March 25, 2023 – Weekly Review

Late-day selling yesterday pushed gold to a weekly loss of $12 (0.6%), after a couple of forays this week above the $2000 mark. Silver still managed to finish 60 cents (2.6%) higher on the week, despite retreating from fresh one-month price highs earlier in the day. As a result of silverâ??s relative outperformance this week, the silver/gold price ratio tightened in by another near three full points to 84.8 to 1 â?? all things considered, perhaps the least surprising price result this week across all financial markets.

Against a backdrop of continued widespread concerns about banking conditions, both in the US and Europe, it is somewhat surprising the precious metals didnâ??t perform better; but then again, the gains over the past eleven trading days have been impressive â?? as much as $180 in gold and close to $3 in silver. Essentially, the gains of the past two weeks erases completely the $150 gold price-rig lower over the five weeks prior to the rally; while in silver, all but a dollar of the five-week $4 deliberate price smash remains to be re-gained.

While no one can deny the buying in the physical markets brought about by the rather sudden banking crisis, both on a retail and wholesale basis, there exists irrefutable evidence that the primary driver of price â?? both down and up â?? over the past seven trading weeks has been the same old reliable driver of price â?? futures positioning on the COMEX. In fact, it is more than remarkable just how conclusive the hard data from the CFTCâ??s Commitments of Traders (COT) report has been in documenting both the sharp five-week selloff into March 7 and the even sharper two-week rally as of Tuesday, March 21.

You know the crooked COMEX game by now, namely, a group of commercial banks rig gold and silver prices lower to trick and induce their principle counterparties, the managed money traders to sell (so that the commercials can buy) and then rig prices higher to trick and induce the managed money traders to buy (so that the commercials can sell).

In equivalent ounce terms, from Jan 31 to March 7, the commercials tricked the managed money traders into selling 7 million oz of gold and just over 205 million oz of silver â?? by far the most selling in any gold or silver trading venue in the world. Â Since when doesnâ??t the biggest market set the price? On the sharp rally over Â the two reporting weeks to March 21, the managed money traders were then tricked into buying 6.7 million oz of gold and 90 million oz of silver on price-rigging higher by the collusive COMEX commercial banks.

While Iâ??m encouraged that the managed money buying has been much less in silver compared to gold, even Stevie Wonder or Ray Charles could see the essence of the crooked COMEX commercial game. Iâ??ll get into details of the now caught-up-to date new COT report in a bit.

The turnover or physical movement of metal either brought into or removed from The COMEX-approved silver warehouses was up a bit from last weekâ??s low levels, but not by much, as just under 3.3 million oz were moved. Total COMEX silver warehouse holding slipped, yet again, to fresh four-year lows of 282.1 million oz, down 1.6 million oz for the week. There was a reduction in the big JPMorgan COMEX warehouse of 0.7 million oz to 146.2 million oz.

The reductions in COMEX warehouse silver inventories, along with recent reductions in the holdings in

SLV and other silver ETFs (not PSLV) add immensely to the conclusion that silver demand is exceeding silver supply â?? supported by numerous other evidence. As a reminder, when the demand for any commodity exceeds supply, prices must rise â?? of course, in every commodity except silver for the past 40 years.

More metal was deposited into the worldâ??s gold ETFs this week, principally GLD, on the order of 400,000 oz or so, completely in keeping with how things usually work, namely, when prices get set higher on the COMEX, investors buy shares of gold ETFs, necessitating physical deposits. That hasnâ??t been the case in many of the silver ETFs, like SLV, where redemptions tapered off this week, after recent withdrawals of more than 25 million oz. Recent deposits of close to 2.5 million oz into the PSLV do strongly suggest that redemptions in SLV and other silver ETFs are the exception and that there has been net investor buying in SLV â?? even though there have been sizable outflows.

The most plausible explanation for the big redemptions in SLV appear to be suggestions of sudden big demand from India on the orchestrated price decline into early March. The Indians are very price-sensitive and never buy on big silver price run-ups. That can be seen in last yearâ??s record silver imports into India of more than 300 million oz. All the buying occurred over the summer months when silver was most depressed in price – $20 and lower â?? and Indian silver demand disappeared on the sharp $6 silver rally into yearend –Â as fully-expected.

It seems eminently reasonable that on the recent COMEX-orchestrated four dollar price smash down to $20, along with the resultant sudden relative undervaluation of silver to gold, that Indian silver demand would kick in. And where else could such demand be satiated other than from the worldâ??s largest stockpile of physical silver, SLV? This is about as straight-forward and obvious as a childâ??s paint-by-number coloring book.

Also as plain as day is last nightâ??s release of the new short report on SLV, for positions held as of March 15, which coincided with a $2 rally into the cutoff. The new short report featured a very sharp increase of more than 11 million shares, bringing the total short position in SLV up to 47.5 million shares (43.5 million ounces) and 9.5% of total shares outstanding.

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

The sharp increase in the short position on SLV, now the largest in three months, also helps explain the lack of metal deposits on the obvious net investment buying in the trust on higher prices. In fact, thatâ??s the sole reason for why anyone would short shares of SLV, namely, because there is not enough physical silver available to buy and deposit into the trust. This is fraud and manipulation of the first order and I plan on renewing my ongoing complaints with the SEC and BlackRock come Monday.

However, more than anything else, the combination of metal being redeemed to satisfy sudden demand from India and new shorting in SLV because no metal is available helps complete a picture portraying a physical shortage more acute than at any time since I started studying silver in earnest nearly four decades ago. While I would never rule out the ability of the commercial crooks on the COMEX to rig prices lower at any time â?? thatâ??s all that stands in the way of a silver price explosion both inevitable and perhaps imminent.

To be sure, the collusive COMEX commercials have succeeded in frustrating the law of supply and demand in silver for 40 years, but thatâ??s different from these crooks permanently dismantling the workings of our most basic and important economic law. Think of it this way â?? the artificially depressed silver price for decades is what brought us to the cusp of the first true physical shortage in silver over hundreds, if not thousands of years. How could continued depressed prices possibly make the silver shortage go away?

Turning to yesterdayâ??s new COT report, which brought us up to date, following the cyber-incident of Jan 31, the results were largely as fully-expected in gold, but decidedly better than anything I was hoping for in silver. As a reminder, gold price action for the week ended March 21, featured a rally of as much as $100, in which the $2000 level was exceeded for the first time in a year and which also included a rather sharp selloff on the cutoff day. Thatâ??s the general formula for significant managed money buying and commercial selling â?? which largely occurred.

In silver, there was a less vigorous price rally than seen in gold of just over 80 cents at the reporting weekâ??s peak and in which both of silverâ??s two remaining key moving averages (the 50 and 100-day maâ??s) were upwardly penetrated. Despite the somewhat lackluster nature of the silver rally, the fact that all three key moving averages were upwardly penetrated, suggested the likelihood of significant managed money buying and commercial selling. Fortunately, no such significant positioning was reported â?? supporting my contention that the COMEX market structure was different in silver than in gold.

In COMEX gold futures, the commercials increased their total net short position by 28,100 contracts to 183,600 contracts. As a result, the total commercial short position not only rose to a higher (more bearish) level than existed at the start of the five-week price smash on January 31, this short position is now at a nine-month bearish extreme. Considering the price action and increase in total open interest since the Tuesday cutoff, it would appear additional significant managed money buying and commercial selling occurred over the past three trading days.

By commercial category, the 4 big commercial shorts added another 6200 new shorts to a short position amounting to 148,950 contracts (14.9 million oz) as of Tuesday. The was the largest big 4 short position in gold since May. The next largest 5 thru 8 shorts broke rank completely and bought back 6900 net short contracts and the big 8 short position fell by 700 contracts to 209,094 contracts (20.9 million oz). Groping for an explanation for this unusual commercial parting of the ways, exists the suggestion that there may have been a managed money trader on the short side in the big 5 thru 8 category buying back shorts aggressively, otherwise Iâ??m clueless.

The smaller gold raptors (the smaller commercials apart from the big 8) were the biggest sellers, as fully-expected, in selling off another 28,900 longs and leaving them with 25,500 net longs, their lowest net long position since June. On a ball park estimate, Iâ??d peg the gold raptorsâ?? net realized profit for the snookering of the managed money shorts over the past seven reporting weeks as upwards of $500 million â?? not bad for less than two monthsâ?? â??workâ?•.

On the managed money side of gold, these traders bought 21,508 net contracts, consisting of the purchase of 6530 new longs and the buyback and covering of 14,978 short contracts. The resulting managed money net long position grew to 81,229 contracts (125,090 longs versus 43,861 shorts), essentially, close to the largest (most bearish) since last May. Â Explaining the difference betweenwhat the commercials sold and the managed money traders bought was net buying by the smaller non-reporting traders of just under 10,000 contracts, to the highest level since June. This is, in and of itself, another bearish COT indication.

I am being generous to call the COT market structure in COMEX gold futures as reported and as expected in trading since the Tuesday cutoff as neutral, based upon data over the past year. Going back longer than that, there is still considerable potential managed money new buying possible on higher prices (although very little potential managed money short covering remains). Generally, it is the most recent COT data that matters most and on that basis, itâ??s hard to get super-bullish on gold in COMEX-market structure terms.

At the same time, of course, should financial concerns, particularly involving banking-related matters intensify, I suppose one could toss out COMEX market structure considerations. Itâ??s just that I know of no way to handicap future banking concerns. My bottom line is that I wouldnâ??t short gold under such circumstances and would instead buy silver, where the market structure considerations are much more bullish (along with the signs of the developing physical shortage) and where banking concerns should prove just as potent should they continue to emerge as would be expected in gold.

In COMEX silver futures, the commercials increased their total net short position by a rather scant 3400 contracts to 12,700 contracts. The 4 largest commercial shorts added a slight 800 new shorts to a net short position amounting to 34,296 contracts (171.5 million oz). The next 5 thru 8 largest shorts bought back 400 shorts and the big 8 short position expanded by 400 contracts to 51,446 contracts (257 million oz). The raptors sold off 3000 longs and held a net long position of 38,700 contracts as of Tuesday.

Thus, it was a great relief in reviewing the latest COT report on silver, for the second week running â?? since at this point, the one key factor that I believe matters most is still â??aliveâ?•. That factor, of course, is whether the 4 (and 8) big shorts add aggressively to short positions on the next silver rally. I would define â??aggressivelyâ?• as anything over 10,000 or more contracts. So far, over the first two weeks of a the silver rally, the big 4 have â??onlyâ?• added 2400 new shorts, while on a combined basis, the big 8 have only added 300 new shorts (although some of that might have involved managed money short covering).

Equally surprising and encouraging has been the muted increase in the two-week total commercial selling of 7000 net silver contracts, virtually all credited to raptor long liquidation and not the big 8. I donâ??t want to jinx it or anything, but this is the best start out of the gate I can recall as concerns new big 4 and 8 short selling. Jinx or not, thereâ??s never been a better time not to short silver aggressively.

The managed money traders bought 4422 net silver contracts, consisting of the sale and liquidation of 363 longs and the buyback and covering of 4785 short contracts. I felt sure the net managed money position in silver would have flipped to net long, but was glad to be wrong and see that a small net short position still existed as of Tuesday of 277 contracts (30,589 longs versus 30,866 shorts).

Therefore, the COMEX market structure in silver is still remarkably bullish, both on a short and long term basis (unlike the case in gold). I would anticipate additional managed money buying and commercial selling in silver since the Tuesday cutoff, but yet again, much less than the expected positioning change in gold. Finally, in terms of physical shortage, since silver is industrially consumed while gold is, essentially, not industrially-consumed and because silverâ??s price is overwhelming depressed compared to gold and everything else, if there is any commodity that has a giant reset catch up potential, that commodity must be silver. While gold is knocking on the door of all-time record prices, silver is still suppressed by more than 50% below its previous $50 price highs of 43 and 12 years ago.

Thereâ??s no question that manipulative and collusive commercial positioning on the COMEX is singularly responsible for silverâ??s super-depressed price. The only remaining question is when the positioning scam will end. From everything I see, the answer would appear to be quite soon.

Ted Butler

March 25, 2023

Silver – $23.35Â Â (200-day ma – $20.99, 50-day ma – $22.35, 100-day ma – $22.40)

Gold – $1981Â Â Â Â Â (200-day ma – $1788, 50-day ma – $1894, 100-day ma – $1837)

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