what I've done for more than 35 years.

By commercial categories in gold, it was good old-fashioned, all hands-on deck, Three Musketeers effort, as all three categories added to shorts. The 4 big shorts added 9800 new shorts to a concentrated short position amounting to 188,358 contracts (18.8 million oz) as of Tuesday, the largest big 4 short position in two years. The 5 thru 8 next largest commercial shorts added 4800 new shorts and the big 8 short position rose to 279,025 contracts (27.9 million oz), also the largest in two years. The raptors (the smaller, but just as collusive, commercials away from the big 8) added 6500 new shorts to a net short position of 27,900 contracts, the largest since the more recent gold price top on this past November.

On the buy side of gold, surprisingly, the managed money traders weren't net buyers at all, as these traders actually sold 5648 net contracts, consisting of the sale and liquidation of 5705 long contracts and the slight buyback and covering of 57 short contracts. I would say this qualifies as a man bites dog story, since it was something I've never observed.

Explaining who did the buying to the commercials (and managed money selling) was notable buying by the other large reporting traders, who bought 22,414 net gold contracts and the smaller non-reporting traders, who bought 4461 net gold contracts. Included in the other large reporting traders' buying was the short covering of 6268 contracts, confirming last week's suggestion that these traders' luck had run out on the short side. There was a pretty hefty bump up in the concentrated long position of the 4 largest longs of more than 4000 contracts, but I'm inclined to leave the gold whale's long position as around 40,000 net contracts. By the way, the gold whale appears to be in the black for around $900 million and at the early week price highs, more than a billion dollars ahead from what I claim was a purchase at around $1770 back in Aug/Sep.

In COMEX silver futures, the commercials increased their total net short position by a hefty 12,500 contracts, with all three categories of commercials participating in the selling. Unfortunately, the big 4 added more aggressively to their short position than they did last week, as they added 4600 new shorts to a concentrated short position amounting to 54,187 contracts (271 million oz), the largest short position since June of last year. Since COMEX silver already had the largest concentrated short position before the new shorting this week and last, it retains that more than dubious title – earning the regulators (the CFTC and CME Group) additional kudos from the shorts for doin' the song and dance routine of the three blind mice (a routine in play over at the LME nickel pits).

The 5 thru 8 next largest silver traders added 2800 new shorts to a big 8 short position now at 74,231 contracts (371 million oz) as of Tuesday. This is also the largest short position since last June. The raptors sold off 5100 longs, sharply reducing, but not completely eliminating (as I suspected) a net long position amounting to 4600 contracts as of Tuesday. Had silver prices traded higher in the reporting week, there would have more raptor selling, but the big 4 and 8 shorts did not want silver prices any higher than they had gotten (out of the fear of even more momentum-type new buying) and they came in with the required new shorting. I can't even conceive of an alternative explanation. And my explanation, of course, is nothing but text-book manipulation.

On the buy side of silver, the managed money traders were featured, but not the exclusive buyers, as these traders bought about half as much as the commercials sold, or 6385 net contracts, consisting of the purchase of 4775 new longs, as well as the buyback of 1610 short contracts.

As was the case in gold, the other large reporting traders and smaller non-reporting traders were featured buyers, but the mix was different in silver, as the smaller traders bought more than 5100 net silver contracts, while the other large reporting traders bought less than a thousand net contracts. My sense is that this type of non-managed money buying in silver (and gold) suggests these same traders were likely aggressive sellers on the price selloffs after the Tuesday cutoff, not unfavorable in my eyes. No big change in the silver whale's position – still more than 15,000 net contracts.

The large commercial and concentrated short positions in gold and silver, coupled with the large managed money net long positions in each must be considered bearish in conventional and historical market structure terms. Always in the past, when such market structures have developed, gold and silver prices were at a price top or developing a significant market top. That's the unmistakable lesson of market history. Too many times I have outlined and presented similar setups, with the clear notice that one of these times the commercials would get caught flat-footed for the first time ever, or in Izzy Friedman's vernacular, the full pants down. Yet, the over run to the upside for the very first time never occurred. Could it be different this time?

Time will tell whether we get a different outcome from the current bearish market structures in COMEX gold and silver for the very first time or if it will be (monkey) business as usually where the big shorts prevail and the regulators strain their necks again in order to look away. Clearly, the world is a very different place today in too many specific ways to count from similar times in the past. But is that enough to break the old manipulative pattern? At the very least, there are so many new and compelling forces at work so as to suggest that the time has never been riper for the crooked and collusive COMEX commercials to get overrun to the upside. We'll soon find out (and yes, I'm still playing it as if the shorts will get overrun).

I want to correct something I wrote about on Wednesday concerning the LME nickel market failure. I think I may have given the impression that the whole fiasco would largely blow over and the shorts would prevail and the longs would get screwed over, just as occurred 16 years ago when I first wrote about the exact same thing occurring back then – largely because there wasn't much public participation in the nickel market.

However, in the days since Wednesday, I have been gob-smacked and highly encouraged by the outburst of indignation from the nickel longs – mostly large hedge funds (managed money traders) on the list of those proposed as the longs about to be screwed. Some are promising a visible and well-funded legal fight against the LME nickel shorts and insiders, which appear to include the big short crooks at JPMorgan, who always appear to be up to no good wherever you look. I've gotten tired of asking why banks, particularly JPMorgan, are allowed to deal and speculate in commodities and not be confined to taking deposits and making loans?

In any event, I don't recall any widespread outrage against the crooks at the LME who pulled off what they are attempting to pull off again back in 2006 and on different occasions since then. The delayed and long-overdue outrage is not only highly justified, but quite timely in matters related to silver and gold. What we have in LME nickel is a real life, if somewhat miniature version, of what has been occurring in COMEX silver for decades. In other words, the failure of the LME nickel market – and don't kid yourself, this is a market failure and default in plain view – is the exact template for what will occur eventually in silver should the big shorts continue to prevail in keeping silver prices suppressed.

This is simple law of supply and demand stuff – keep the price of anything artificially suppressed too low for too long, and you will run out of whatever is being artificially suppressed. It doesn't matter if the item is nickel or silver or anything else. The manipulation in silver is much more egregious because it has existed for nearly 40 years and has resulted in notable shortages, not only on the retail side of silver, which has never been tighter, but also and more importantly, on the wholesale side, where one entity, JPMorgan, is left to provide metal as the supplier of last resort to both the COMEX and to SLV, as I have explained above.

In addition, the remaining 8 largest COMEX silver shorts, as well as Bank of America in separate OTC dealings, are positioned on a sword of Damocles, facing serious financial damage, if not outright ruin, when the long-running silver manipulation is inevitably broken. Make no mistake – the stakes couldn't be higher for the shorts, but it is also for this reason that they must resort to any and all means possible to delay the truth and market reality to come. We're well-past the point where slightly higher silver prices will cure the mismatch between actual supply and demand and all that's left for the big shorts is to rig perhaps one last selloff where some of the short position could be bought back and covered at less than ruinous prices. Will they be able to orchestrate yet another phony selloff? We should find out soon.

In a few weeks, we will close out the first quarter of 2022, which as most readers know, is the time most critical to the big shorts to get prices as low as possible in order to reduce losses on gold and silver shorts as much as possible for financial reporting purposes. In addition to world conditions being as unsettled as any time in memory, this is also a most critical time for the big shorts. As I just said, we should find out which it will be soon.

At yesterday's close the 8 big COMEX gold and silver shorts faced slightly higher, but still-significant losses, which increased this week by $600 million to $14.6 billion. While the total loss was much larger at the much higher prices earlier in the week, the largest loss at a quarter's end since June 2019, was the $14 billion loss at the end of 2020, so the big shorts have their work cut out for them. As does Bank of America, whose total loss on its massive OTC short position of 30 million oz of gold and 800 million oz of silver is now $11.3 billion. JPM's overall gain stands at more than $43 billion.

Ted Butler

March 12, 2022

Silver – $26.20 (200 day ma – $24.23, 50 day ma – $23.80, 100 day ma – $23.65)

Gold – $1992 (200 day ma – $1816, 50 day ma – $1862, 100 day ma – $1832)