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## November 12, 2022 – Weekly Review

Over what was one of the most chaotic weeks in market history, precious metals continued to surge, with gold up a stunning \$89 (5.3%) and with silver up by 90 cents (4.3%), which felt decidedly on the “lagging” side at weeks end. As a result of gold’s relative outperformance, the silver/gold price ratio widened out by just over three-quarters of a point to 81.4 to 1. Notwithstanding this week’s slight widening, silver is still more fully-valued relative to gold than it has been in 7 months.

Over the past two weeks, gold has advanced by \$126 (7.6%) and silver by \$2.60 (13.5%), the sharpest gains in a couple of years (although both are still down a bit year-to-date). The last time we saw larger two-week gains was in the summer of 2020, as gold was hitting its then-all-time high of \$2050 and silver was on its way to a nine-year price high. But there is a big difference between the large gains of two years ago and the past two weeks, namely, the COMEX market structure was much more bearish back then, featuring a much larger commercial short position than existed prior to this two-week rally.

In fact (if you can imagine it), I believe even I underestimated the power of COMEX positioning in determining price; because when the cooler CPI figures were released early Thursday morning, my first thought was “darn (I used a different word), now they’re going to smack the metals down.” Instead, gold and silver prices rose strongly, with the most plausible explanation being the still-bullish COMEX market structure. The question now is how much the market structure may have deteriorated and we’ll get some answers (at least through last Tuesday) in Monday’s delayed COT report. More on that in a bit.

In addition to the strong rallies in precious metals (and copper), which appear to have been triggered by existing bullish market structures set off by moving average penetrations, there were sharp and similar movements seen in stocks, bonds and currencies, also not coincidentally, set off by similarly bullish derivatives market structures. Finally, there was the stunning implosion in FTX, one of the largest crypto trading exchanges and in which I see (big surprise) lessons applying to silver and gold. First, however, let me run through the usual weekly format for what was a very unusual week.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained intense, as more than 8.1 million oz were physically moved, the third straight week of greater than 8 million oz of weekly movement. In fact, over the past 9 weeks, COMEX silver warehouse holdings have averaged more than 8.7 million oz of actual movement in and out or 450 million oz when annualized or more than 55% of total world annual mine production. No other commodity comes close to such inventory turnover.

This week, total COMEX silver warehouse inventories fell another 2.3 million oz to 298.1 million oz, to yet another three-year low, with a decline of 1.2 million oz, to 153.5 million oz in the JPMorgan COMEX warehouse accounting for much of the total reduction. Over the past 9 weeks, the total 79 million oz turnover has led to a decline of more than 25 million oz in the total COMEX silver warehouse holdings. I understand completely the attention given to the decline in total inventories, but still not the ignoring of the turnover.

Total holdings in the COMEX gold warehouses also slipped again, this week by 0.5 million oz to 24.1 million oz, fresh two+ year lows. Here too, declines in the JPM warehouse paced the total decline, as

around 0.4 million oz were removed, lowering total holdings in this warehouse to 9.43 million oz.

Total gold ETF holdings fell close to 0.5 million oz this week, mainly in GLD, which is starting to look as counterintuitive as recent declines in silver ETF holdings, given that gold prices have turned sharply higher, as have silver prices. I guess all the gold and silver flowing east has to come from somewhere and ETF holdings seem a logical source of supply â?? which is hardly bearish. Silver ETF holdings also fell this week in SLV by close to 5 million oz and plain-vanilla investor liquidation appears absurd as the most plausible explanation. Holdings in the PSLV continue to grow and is a much better example of what investors as a whole are doing in silver, namely, buying and accumulating. Again, the main reason silver isn't coming out of PSLV, is because Ottawa, where the metal is stored, is not a distribution point for silver â?? where the COMEX warehouses and SLV are such terminals.

The new short report for stocks, released late-Wednesday, indicated a slight reduction in the short position on SLV, the big silver ETF, of less than 2 million shares, to just under 50 million shares (46 million oz), as of Oct 31.

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

Since I've already complained three times to the SEC in recent months (the last one also sent to BlackRock, the trust's sponsor) about the still-outrageously large short position in SLV, I'll not do so again at this time. But at 9.7% of total shares outstanding, it still means that that much silver is â??missingâ? from what should be the backing of the trust, according to the terms of the prospectus.

While I will comment later about the fiasco at FTX, the crypto exchange that just evaporated into thin air, I did note that BlackRock, the world's largest asset manager, was listed as one of the venture firms that had backed FTX â?? a colossal misstep of epic proportions. I suppose BlackRock was as blind-sided by FTX as the other â??sophisticatedâ? investors who plowed as much as \$2 billion into what is looking like an obvious scam. I also suppose BlackRock received no advance warnings of anything being amiss at FTX, not something it will be able to claim when it comes to advanced warnings about the fraudulent and manipulative short selling in SLV by me, either recently or as long as a decade ago.

My warnings aside, the â??stickinessâ? of the large short position in SLV is giving all the appearances of confirming my initial conclusion that it is based upon the inability to source adequate physical supplies due to extreme tightness or shortage of wholesale quantities of 1000 oz bars. â??Shortageâ? is a funny word, in that its meaning is often misconstrued, with some actually claiming that a physical shortage in silver is impossible. To me, such thoughts are preposterous, as the actual definition of shortage is â??a state or situation in which something needed cannot be obtained in sufficient amountsâ?. As I've long contended, any commodity produced and consumed is capable of getting into such a state. I used to exempt gold from that list, due to its constant growth in above ground inventories, but lately I've been thinking that even gold can reach a state of temporary shortage if demand is strong enough.

This is the point where I typically analyze the results in the weekly Commitments of Traders (COT) report, but since the report is delayed until Monday, let me save the analysis until then and try to handicap what the report might indicate. First, price action was strong into the Tuesday cutoff, stronger in silver, which rose as much as two dollars over the reporting week, with gold up as much as \$70. In terms of moving average penetration, it was also silver that stood out, in fact, after trading below all

three key moving averages early in the reporting week, silver managed to exceed all three on the cutoff although not decisively so in terms of its 200-day moving average a modified version of a golden cross.

Gold, in contrast, managed to upwardly penetrate only its 50-day moving average by the Tuesday cutoff, although its 100-day moving average was penetrated in trading since Tuesday, while the 200-day moving average is still around \$30 higher than yesterday's close. Since the Tuesday cutoff, gold has been stronger than silver. Of course, the discussion about moving averages is not because we've suddenly become a tech-head, but rather because the moving averages are the prime motivation for the managed money traders and up until now, what these traders do (and what the commercials do against them) is what has determined prices to this point.

Based upon price action alone and how the managed money traders have reacted to such price changes in the past, there should be substantial deterioration (managed money buying and commercial selling) in silver and a bit less on a relative basis in gold. By substantial, I would imagine something on the order of 20,000 contracts in silver (hopefully less) and the same number or thereabouts in gold (which is considerably less in a real sense considering the larger size of the COMEX market in contracts terms). Of course, the biggest issue, if such overall numbers do occur, will be the breakdown of the commercial selling component.

On the previous \$2+ silver rallies of early Sep and Oct, the smaller commercials, the raptors, didn't sell many of their long positions and the 4 big former commercial shorts needed to add as many as 9000 new short contracts on the Oct rally (before buying back many of those added shorts). The rally into last Tuesday began from a slightly higher price level, so perhaps more raptor long positions were sufficiently profitable to encourage their sale.

Even if Monday's report does indicate heavy new short selling by the former big commercial shorts, all is not necessarily lost, as it may be on the part of only one or two big shorts who may be desperate to contain prices and more subject to overrun considering the obvious tight physical conditions (much like the excessive short position in SLV). The important point is that the recent blastoff in silver and gold prices has occurred precisely because the COMEX market structure was so bullishly configured and it's virtually impossible for the market structure to have flipped to outright bearish so quickly. Again, I plan on COT comments sometime around 6 PM EST Monday.

As far as the extreme market chaos this week and the stunning news of the FTX crypto implosion, all sorts of equally extreme conclusions have been reached, including those inevitably tied along political lines, as is the custom of our time. As far as I can tell, the founder of FTX, the 30-year-old would-be genius, greased the pockets of both political parties, one way or another, when it came to currying influence. However, my main concern is how all this may relate to silver (and gold).

No doubt, customer funds appear to have been compromised (and continue to be compromised), but the manner in which the FTX scam was allowed to continue for as long as it did was due to the manipulated high price of the key token in scam, FTT. All it really took for the con to be exposed was a press report questioning the finances between FTX and related company Alameda, which set off a redemption wave from FTX in which the price of FTT cratered by more than 90%.

I can't help but see the similarities (as well as the differences) between the FTX scam and the COMEX silver scam. Both revolved around a manipulated price, too high in the case of FTT and too

low in the case of silver, but both artificial. Both scams featured well-known, well-connected and otherwise "sophisticated" advocates who either championed and invested in FTX and the CME Group and refused to see or accept the obvious signs of manipulation.

Both scams took place under laws and regulation designed to prevent such occurrences, although loop holes were exploited in FTX's case. Reportedly, the SEC was investigating FTX when it blew up, while both the CFTC and Department of Justice have investigated the COMEX silver scam over many years, including a formal five-year investigation by the CFTC from 2008 to 2013, which has allowed the scam to exist until this day.

The differences include the FTX scam developing and occurring in a matter of a few short years, whereas the COMEX silver scam has endured for four decades. Even this difference, however, appears likely to look more similar in the end when it comes to the manner of how quickly the actual resolution is when the process is activated. The resolution in silver can't possibly be as quick as was the resolution in FTX and FTT, as you can't undo 40 years of price manipulation of a world commodity in the few days it took FTX and FTT to get resolved - but the offset is that those two were destined for zero value, while silver's value upon resolution is as opposite as possible and it will take more time for those highs to be achieved.

Finally, while there were advanced warnings about FTX, those warnings paled in comparison to the multitude of warnings over the years in COMEX silver. While I imagine current officials at the CFTC and the former Commission officials who actually went into the employ of FTX are in state of shock and surprise about how quickly things there have imploded, no such surprise is or will be possible when it comes to the scam of COMEX silver.

On Oct 14, I made public my article "Stand Up and Make a Difference", which was widely-read and to my knowledge involved many public contacts to the Commissioners at the agency to explain how silver prices could be so low in the face of obvious signs of extreme silver demand and shrinking inventories. On that day, silver closed at \$18 and has subsequently climbed by nearly \$4 or more than 20%.

<https://silverseek.com/article/stand-and-make-difference>

While no explanation has been forthcoming to this point, perhaps in lieu of an explanation, the Commission may have undertaken the measures required to end the long-running COMEX silver price suppression scam. For its sake, I hope that's the case, because it should be much harder for the Commission to invoke the shock and surprise it must feel at developments at FTX and in cryptos in general after being so thoroughly warned about silver.

Regardless of what Monday's COT report may indicate, it's hard to imagine that we're not in the very early stages of an explosive and long-lasting price advance in silver and gold and other metals. While price volatility has also increased sharply, it's hard to imagine, at this point, the strong likelihood of the commercials inducing the managed money traders to reenter onto the short side after yet another ruthless beating for those managed money traders which did get tricked again into going short at recent price lows.

Next report Monday at around 6 pm EST.

Ted Butler

November 12, 2022

Silver – \$21.80 (200 day ma – \$21.51, 50 day ma – \$19.46, 100 day ma – \$19.47)

Gold – \$1774 (200 day ma – \$1807, 50 day ma – \$1683, 100 day ma – \$1724)

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