

Gold and silver prices ended lower for the week, with gold falling \$10 (0.6%) and with silver taken to the woodshed by \$1.22 (4.6%). It was the lowest weekly close for silver in 10 weeks, while gold has largely stabilized over the past 5 weeks, after suffering larger relative declines since last summer and year end.

As a result of silver's much sharper relative under performance, the silver/gold price ratio widened by nearly three full points to 69 to 1, the most undervalued silver has been relative to gold in – you guessed it – 10 weeks. As is usually the case when there are sharp changes in the price ratio, it is due to sharp absolute changes in the price of silver, not gold. But here's the key point – there was virtually no actual switching or the selling of silver in order to buy gold with the proceeds. There never is, either from silver to gold or vice versa. That not what moves the silver/gold price ratio.

For one thing, the amount of money either gotten from the sale of silver or the amount of money necessary to buy silver has no bearing on the gold market, which in dollar terms is more than 100 times larger than the silver market (in terms of total above ground supply). Besides, there is no evidence of the selling of real silver – aside from paper positioning on the COMEX.

This week's decline in silver was significant in many ways, not the least of which was that the downward penetration of silver's 200 day moving average on Thursday was the first such penetration in one year (when silver was plunged to 10-year price lows). Such downward penetrations of this particular moving average have been rare in silver, with the last such occasion occurring several years prior. As I have mentioned in the past, while I'm not of the technical persuasion, I know the 200-day moving average looms large in technical circles.

As such, it is no accident that silver prices plunged below this level on Thursday, with absolutely no fundamental justification. The price plunge was clearly part of the last-ditch cleanup effort of the commercial shorts to shake off and buyback as many shorts to the downside as possible (or for the raptors to get long). As is always the case, sharp downward price moves always involve commercial buying and non-commercial selling. Always. This is the heart and soul of the silver manipulation. What we can't know until next Friday's COT report is whether the biggest commercial buyers were the big 4 and 8 shorts or the smaller raptors (Spoiler alert - it was the raptors in yesterday's report).

As disheartening as it may be to witness the recent relentless commercial pressuring of silver and gold prices lower, there can be little doubt that the market structure has been strengthened and improved tremendously. I know, I know - any more improvement will be the death of us. But the fact remains the same, namely, this positioning improvement on the COMEX is just what the doctor ordered and we have no choice but to take the medicine that will, most assuredly, result in prices so high as not to be believed. This highly-deliberate downward price rigging only enhances my strong sense that the big commercial shorts will not add to new shorts on the inevitable rally to come.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses, frantic of late, put in another super-active week, as 13.2 million silver oz were physically moved, the most in quite some time. In fact, I can only remember one prior week where more silver was moved. Somewhat ironically, total COMEX silver inventories increased by only 0.3 million oz to 371.8 million oz. Holdings in the JPMorgan COMEX warehouse fell 1.5 million oz to 189.2 million oz.

I know I sound like a broken record (in a sound vacuum) in harping on the unprecedented physical movement in and out of the COMEX silver warehouses for what has now been a decade, but I make no apologies. This continued movement is very big stuff and it matters not to me that it has been ignored by virtually everyone – which I find incomprehensible. This week’s physical movement (no paper here, Boss) was the equivalent of 686 million oz on an annualized basis, or more than 85% of total annual world mine production. Hello? The equivalent of 85% of world silver mine production gets shuffled in and out from 9 warehouses in the NY metropolitan area and no one notices?

Again, I believe the movement has to do with tremendous tightness in the wholesale physical silver market and that it primarily involves demand from users, as opposed to investors moving silver around for no apparent good reason. And that certainly jibes with everything else going on in silver. And yes, it appears decidedly bullish.

Meanwhile, not much happened in the COMEX gold warehouses (or other commodity warehouses), as total inventories fell 0.2 million oz, to 37.3 million oz. Gold inventories in the JPMorgan COMEX gold warehouses fell 0.1 million oz to 13.47 million oz.

I haven’t been mentioning the heavy deliveries in both COMEX gold and silver this month, mostly because I haven’t noticed any discernible price impact. Both gold and silver prices were down for the month, so it would be hard to argue the heavy deliveries were bullish. When you don’t know something it’s best to keep your mouth shut or say you don’t know.

There have been continued withdrawals from most of the gold ETFs, including GLD, which I continue to maintain is the normal reaction to the COMEX-induced lower

gold prices of late. However, in silver, the withdrawals have only occurred in SLV, and not the other silver ETFs, particularly the PSLV. In SLV, silver holdings are now back to where we were at yearend, or 580 million oz.

I have maintained that the physical withdrawals from SLV have largely been due to large holders converting shares to direct metal ownership and I still feel that way (although there may have been some slight net investor liquidation of late). But now it occurs to me that in addition to large holders converting shares to direct metal ownership, it is quite possible that some of the metal leaving SLV could be related to user demands.

Certainly, I believe users have been behind the recent sharp declines in COMEX silver warehouse inventories. Since the COMEX silver warehouses are the second largest stock pile of physical silver in the world, why wouldn't users also take metal from the largest single stockpile of silver, the SLV, particularly users where the London storage location would be more convenient than NY?

I realize this analysis flies in the face of what is being promulgated in the Reddit world of silver, which has basically devolved into a "SLV is a fraud and is to be avoided." I don't see it that way, although I recognize that I am in a distinct minority. I applaud the Reddit crowd for picking up on silver, I just think they are all wet on their take on SLV. Of course, it could be me that is all wet, with the difference being that I will admit to being wrong when the facts dictate that.

In the meantime, I still believe that SLV and all the other silver ETFs (certainly including PSLV) have been a godsend for silver investors for the simple reason these ETFs have accounted for more than one billion ounces of silver being dragged out of the darkness and into the sunlight of publicly-reported ownership over the past 15

years. Without SLV and the other silver ETFs that followed, the silver manipulation would likely have lasted years and decades longer. No amount of Reddit-inspired moaning and complaining will change that.

Sticking to SLV, the new short report for positions as of March 15, indicated an increase of more than 5 million shares to 21.5 million shares/ounces. While that was a significant increase in raw numbers compared to recent levels, it only increased to percentage of shorted shares to total shares outstanding to 3.4%, not particularly large for stocks in general. In addition, 5 million oz is the equivalent of 1000 COMEX contracts, not terribly meaningful in COMEX paper positioning terms. That said, the increase in shorting did come on a price bounce and the most reasonable explanation is the Authorized Participants doing the shorting did so due to lack of physical metal to deposit. Although this is a notoriously difficult report to handicap, my sense is that the next short report will likely feature a reduction (If not, I promise never to try to predict this report again).

Turning to the new Commitments of Traders (COT) report released yesterday, while I didn't offer any contract predictions, there was the expected non-commercial selling and commercial buying in silver. In gold, where I indicated I didn't know what to expect, there was net buying on the part of both the commercials and managed money traders, something quite impossible to predict.

In COMEX gold futures, the commercials reduced their total net short position by 7700 contracts to 201,800 contracts, notching another new weekly low going back to early June 2019, which is more bullish on its face. By commercial category, opposite to the pattern that occurred last week, the 4 big shorts bought back 2100 gold shorts and now hold 144,666 contracts short (14.5 million oz), while the next 5 thru 8

largest commercial shorts sold close to the same amount, only reducing the big 8 concentrated short position by less than 200 contracts, to 197,581 contracts (19.8 million oz).

The gold raptors (the smaller commercials apart from the big 8) did most of the commercial short covering in buying back 7600 contracts and leaving them with 4200 shorts, the lowest level since June 2019, also bullish on its face. In essence, even though the big 8 concentrated short position was ever so slightly reduced, it actually became more concentrated as a result of the more aggressive raptor short covering and reduction in the total net commercial short position. JPMorgan may have bought another 1000 contracts of longs, putting it 9000 contracts or so net long, but I get the distinct impression that JPM is doing its best to lay low and not be part of the current commercial positioning and wants to put as much distance between the current commercial game on the COMEX and its past highly manipulative behavior (likely because it sees what's ahead and wants out of the limelight).

One twist in gold was that the managed money traders were net buyers along with the commercials, not something often seen (and impossible to predict). The net buying of the managed money traders amounted to 2400 contracts, consisting of new longs in the amount of 7272 contracts and new shorts of 4872 contracts – about as strange a combo as I've seen.

With both the commercials and managed money traders as net buyers, the main sellers were the other large reporting traders, which sold 8529 net gold contracts, of which only 735 contracts were long liquidation and 7794 contracts were new short sales. I think the new shorting by both the managed money and other large reporting

traders are bullish. The smaller non-reporting traders also were net sellers of over 1500 contracts. Bottom line - the gold COT report was surprisingly bullish.

In COMEX silver futures, the commercials reduced their total net short position by 3200 contracts to 49,600 contracts. This is another new net commercial short position low extending back to last July and unquestionable bullish. The only question is how much more bullish can it get, beyond the obvious continued reduction of the commercial short position that occurred after Tuesday's cutoff. Remember, there has never been a significant price decline in COMEX silver or gold where the commercials have not been net buyers, which is as manipulative as it gets.

By commercial category, the big 4 bought back just under 800 contracts, reducing their net short position to 56,634 contracts (283 million oz). The big 5 thru 8 shorts actually added 150 contracts of new shorts and the resultant big 8 short position came to 73,961 contracts (370 million oz). While the 4 big silver shorts have bought back just about all of the manipulative new shorts they had to add to cap prices in early February, they have been stymied in their attempts to buy back more - at least thru Tuesday,

Clearly and as was present in gold, the silver raptors provided very stiff buying competition to the big shorts, as these smaller commercials added 2600 contracts of new longs and now hold 24,400 net long silver contracts. This is the largest silver raptor net long position since June and is clearly bullish. The only question I have is whether the raptors will be quick to sell, say on a sharp silver rally of a dollar or two (as they usually do) or do they realize silver could go markedly higher than that and the raptors intend to really make a score. Time (and future COT reports) will tell. As was the case in gold, JPMorgan doesn't appear to be playing much in futures and is

maybe 1000 contracts net long.

The managed money traders were net sellers in silver (unlike their gold counterparts) of 2725 contracts, consisting of the sale and liquidation of 781 long contracts and the new sale of 1944 short contracts. The resultant managed money net long position of less than 22,000 contracts is the lowest since last May when silver was close to \$16 and, I would venture, is even lower as a result of the silver price smash since the cutoff. How many times can I say the market structures in both gold and silver are extraordinarily bullish? OK, let me say it again.

While I'm still of the opinion that COMEX paper positioning sets the price of silver, you would have to be living in a cave not to be aware of the truly extraordinary developments occurring all around us, including the extreme valuations in most traded markets (silver, of course, excepted for now). Elsewhere, there is daily talk of trouble and disruptions in world supply lines, including in semiconductors used in automobile manufacturing. Most recently has been the news of the giant container ship stuck and blocking the Suez Canal, one of the world's main shipping routes.

I don't know if any silver containers or shipments have been affected by the closure of the Suez Canal, but as most of you know, I'm a firm believer that someday, a delay in deliveries to silver users will cause enough of those users to panic and attempt to build sufficient physical inventories so that it will set off a price surge in silver beyond the imagination of most. What with the daily flow of news and the observation of metal leaving the COMEX warehouses and the SLV, it is entirely possible the silver user inventory accumulation has already begun.

Combined with the extremely bullish COMEX market structure, the retreat of JPMorgan from the short side, and all the visible indications of physical silver

tightness create a circumstance like none I've ever seen. Throw in the pending response from the CFTC to lawmakers and the Reddit grassroots silver movement and it's a confluence of bullish factors - most of which that didn't even exist two short months ago. I know I've said it many times before, but more than ever, these are circumstances and facts I couldn't have dreamed up and imagined if my life depended on it.

A friend asked me a great question the other day, namely, what would I do if the big shorts did add aggressively to new shorts on the next rally? While I still don't expect them to add shorts (for the very first time ever), I don't have any control over what these crooks will or won't do. All I can do is whatever I can do and if the big shorts do add aggressively to new shorts, all I will be able to do is my level best in showing on every level how manipulative and wrong this would be. But for now, the absolute best course one can take is to plan that the big shorts won't add and that very soon the price will go Ka-boom.

The price declines this week did bring relief to the 8 big shorts in COMEX gold and silver to the tune of just over \$600 million, reducing their total loss to \$9 billion.

Ted Butler

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Silver - \$25.10 (200 day ma - \$24.63, 50 day ma - \$26.39, 100 day ma - \$25.66)

Gold - \$1732 (200 day ma - \$1860, 50 day ma - \$1783, 100 day ma - \$1826)