

Weekly Review

For the fourth consecutive week, prices of gold and silver fell, with silver finally reverting to its usual role of leading to the downside. Gold ended lower by \$6 (0.6%), while silver fell by 50 cents (3.4%). As a result of silver's relative underperformance, the silver/gold price ratio widened out by 2 full points to 76 to 1; up sharply from the fairly static levels of the past month. While indicating an extreme relative undervaluation for silver, the price remains within the fairly narrow trading of the past year.

As I hope to explain shortly, I believe the precious metals are on the cusp of a dramatic move upward, most definitely including gold. Yet because I am convinced that silver will lead the move higher whenever it starts, it still makes sense to swap gold for silver. Would I sell gold to husband cash? Heck no. Would I switch gold to silver at current prices? In a heartbeat.

For all intents, the four week decline in gold and silver also set new five year price lows, as was the case with other metals and energies. I won't sugarcoat it, this past 5 years have been the worst 5 years in gold or silver history for anyone

holding these metals. On the other hand, just based upon that statement, it is inconceivable to me how that could occur again from current price levels. Moreover, I think the past five years will serve as the springboard for the next five years, particularly in silver.

Many commodities have fallen to 5 year lows recently, from precious and base metals to crude oil. Because of that, it's natural to lump them all together when searching for an explanation why. In other words, we sort of demand a collective reason that explains in a simple message the decline in all commodities – such as a stronger US dollar. However, by doing that I believe much can be overlooked.

Let's face it, every commodity has unique supply/demand characteristics that (should) drive prices. Gold's fundamentals are different from silver's and worlds apart from crude oil's fundamentals. The overproduction and swelling inventories of crude oil fully explain the collapse in price, but there appears to be no evidence of growing inventories in silver, either on a retail or wholesale basis. To assert that oil and silver (or copper or gold) are falling for the same reason seems silly to me. It also presents unusual investment opportunities.

I would be remiss in summing up the week's activities if I failed to mention the atrocities in Paris. Having become (over the past two days) fully invested in silver once again (with a call option kicker), yesterday's horror reminds me that we live in a world fraught with unexpected risk. I'm not a gloom and doom type of guy, expecting the financial world to end at any moment; but that doesn't mean I believe shocks to the system are impossible. While I hold silver (now in greater quantity than ever), I hold it for investment purposes based upon actual supply and demand fundamentals and now for what I believe has been a washout in COMEX futures contract positioning. All that said, I'd be lying if I said I didn't feel somewhat comforted in holding silver at times of world crisis.

The turnover or physical movement of metal being brought into or taken out from the COMEX-approved silver warehouses subsided from recent much higher levels, but still clocked in at 2.73 million oz for the week. Total COMEX silver inventories rose by a scant 0.2 million oz to 162 million oz, just slightly higher than last week's total, which was the lowest level in 2 years. There is still no commodity that comes close to silver's turnover, despite the fact that few focus on it. If anything, I would expect COMEX silver (and gold) inventories to climb as we approach the start of the big December delivery process in a week or two.

There was a continued drain in the holdings of the big gold ETF, GLD, this week

of around 230,000 oz, following last week's near 750,000 oz withdrawal. These reductions in GLD seem directly related to investor liquidation due to declining prices (as a result of the price rig job lower on the COMEX). Once again, the activity in SLV, the big silver ETF, seemed highly counterintuitive as consistently lower silver prices resulted in an increase this week in silver metal holdings of nearly 1.5 million oz.

In just over two weeks of the most persistent daily price decline in gold and silver market history, the big gold ETF lost nearly 1 million oz of its holdings while the big silver ETF remained flat in holdings. I would contend what is most unusual is what occurred (or didn't occur) in SLV and the most logical speculation revolves around silver deposits being made to further reduce the short position in SLV, as has occurred recently. I can't see this being anything but bullish for silver and is among the many reasons I have been quick to get more than fully invested in silver these past two days.

Sales of American Eagles from the US Mint continue to suggest a pickup in sales of Gold Eagles by the big buyer (I think JPM), now that gold prices have been rigged nearly \$100 lower the past two and a half weeks. Sales of Silver Eagles are still pedal to the metal with the Mint apparently selling as many as it can produce. I'm more than convinced JPMorgan is (still) the big buyer of Silver

Eagles and it didn't even pause in continuing to buy these coins despite knowing it was instrumental in silver's recent \$2 price smack down.

http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

After trying to download the new Commitments of Traders (COT) Report, after 10 minutes or so I emailed the webmaster at the CFTC asking what was up. He (or she) wrote back immediately that it was delayed until Monday, due to the Veteran's Day Holiday, which I overlooked. Just to be fair, the few times I have emailed the webmaster over the years, I have always gotten immediate responses, much to his or her credit. As you know, I haven't gotten any response from CFTC commissioners or key officials to any of my many complaints about the manipulation for many years. If I could, I would put the webmaster in charge of the whole darn agency.

(On a housekeeping note, I plan to return to Florida starting tomorrow and will be on the road Monday. I will have some comments on what I've written could be the most important COT report ever, but those comments won't likely be available until 7 PM EST or so on Monday. There might even be some delay for Wednesday's report and delays in responding to emails, so I thank you in

advance for your understanding.)

Despite the delay in the new report, I'd like to explain why I "jumped the gun" in concluding we are close enough to consider a bottom in place. Aside from my hand grenades and horse shoes close enough is good enough analogy, I got too nervous about missing what I see as an explosive upward move ahead, particularly in silver.

The last thing I would want to do is convince anyone to trade silver on a short term basis, as my biggest fear is in having caused anyone to sell out a long term silver position and miss the coming big move up. That said, there are times when the COT market structure is simply not conducive for a short term rally and I try to convey that for those fully aware of the risk of possibly missing a major price move. While my articles are not intended as short term trading advice, since the odds of success are stacked against most who try, there are times when those so inclined can put COT analysis into action.

Going into the recent price top around October 28, the COT market structure had deteriorated sharply in a very short period of time (5 or 6 weeks); meaning

the managed money traders had bought aggressively and the commercial traders had sold just as aggressively in COMEX silver and gold futures contracts.

Along the way, I recall becoming increasingly concerned about a selloff; first questioning should I stay or go on Oct 7 (I decided to stand pat with my positions), to then concluding in the weekly review of Oct 17, that my fear of a selloff had overcome my fear of missing the big move to come and I had and would adjust personal positions. I am not going to recite chapter and verse what I wrote or didn't write, but if anyone has any concerns that I may be misrepresenting what I wrote previously, please let me hear from you. It's a personal peeve of mine when I see commentators tell you what they may have gotten right, while avoiding what they may have missed completely. I'd rather be horsewhipped than to intentionally misrepresent anything.

Now that I have done a complete about face since the end of October and now hold more silver and call options than ever, even before getting confirmation in the COT reports to be released both Monday and this coming Friday, I'd like to explain why. Before I do that, you must know that I am likely to be premature and further new short term price lows could lie ahead.

Please also know that possible new price lows will not alter in any way my outlook or alter my (wife's) silver positions and, in fact, will only strengthen them (since that must entail additional commercial buying and managed money selling). If silver prices stay low indefinitely, my options will expire worthless (as I will only sell them on a price rise) and in time I will be forced to buy new call options (and, hopefully, avoid the wrath of my wife). As always, no margin, no way.

So why am I not holding off until I see the whites of their eyes in new COT reports? Mainly because there are some strange aspects to this very recent decline. For starters, we have declined for 12 or 13 consecutive trading days in silver and gold, an occurrence I can only remember happening once before. I do remember, in early 1980, COMEX silver remaining locked limit down for just about two weeks or so. But that was under circumstances quite the opposite of what exists today.

Silver plunged in 1980 after hitting \$50 as a result of both a failed upside manipulation by the Hunt Bros. and the concerted effort of the shorts and regulators. This current 12 day decline started from \$16, a price level at which

point silver was already down close to 70% from prices four and a half years ago. I remember writing recently that it's actually crazy to be bearish at \$16 silver considering the fundamental undervaluation, but not when the managed money traders bought and the commercials sold 50,000 net contracts (250 million oz).

Unlike the two week price smash in 1980 which was all about trapping the longs and preventing them from selling until after the price decline was finished; this recent two+ week decline was intended to generate as much managed money selling as possible every single day by establishing new price lows daily. This is the essence of price salami slicing and what we've just witnessed is the most extreme example in history. That it occurred on a \$2 silver and \$100 gold price decline only points to the power of the commercial manipulators on the COMEX.

Being the most extreme example of manipulative price salami slicing in memory suggests a motive and intent out of the ordinary. I believe it is only because of the concurrent and probably manipulative broader price declines in other commodities that the absurdity of this silver price decline has been overlooked. Seriously □ what possible explanation can be given for why silver (and gold and other metals) would have declined to new lows every day for 12 consecutive days apart from COMEX price rigging?

November 14, 2015 - Weekly Review

Because the consecutive daily declines were so extreme and there is no question that the commercials were buying all they could (particularly JPMorgan), I can't help but conclude that the urgency to buy by the commercials may indicate the big move may be at hand. At this point, it's more a case of how many more contracts the managed money technical funds can be persuaded to sell (short). Obviously, I have concluded not many more.

Even if I'm wrong and there are new price lows to be seen ahead, I am certain that the price of silver (and gold) will still trade higher than current prices in a reasonably short period of time. That's because I'm also convinced that the smaller commercials (the raptors) have been aggressively adding to long positions (in addition to the 8 largest shorts buying back short positions). There was one instance (a year ago, to be specific) where a number of silver raptors panicked and sold out long positions at prices close to where we are now.

But back then the silver raptors who panicked and sold were several dollars in the red; any new raptor long positions can't be in the hole much. Besides, since then, the commercials have been mopping the floor with the managed money traders in COMEX silver and gold and just about everyone who writes to me on

this matter can't believe the managed money traders can be so thick-headed to continue to take losses. Yet no one can argue, by virtue of the continuing data in the COT reports that isn't exactly the case.

Along with other physical market indications and the approach of the big December delivery month, where I was nervous quite recently about silver prices declining, I just became more worried about missing an imminent price explosion. That's because I know how easy such an explosion could occur. All it would take is JPMorgan and the other big commercial shorts refraining from adding new shorts on the next silver price rally.

An even more powerful version of that would be a double cross in which JPMorgan doesn't add to shorts but where the other big shorts do add. Should that occur, I am convinced those other big shorts would then panic and rush to cover silver shorts when it became obvious JPMorgan was not participating on the short side. Any manipulation must come down to one principle manipulator and that has been JPMorgan in silver for the past nearly 8 years (since it acquired Bear Stearns). When JPMorgan quits this crooked manipulation as it must at some point, silver will fly.

This last takedown looked so orchestrated to me that it had to have been arranged for a reason. The most compelling reason would seem to be to clear the decks and to insure that the commercials and, most importantly, JPMorgan were correctly positioned for a silver price liftoff. I'll live with further new price lows at this point, but not with missing the next rally.

Ted Butler

November 14, 2015

Silver - \$14.23 (50 day moving average - \$15.19)

Gold - \$1083 (50 day moving average - \$1133)