In late Friday trading, gold and silver finished the week sharply higher, gold by $85 (4.5%) and silver by just over $1.50 (6.2%). As a result of silver's relative outperformance, the silver/gold price ratio tightened in by more than a full point to 76.4 to 1. While the ratio is down from the still-incredible 125 to 1 mark of two years ago, silver still looks vastly undervalued relative to gold, at least to me.

For gold, the close this week was the highest in a year and a half, since establishing all-time price highs in August 2020, roughly $100 above yesterday's close. For silver, it was the highest weekly close in eight months, with many miles to go before it establishes all-time highs of around $50, a circumstance that not only seems inevitable, but destined to be far-exceeded.

I believe this amply demonstrates the amount of price catch-up built into silver; a tick up of 5% or so in gold will result in all-time price highs, while it would take a doubling of price (100%) to bring silver back to price-highs not seen in 42 and 11 years, respectively – even though the actual supply/demand fundamentals in silver are overwhelmingly more bullish than those in gold. Oh, behold the power (to date) of the COMEX silver manipulation.

Writing about the goings-on in gold and silver seems woefully inadequate when measured against the shock of Vladimir Putin's brutal invasion of Ukraine. This horrific event has, quite literally, changed the world forever in more ways than any of us can contemplate. In fact, I believe we are all in a state of shock at what is unfolding. I'll not pretend to be a world political analyst and I know the always anti-Americans will somehow seek to lay blame on the US, but this is one of those very rare times when I find myself agreeing with Senator Lindsey Graham, in wishing for someone to take the bastard Putin out.

While completely overshadowed by the unfolding human tragedy in Ukraine, this is a service focused on silver and gold and other world commodities and what is transpiring is difficult to fully-communicate. The energy, food (grain), and industrial metals markets have gone bonkers – and for very good reasons. While there have certainly been strong speculative influences in many markets, the underlying theme has been genuine upheavals in actual supply and demand. I've witnessed such upheavals in the past – such as the worldwide crop failures of the 70's and the birth of OPEC and oil embargoes 50 years ago, but I can't recall a time when so many commodities have had their actual supply/demand fundamentals turned upside down all at once.

But there is much to report on in silver and gold, so let me try to stick to that. Some recent themes of mine have risen to the forefront, not the least of which has been the decisive upward penetration of silver's 200-day moving average. Even the technicians waiting for a strong weekly close above the 200-day moving average are now in the up, up and away price mode for silver (with which I obviously agree) and the only question is what they will say if we don't melt up. I know what I'll say if the third time doesn't prove to be the charm.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued this week at the same strong 6 million oz pace of the prior week, with barely a notice – as if the annualized movement of 300 million oz meant little. Total COMEX silver inventories fell by 2.3 million oz to 346 million oz, a fresh 18-month low – made all the more notable by the occasion of us being in the first week of a major COMEX delivery month (when inventories are more likely to rise). The holdings in the JPMorgan COMEX silver warehouse slipped by 0.4 million oz to 182.3 million oz.

COMEX gold warehouse totals grew by a slight 0.1 million oz to 32.6 million oz, while holdings in the JPM COMEX gold warehouse were unchanged at 12.74 million oz. Not much to see here – particularly when compared to silver.

Turning to COMEX deliveries, things changed in the traditionally-large March silver contract and, in essence, JPMorgan came to the rescue in preventing any type of squeeze or potential default from occurring when it issued, mostly for customers, just over 3000 contracts (15 million oz) Thursday night, followed by 560 contracts from its own house account last night. For the month (actually week), JPM has issued 1525 silver contracts in its own house account, not something I root for, but I do recall that when JPM issued close to 6000 contracts in July 2020, prices rallied sharply shortly thereafter.

At the same time, customers of JPM have been on both sides of issuing and stopping a huge chunk of the more than 8000 total silver contracts issued this month, issuing 3652, but stopping even more at 4303 contracts. Bank of America is the biggest taker of silver, having stopped 1887 silver contracts in its house account.

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

My sense is that this conforms closely with what I wrote on Wednesday (perhaps confirmation bias on my part) that a COMEX delivery default would be too damaging to all parties and is, therefore, not likely to set off the silver price explosion. I can easily see JPMorgan trying to position itself as the "good guy" in issuing a certain number of silver contracts so as to appear ready to contain prices, while at the same time picking up the same number of contracts through customer accounts or other reliable sources (such as Goldman Sachs which has stopped nearly 1000 silver contracts this month in its house account).

By issuing a large number of silver contracts in its house account, JPMorgan can appear to be doing its part to keep silver prices in check, when at the same time, as the world's largest holder of physical silver and silver long derivatives, JPM is making a bloody fortune on the silver (and gold) price rise it is doing everything to convince the world otherwise. These JPM crooks are operating on a completely different criminal level than can hardly be imagined.

In the COMEX March gold deliveries, Bank of America is the biggest stopper, having taken 3285 (328,500 oz) of the 4101 total contracts issued, with JPM an issuer of 1077 contracts in its house account. If BofA is intending to offset what I claim is its massive Over the Counter short position of 30 million oz of gold and 800 million oz of silver by taking COMEX deliveries at the pace it has so far, it better pick up the pace, because at its current pace, no one reading this will be alive by the time it finishes.

The biggest physical story, however, continues to be the lack of deposits into the world's silver ETFs, particularly concerning SLV. No net silver was deposited this week in the world's silver ETFs, despite clear evidence of strong on balance net investment demand, as is evident in surging prices and even greater trading volumes. This was the heaviest trading volume week for SLV since last year's volume blowup in early Feb, as some 265 million shares were traded this week (53 million shares a day on average). My back-of-the-envelope calculations suggest upwards of 20 to 25 million physical ounces are now "owed" to the SLV – a simply astounding amount. I'm not sure how this will be resolved, but this is the clearest sign of wholesale physical silver tightness, as I also suggested on Wednesday. As far as retail silver demand – forget about it, as it can't get tighter.

There have been enough physical inflows into the gold ETFs, including GLD, to make me think that not that much physical gold is “owed” – the critical situation is in SLV and the other silver ETFs.

Turning to yesterday’s Commitments of Traders (COT) report, while I didn’t put any number of contracts on it, I did expect managed money buying and commercials selling, in light of gold’s reporting week rally of as much as $60 and silver’s rally of as much as $1.50, including the big up and then down on Thursday, Feb 24. Therefore, there is no real surprise in the actual results posted (except one).

In COMEX gold futures, the commercials increased their total net short position by 16,100 contracts to 285,800 contracts – the highest and most bearish level since the prior important gold price top on Nov 16. By commercial categories, as has been the case recently, it was mostly a big 4 and raptor (smaller commercial) affair. The 4 big shorts added 9800 new shorts to a concentrated short position of 178,524 contracts (17.9 million oz). This is the largest big 4 short position in nearly two years and up by 56,000 contracts from the multi-year low of just two months ago. Keep this big 4 shorting in mind when we get to silver.

The 5 thru 8 big commercial shorts bought back 1000 shorts and the big 8 short position grew to 264,409 contracts (26.4 million oz), the largest big 8 short position since Jan 2021. The smaller raptors sold 7300 gold contracts, increasing their net short position to 21,400 contracts, their largest short position since the Nov 16 gold price top.

On the buy side of gold, the managed money traders were the biggest buyers, but they bought less than the commercials sold, as these traders bought 9645 net gold contracts, consisting of new longs in the amount of 3859 contracts and the covering and buyback of 5786 short contracts. Largely accounting for the difference between what the managed money traders bought and the commercials sold was short covering of 4600 contracts by the other large reporting traders, suggesting, at least for now, that these traders' luck in going short might have run out. No change in the big gold whale's long position, still close to 40,000 contracts, whoever the big long may be.

Strictly from a "conventional" COT market analysis, the COMEX market structure in gold has to be considered bearish, what with the extended commercial short position and the managed money net long position; but I'm sure I don't need to remind you that these are not normal times. It's not just what's going on in Ukraine and the world, it's the obvious physical tightness in gold, as well as its appeal as one of the true remaining assets not subject to counterparty risk. On top of all this is sharply growing losses to the 8 big COMEX shorts and, separately, the losses to Bank of America with its massive OTC short position – which I'll summarize later. If ever there was a time most favorable for Izzy's Full Pants Down premise, surely that time is now.

In COMEX silver futures, the commercials increased their total net short position by a very significant 13,400 contracts, to 57,200 contracts. This is the largest total commercial short position since the price top of Nov 16 and the largest weekly increase in roughly the same time. Quite literally, my heart sunk when I first perused the legacy report, because I was certain it signified (as was the case in gold) a sharp increase in the concentrated short position of the 4 big commercial shorts, as I feared on Wednesday.

But miracle of miracles, that was not the case, as the 4 big shorts "only" added a bit more than 1400 new shorts to a short position amounting to 49,578 contracts (248 million oz) as of Tuesday. The 5 thru 8 largest shorts actually bought back a hundred short contracts and the big 8 short position amounted to 66,891 contracts (334 million oz) as of Tuesday. The raptors (smaller commercials) sold 12,100 contracts, more than 90% of all the commercial contracts sold and they now hold a net long position of 9700 contracts.

Somewhat surprisingly, the managed money traders bought a lot more than the commercials sold, in buying 16,646 net silver contracts, consisting of the purchase of 12,856 new longs and the buyback and covering of 3790 short contracts. Net selling by the other large reporting traders and the smaller non-reporting traders accounted for the difference between what the managed money traders bought and the commercials sold. The silver whale holding upwards of 15,000 contracts in the swap dealers' category stood pat.

So, whereas the market structure in gold looks bearish and the market structure in silver looks no better than neutral to bearish in conventional and historic terms, I'm much less convinced that conventional COT analysis is the appropriate order of the day – not with world events, the losses to the big shorts on the COMEX and Bank of America in the OTC markets and the incredible physical tightness, particularly in silver. And I'd be lying if I said I wasn't thunderstruck and encouraged by the lack of significant new shorting by the big 4 in silver. After all, this has been a signature issue of mine for decades, even more so since petitioning the CFTC on this matter a year ago and receiving a response decidedly different from any I've received over the decades.

To expand on an observation I believe I made last week, in the four reporting weeks since Feb 1, the total commercial net short position in COMEX gold has increased by nearly 85,000 contracts (8.5 million oz), with the 4 big shorts accounting for more than 38,000 contracts and the raptors for the net selling of just over 50,000 contracts on the greater than $150 rally in gold prices over this time.

In silver, over those same four reporting weeks and on a $3 rally, the total commercial short position grew by 22,000 contracts (110 million oz), with the 4 big shorts accounting for only 2000 contracts and the raptors accounting for 20,000 of the commercial contracts sold. I am more than thunderstruck by the paucity of silver contracts sold by the 4 traders I've always alleged to be at the heart of the silver manipulation over the past four reporting weeks, particularly in light of the aggressive selling by the big 4 in gold.

Then again, I haven't made too much of a deal about the big 4 shorting in gold, in light of what a small percent it represents in terms of total world gold inventories or annual production. Don't get me wrong, the 4 big COMEX shorts in gold are as corrupt and manipulative as can be; it's just that relative to silver (and we may be talking about the very same traders), there's no comparison in terms of what role the 4 big silver shorts have played in the manipulation over the decades.

While I can't possibly know what the 4 big COMEX silver shorts will do in the future, I can tell you that their lack of new shorting to date is more than notable. Moreover, if these 4 big market crooks don't add aggressively to short positions on an extension of the current silver price rally, then I don't see how the price of silver can help but explode.

I'm also encouraged by JPMorgan's less than sincere attempt to appear like a good guy in delivering silver in this month's March deliveries, as I trust it about as much as I trust Putin to help out the Ukrainians.

Turning to how the big COMEX shorts fared this week, as well as how Bank of America fared with its OTC derivatives gold and silver shorts, and how JPMorgan is cleaning up on the long side, it was a week to remember. The $85 rally in gold and $1.50 rally in silver added a cool $2.9 billion to 8 big COMEX gold and silver shorts' losses, increasing their total loss to $14 billion.

While a bit less than the worst-ever level of losses when gold hit its all-time price highs and silver hit 8-year highs in August 2020, the $14 billion total loss to the 8 big COMEX gold and silver shorts happens to equal the worst quarterly loss on Dec 31, 2020 and is higher by $4.5 billion from where we finished this past yearend, barely 2 months ago. For the big 8, this isn't winning, nor would it appear to make them stronger and better-prepared for what might come next.

As far as Bank of America, if my claim that it is short 30 million oz of gold (from $1700) and 800 million oz of silver (from $23), its total losses as of yesterday, net of any relatively piddling offsets it may achieved on the COMEX, come to $10.5 billion. I made a calculation error last week in reporting BofA's losses, not in terms of actual amounts, but of characterization. Since Bank of America's OTC position is a derivatives position (as is the 8 big COMEX shorts' position), I neglected to point out that since all derivatives positions include both a short and long component, that I should have mentioned that BofA's loss must equal an equivalent profit to whoever is on the long side of BofA's short position. In this case, since I conclude that JPMorgan and its interests arranged for Bank of America to get hoodwinked into leasing and shorting gold and silver, then those JPM interests are the beneficiaries to whatever BofA is in the red for – in this case we must add $10.5 billion to whatever JPM is ahead on its physical long silver (1.2 billion oz) and gold (30 million oz) positions.

JPMorgan would appear to be in the black as of yesterday's close to the tune of nearly $22 billion on its gold holdings (30 million @ a cost of $1250) and nearly $10 billion on its physical silver holdings (1.2 billion oz @ an average cost of $18), or a total of $32 billion – to which a derivatives gain (courtesy of BofA) of $10.5 billion must be added – for a grand total of more than $42 billion.

Please remember that exactly two years ago, with silver below $12 and gold below $1500, JPM was dead even on its gold and silver holdings. So, two years later it is ahead by $40 billion. No wonder it was so magnanimous in delivering against the March COMEX contracts, as it is in no rush to make many tens of billions more at the cost of looking like bad guys. Hey, perception is everything.

Ted Butler

March 5, 2022

Silver – $25.85 (200 day ma – $24.27, 50 day ma – $23.48, 100 day ma – $23.50)

Gold – $1975 (200 day ma – $1813, 50 day ma – $1842, 100 day ma – $1821)