

After experiencing a late Thursday evening/early Friday selloff (when the COMEX commercial vermin typically come out to play), gold and silver prices rallied into yesterday's close and finished higher for the week. Gold ended the week \$25 (1.5%) higher, while silver ended higher by 70 cents (2.8%).

As a result of silver's relative outperformance, the silver/gold price ratio tightened in by just over three-quarters of a point to 66.4 to 1 – only about a point and a half from its best silver showing of a couple of weeks back, the best in 7 years. As bullish as I am on gold, silver has many, many miles to go before it is done outperforming gold.

Looking over the flow of data, it sure appears that we are done to the downside in both gold and silver. The data in question involve the market structure on the COMEX (according to the COT report), as well as developments in the physical markets and potential regulatory actions (or lack thereof). I am increasingly convinced my premise that the COMEX commercial crooks have rigged gold prices lower to exert downward pressure on silver is correct and that the gold rigging process has reached an end.

Could I be wrong and we witness the commercial crooks do a little bit more to the downside? Of course, almost to the point of where you should plan on it. But at this point, it doesn't really make a difference. Sooner or later, the engineered move to the downside will become exhausted (if it's not already exhausted) and the market structure will be even more bullish than it is now. This process is as regular as the tides. And for long term investors (not on margin) owning silver and gold here appears to me to as close to shooting fish in a barrel as is possible.

A couple of general observations before digging into the normal weekly review. I continue to be astounded by the outpouring of bearish stories on gold, including the

recent one in Barron's. Perhaps "astounded" is the wrong word because it's my long term observation that price sets sentiment and not vice versa. Lower prices set off negative collective sentiment, just as higher prices set off positive collective sentiment. I've come to think of it as simply basic to collective investor sentiment, almost on a par with the basic sex drive by which humans are influenced.

As you know, I'm much more interested in silver than gold, but in studying both, it seems obvious that prices are set on the COMEX and most assuredly that is the case in the recent decline in gold prices. However, there are consequences, intended and otherwise, to the recent price rigging of gold prices lower by the COMEX commercials.

Not only has the gold price drop of more than \$200 since yearend, allowed the commercials to buy back 110,000 net COMEX short contracts (11 million oz), of which 80,000 contracts were bought back by the 8 largest shorts (8 million oz), the downward price rigging also resulted in close to 8 million oz of physical gold being liquidated and redeemed in world gold ETFs, primarily GLD. Of course, the physical gold liquidated from the gold ETFs didn't go un-owned or abandoned on the streets of London and this gold, obviously, has new owners (most likely JPM) and those new owners have stronger hands than the former owners.

My point here is that the bearishness that prevails in gold is strictly a function of price and as and when gold prices trade higher than its key moving averages – as must occur at some point – all the current negative sentiment and press will magically revert to being bullish. The price of gold trading above its key moving averages is a mathematical certainty, with time the only factor. Therefore, look beyond the current negative sentiment in gold as it will dissipate and reverse when

prices move higher.

Another observation related to gold is the remarkable transformation of those previously strictly interested only in gold suddenly transformed into silver drum beaters. Let's face it – there's no Reddit/WallStreetBets movement in gold, only silver. Likewise, I am amazed by how many former gold-only proponents are now embracing silver. Don't get me wrong – I think it's great and makes sense, as I've long contended that if there was no such thing as silver, I would most likely be focused on gold. Any truly objective comparison between gold and silver would lead any rational observer to embrace silver. I guess I'm just amazed how it first took so long for those comparisons to be made and now how quickly so many have been converted to silver.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses took center stage this week. Not only did total weekly movement surge to nearly 12.9 million oz, the most since August and among the highest weekly turnovers ever, nearly all of the movement was out from the COMEX warehouses, as total inventories fell a sharp 11.5 million oz to 377.6 million oz. This is the largest weekly decline in my memory and brings total COMEX silver inventories back to levels not seen since September. The silver holdings in the JPMorgan COMEX warehouse declined by 2.8 million oz to 192.4 million oz, the lowest since yearend.

Of course, COMEX silver inventories are still much closer to the all-time highs of just under 399 million oz in mid-January and up from 150 million oz in 2016, so the fairly sharp decline over the past three weeks or so must be put into perspective. And I have been hootin' and hollerin' about the massive and unprecedented physical

turnover in the COMEX silver warehouses for what is now a decade – mostly to collective silence. Still, the recent sharp reductions are food for thought, particularly considering everything else going on in silver.

My best guess is that the recent physical withdrawals from the COMEX silver warehouses are not likely to have been generated by investors holding silver there. On a personal note, I know people who have held silver in the COMEX silver warehouses for 20 years and longer, including the heirs of my dear departed friend and silver mentor, Izzy Friedman, whose holdings go back even longer than that. The COMEX silver warehouses are a great place to store silver and investors would have no good reason to physically move that metal out. And a straight sale wouldn't involve a physical withdrawal.

It's possible that a COMEX silver warehouse withdrawal could be connected to a purchase and deposit into a silver ETF, such as the PSLV, which has experienced recent deposits and given that deposits into that silver ETF would only be a day's drive from the COMEX warehouses (as opposed to deposits into London based ETFs). The problem with this week's withdrawals on the COMEX going into PSLV is that the dates don't match up.

That leaves to most plausible explanation for the recent large withdrawals from the COMEX silver warehouses as being not related to investment-type shifts, but something else entirely. Of course, I'm speaking of the other part of silver's dual demand profile, namely, user demand. And not just user demand to buy and hold silver in a different place than the COMEX, but a user demand for silver to be used immediately. It wouldn't appear to make much sense to move silver just to store it in a different location than the quite-safe COMEX warehouses and would make a lot

more sense to move it now because it is needed now.

Can I certify that user demand is behind the very recent sharp withdrawals of physical silver from the COMEX warehouses? Of course not. All I can do is come up with the most logical explanation for a given set of facts, no more or less. What I can say is that if the recent withdrawals are due to an immediate need on the part of users to secure and consume the silver that is being removed from the COMEX warehouses - that would constitute concrete proof of a physical silver shortage, no more or less.

The amount of metal in the COMEX gold warehouses took a further dip this week as 0.6 million oz were removed, leaving 38.4 million oz remaining. Holdings in the JPMorgan gold warehouses bucked the overall trend, by increasing by 0.4 million oz to 13.96 million oz. Over the past two weeks, total COMEX gold inventories have fallen by one million oz. Obviously, it is highly unlikely that actual gold users accounted for the withdrawals, seeing as so little gold is used compared to silver.

While the gold holdings in the COMEX warehouses have been quite steady for many months, the same is not true with the physical metal holdings in the world's gold ETFs. Close to 8 million oz have been redeemed from the gold ETFs since yearend. My best guess is that JPMorgan and its circle of friends and family ended up with most of that metal. Accordingly, I would peg JPM's friends as now owning 30 million oz of physical gold, up sharply from the 25 million oz I previously estimated. In truth, I think the actual number is much greater.

It's different (and somewhat the same) in the silver ETFs. Total silver ETF holdings are up 100 million oz since yearend and that includes a withdrawal of 80 million oz from SLV since early February. I am more convinced than ever that, unlike what

occurred in the gold ETFs, any withdrawals for SLV weren't plain vanilla collective investor selling in response to lower prices, mainly because silver prices haven't sold off anywhere near as much as gold prices have sold off. Plus, there have been no net withdrawals in other silver ETFs. Instead, the "withdrawals" from SLV are almost exclusively conversions of shares to metal by larger holders seeking to shield their identity. Further, it now appears the "pot is right" and the conversions are largely behind us, although that remains to be seen for sure.

And just as I dramatically increased the amount of physical gold that I now believe is owned by JPM's circle of friends, the same thing has occurred in silver, where I now feel JPMorgan hold's at least 1.2 billion oz of physical silver, of which 300 to 400 million has been "leased out" to the remaining big shorts who will have to return that silver someday or buy it back at great expense. My rough guess is that the remaining big silver shorts hold a true short position that is double or more their very large COMEX short position. And, yes, I believe these big silver shorts are in an extreme world of hurt about to engulf them all.

Turning to the most recent Commitments of Traders (COT) report released yesterday, the sharp price declines over the reporting week did result in significant managed money selling and commercial buying as is always the case on sharp price declines. As is usually the case of late, there were some interesting surprises in the changes of the separate categories.

I did refrain from any predictions due to two things - one being the already washed out condition of the market structure, particularly in gold and the other being an inability to predict what the other large reporting traders would do, especially in gold. As it turned out, these "other guys" didn't do much, essentially freeing the

commercials to buy whatever the managed money traders could be induced into selling. I did indicate that regardless of what this week's report did reveal, an important price bottom was at hand. Nothing in this report suggests otherwise.

In COMEX gold futures, the commercials bought and reduced their total net short position by 14,300 contracts to 207,900 contracts. This is the lowest (most bullish) total commercial short position since June 2019, at the starting point of the great gold rally to new highs that would continue until August 2020. Likewise, the concentrated short position of the 8 big shorts was reduced by 6500 contracts to 198,552 contracts ((19.9 million oz), also the lowest short position since a week earlier back in June 2019. The 4 largest shorts accounted for around 3000 contracts of the big 8 buying.

Finishing up on the commercials, the smaller commercial shorts (the raptors) bought back 7800 short contracts and these traders also hold their lowest short position since June 2019. I'd peg JPMorgan as having added 2000 contracts of new longs, increasing its net long position to 8000 contracts. A couple of observations. First, I would characterize the coordinated and collusive buying by all the commercials as in the mold of my previously premised claims of Three Musketeer-type behavior - all for one, one for all - with the only difference being that the crooked COMEX commercials were not united for the greater good, only their own greedy self-interest. Still, collusion is collusion.

Secondly, the consistent buying back of short positions on lower prices is just as manipulative as the consistent new short selling on higher prices. In the real world of short selling, excessive short sales are most often (95+% of the time) resolved on higher prices, as Tesla and GameStop and just about every example of excessive

short selling shows. Now, I know the difference between short sales in derivatives contracts and in common stocks, but I'm talking about concentrated short sales in COMEX futures contracts.

With concentrated short sales in COMEX gold and silver contracts, the big shorts only buyback on lower prices, just as they always sell short on higher prices. The buybacks, therefore, are every bit as manipulative as are the original short sales. It can't possibly be legitimate hedging, as many claim, because the big commercial shorts are clearly out to game the managed money traders and are not the slightest bit interested in hedging imaginary physical holdings.

Finally, while the 8 big shorts have reduced their concentrated short position in gold by a very hefty 81,000 net contracts from Jan 5 and did so on sharply lower prices that reduced their total losses from \$14 billion to \$9.2 billion as of yesterday's close, essentially, all the remaining losses are now realized and no longer open. In other words, yes the big shorts have sharply reduced their total gold short position from the equivalent of 28 million oz as of Jan 5 to 20 million oz today, those short buybacks involved the actual taking and booking of the biggest losses ever because all the buybacks took place at prices well above the original short sale entry levels. I'll come back to this in a moment.

On the sell side of gold, the managed money trades sold more than the commercials bought, in selling 16,530 net contracts, consisting of the sale and liquidation of 10,385 longs and the new sale of 6145 short contracts. The resultant managed money net long position of 29,430 contracts (96,223 longs versus 66,793 shorts) is now the lowest (and most bullish) since May/June of 2019. I suppose it's possible for the short position of the managed money traders to grow on lower prices, but not

likely - under the assumption that not even the brain dead technical funds could possibly be that brain dead.

The wild card in this gold report for me was the behavior of the other large reporting traders and the main reason I passed on predictions. You'll recall how they sold close to 20,000 contracts a couple of weeks back (around \$100 higher) and did nothing last week. Well, it turns out they didn't do much again, in buying back around 2000 shorts and, essentially, sticking pat on longs. I thought these other large traders might be big buyers this week, offering stiff buying competition to the commercials, but that never came to be.

In COMEX silver futures, the commercials did buy back 4000 short contracts, reducing their total net short position to 55,200 contracts, the lowest (and most bullish) level since the end of September. However, in stark contrast to the all for one, one for all collusive commercial behavior in gold, the commercial buying this week in silver was all raptors (the smaller commercials), as these smaller commercials bought and increased their net long position by 4900 contracts. What this aggressive buying by the raptors meant is that the remaining commercials, the big 4 and/or the big 8 had to be sellers.

As it turned out, the 4 big shorts added 1000 new shorts to a concentrated short position now amounting to 57,352 contracts (286.7 million oz), while the big 5 thru 8 shorts bought back around 100 short contracts, the big 8 short position increased to 74,486 contracts (372.4 million oz). During a reporting week in which silver fell by as much as \$2 at the lows, how to explain the 4 big shorts increasing their short position by close to 1000 contracts?

The explanation is simple - they had no choice. With the raptors so intent on buying

and taking advantage of the sharp price drop, the 4 big shorts had no alternative to adding enough new shorts to keep silver prices under pressure in the face of obvious raptor buying competition. And considering the cooperation and sharing demonstrated by the commercials in gold, the raptors doing all the buying in silver really stands out - as does a whole host of unusual developments in silver as discussed above. My strong sense is that the big 4 shorts have now bought back as many silver short contracts as they were able to.

JPMorgan didn't do much in silver futures as far as I can tell and I'd still peg them as being flat in silver (but on a virtual buying binge in silver physicals). And while it's true that the raptors, now long 19,200 contracts, their largest long position since September, will most likely be sellers on higher prices (as is their custom), this also sets up the possibility that the big shorts might look to take advantage of that expected raptor selling by buying on higher silver prices, something quite rare. It's something I'll be on the lookout for.

On the sell side of silver (aside from the big 4 new shorting), the managed money traders sold 3199 net contracts, consisting of the sale and liquidation of 3096 longs and the new short sale of 103 contracts. The resultant net managed money long position of 26,326 contracts (55,268 longs versus 28,942 shorts) is the lowest (most bullish) since August. The other large reporting traders didn't do much and were net sellers of around 250 contracts. This week was the week of the raptors.

My strong sense is that the commercials have rung out as much blood from gold as may be possible, but admittedly, I felt that even before the new COT was issued. To this point, the commercials have been much less successful in wringing out the managed money and other speculative longs in silver. So, if the commercial shorts

have reached the end of the line in gold and with that the ability to use lower gold prices to pressure silver lower, then what?

At some point, both gold and silver prices will move higher and when that occurs the multi-billion dollar question is whether the big shorts will stick their heads back into the lion's mouth and add new shorts aggressively? I wouldn't keep harping on this question if I didn't believe it holds the key to what comes next. I now consider the 8 big shorts as, effectively, having bought back all or nearly all of shorts that suppressed the price of gold. Yes, they were successful in the end for covering as many of their gold shorts, when at various times, it appeared they would get overrun on higher prices.

But that gold short covering "success" still left the big shorts with large total losses, in fact, the largest losses they have ever suffered. True, they didn't buy back at anywhere near the highest gold prices of last summer, but then again, they did buy back at substantially higher prices than what they originally shorted at - hence, the booking of very large losses. Here, I'm talking mostly about "successful" short covering in gold.

In silver, the big shorts, both big 4 and big 8, have only covered a fraction of what was covered in gold. The 4 big shorts have only been able to buy back around 8000 short contracts, combined with the big 8, maybe 10,000 contracts at most - not the 80,000+ short contracts covered in gold. This makes the key question - will they or won't they add on higher prices more critical in silver than in gold. But the question is most likely to be answered in both, as it's hard for me to see the big shorts stepping aside in one and not the other as well.

I know full well that the big shorts have always added aggressively to new shorts

whenever gold and silver have rallied over the past 35 years. But I also know that, for a wide variety of reasons, it's never been more likely that the big shorts won't add to shorts on the next rally. If they don't add, then stand back because the flames from the coming silver rocket ride higher will burn anyone who doubts the rally. When I contemplate all the current rocket price rides higher on things of which I can't even begin to understand any real value, when silver takes off, the most undervalued and critical asset in the world, how can the resultant ride not go far higher than anything else?

Again, the 8 big shorts did cover most of the gold shorts I believe they were capable of covering on lower prices and still they sit with a cumulative \$9.2 billion in losses from when I first started calculating in June 2019, up more than \$700 million on the week. I believe the real fun for silver and gold investors is about to begin and the real pain for the big shorts as well.

Ted Butler

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Silver - \$26.00 (200 day ma - \$24.24, 50 day ma - \$26.50, 100 day ma - \$25.52)

Gold - \$1725 (200 day ma - \$1859, 50 day ma - \$1814, 100 day ma - \$1843)