After multi-week price gains, gold and silver prices ended lower this week, with gold down by $22 (1.2%) and with silver lower by 80 cents (3.7%). This resulted in the silver/gold price ratio widening out by just over two full points to 83.4 to 1. As a reminder, this is almost exclusively a mathematical calculation, arrived at by dividing the price of gold by the price of silver – meaning there is very little actual switching between the two metals, certainly not on a cash basis, but even on a leveraged paper basis in the largely crooked dealings on the COMEX.

From a top-down view of the metals this week, it appeared to be business as usual, namely, continuing bullish developments in the real world of silver and gold, overridden by manipulative price-fixing on the COMEX, which continues to be ignored by the regulators at the CFTC – no doubt preoccupied with concocting cover stories about how they missed the FTX scandal in their pursuit of being the crypto regulator of choice.

It would not be hard to find another week where bullish developments in the actual metal world were completely overwhelmed by manipulative trading on the COMEX – as borne out in yesterday's new Commitments of Traders (COT) report, which featured an ugly increase in the one factor most critical to the price setting process – whether the former big commercial concentrated shorts would add to short positions on a rally. Particularly in gold (but also in silver), the answer was a resounding "yes" – as I'll get into shortly. While clearly disappointing, it's too soon to declare all is lost. Let me run through the usual weekly format, before turning to special items of interest.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained elevated this week, as more than 7.6

million oz were moved and total inventories fell, yet again, to 294.4 million oz, down 3.7 million oz for the week. This is yet another 3-year low. Holdings in the JPMorgan COMEX silver warehouse fell by 1.1 million oz to 152.4 million oz. The ”drain” on COMEX silver inventories has become quite persistent and notable and has yet to show any real connection with silver price movement – just one of many strange such oddities in silver.

COMEX gold holdings also fell again, this week by 0.2 million oz to 23.9 million oz, another new 2.5 year low. Holdings in the JPM COMEX gold warehouse accounted for more than half the total decline, falling 0.12 million oz to 9.31 million oz.

Gold ETF holdings continued to fall, but at a reduced pace and not predominantly in GLD, but rather the Deutsche Bank gold ETF. There were no net withdrawals from the big silver ETF, SLV, this week, instead a slight 2 million oz net deposit.

Turning to yesterday’s new COT report, while my expectation that there would be greater deterioration (managed money buying and commercial selling) in gold than in silver, which was the case, the level of deterioration was much greater than I would have expected. Moreover, the commercial selling was precisely of the type I didn’t wish to see, namely, new short selling by the former big commercial shorts. The thought did occur to me that JPMorgan might have returned to the short side, but I have absolutely no way of determining that, one way or another.

One interesting and somewhat unexpected result of yesterday’s COT report was that, as result of pronounced short-covering by the managed money shorts, particularly in gold but also in silver, it appears that the big 4 and big 8 short categories are now back to being purely commercial, as there doesn’t appear to be any managed money shorts in the concentrated short categories for the first time in quite a spell. In gold,

this development has resulted in a notable big increase in the gold raptor (the smaller commercials apart from the big 8 commercial shorts) net long position – which is most definitely at odds with the big increase in big 4 and 8 commercial shorting.

In COMEX gold futures, the commercials increased their total net short position by 43,200 contracts to 134,300 contracts. This is the largest (least bullish) short position since Aug 23, although on a longer historical basis, the short position is still very much on the lower side and bullish. The most notable feature of this week's gold positioning was that the commercial selling was exclusively of the big 4 and big 8 new short-selling variety – perhaps the one thing I didn't wish to see.

The big 4 short position "only" rose by roughly 6000 contracts on a straight calculation basis, to 112,899 contracts (11.3 million oz) and likewise, the big 8 short position rose to 195,593 contracts (19.6 million oz), but when you factor in the massive managed money short covering, the actual amount of new commercial short selling was off-the-charts.

This week's big 4 short position of 112,899 contracts represents an actual increase of nearly 40,000 contracts from last week's 73,000 commercial-only big 4 short position. The big 8 short position of 195,593 contracts represents an actual increase of more than 65,000 contracts from the prior week's 129,000-contract commercial-only component of the big 8 combined (commercial plus managed money) short position. There haven't been many other weeks in history with larger increases in the commercial concentrated short position of the big 4 and big 8 shorts.

Granted, gold did rally pretty sharply over the reporting week, by as much as $75, but also failed to upwardly penetrate its 200-day moving average, so the increase in

the concentrated commercial short positions is truly remarkable. What the heck might gold prices have done on the upside had there not been such massive new concentrated short selling? Clearly, the new commercial short selling was intended to keep gold prices from rising even more sharply – about as manipulative as it gets. Kudos to the CFTC for being so alert. Not.

A very interesting development that arose as a result of the managed money traders abandoning the ranks of the big 4 and 8 gold short sellers, is that it gave greater clarity to the gold raptors' net long position. Because the big 8 concentrated short position is now purely commercial and in the amount of 195,593 contracts and the total commercial net short position is 134,300 contracts, we know that the difference, 61,293 contracts, is the amount held net long by the gold raptors. Not only is this much larger than what I have been calculating recently, it's also one of the largest gold raptor net long positions in history.

Here's what makes this so interesting. There seems to be a big difference between what the biggest 4 and 8 shorts have done, namely add aggressively to new short positions, and what the smaller gold raptors have done – hold one of their largest net long positions ever. What this means may be learned in the fullness of time, but to me it suggests the biggest shorts are adding new shorts to cap and contain the price (overt price manipulation), as is usual, while the raptors are content to hold a very large net long position at prices the big shorts are shorting at. They both can't be correct.

On the managed money side of gold, these traders bought 41,803 net contracts, consisting of the purchase of 7006 new longs and the buyback and covering of 34,797 short contracts – nearly matching the total net commercial selling of 43,200

contracts. As a result, the managed money net position switched from net short to net long in the amount of 25,457 contracts (95,065 longs versus 69,608 shorts). This is the most the managed money traders have been net long since August, but on a longer historical basis the position is still quite low and bullish.

My sense is that the big gold shorts were so aggressive in adding short positions for the prime purpose of keeping the gold price below the 200-day moving average to keep the managed money longs from plowing onto the long side, but the gold raptors weren't fooled or dissuaded from adding and holding long positions.

In COMEX silver futures, the commercials increased their total net short position by 7300 contracts, to 29,400 contracts, more than I expected and the largest (least bullish, most bearish) total short position since May 10. As was the case in gold, the commercial selling was exclusively new short selling by the former big concentrated commercial shorts. Also as was the case in gold, the big 4 and big 8 short positions are back to being purely commercial, as no managed money traders appear to remain in the ranks of the biggest concentrated shorts.

By straight calculation (multiplying total open interest by the percentage held net short), the big 4 short position only increased by around 1200 contracts to 42,770 contracts (214 million oz) and the big 8 short position increased by just over 2300 contracts to 62,456 contracts (312 million oz). But because the managed money traders are no longer in their ranks, thus making the big 4 and big 8 shorts purely commercial, the actual increase in the big 4 commercial short position was about 5800 contracts from last week, while the big 5 thru 8 shorts adding another 1500 new shorts.

Again, by straight calculation, the big 4 short position of 42,770 and big 8 short

position of 62,456 is back to being purely commercial for the first time in quite a spell. It also makes computing the raptor net long position more objective and the smaller commercials did nothing this week and remained net long 33,000 contracts (Derived at by subtracting from the 62,456-contract big 8 concentrated short position, the 29,400 commercial total net short position). As was the case in gold, it is interesting that in the face of pronounced new concentrated commercial shorting, the raptors stood pat, not selling any long contracts this week.

On the managed money side of silver, these traders bought quite a bit less than the 7300 contracts sold short by the big 4 and big 8, in buying only 3717 net silver contracts, consisting of the sale of 770 long contracts and the buyback of 4487 short contracts. The resultant managed money net long position only increased modestly to 13,109 contracts (38,106 longs versus 24,997 shorts) – unlike the much bigger switch from net short to net long seen in gold by the managed money traders. Explaining the difference between what the commercials sold and the managed money traders bought in silver was mostly net buying by the smaller non-reporting traders.

The bottom line on all this is that the largest commercial shorts in both gold and silver added aggressively to shorts for the most plausible reason of capping the budding price rallies. They were not joined by long liquidation by the smaller commercials, particularly in gold, as the gold raptors went the other way and added longs. This price capping, therefore, is more blatant than typically seen and strongly suggests that the regulators at the CFTC have no interest in addressing the obvious ongoing COMEX price manipulation.

If the CFTC were to reply to the requests it received from many to explain how

silver's fundamentals could be so bullish and its price so bearish and disconnected, particularly in light of the aggressive new short selling by the largest commercial shorts, the Commission might likely respond that the big commercials were only serving in a market-making role. That is complete hogwash for a number of reasons.

First, commodity markets are open auction markets, unlike specialist markets like the NY Stock Exchange with its specialist system of market makers designed to tamp down price volatility and provide liquidity. By contrast, the market makers on the COMEX are solely interested in spoofing and zooming the managed money traders into and out from positions and in creating magnified price volatility when it best suits them. Recall all the sudden and mysterious price plunges engineered by the COMEX commercials out of thin air.

The specific proof that the big commercials are not legitimately making markets in COMEX silver and gold can be seen in the fact that they never buy (whether to add longs or buyback shorts) on higher prices, only on lower prices and never sell on lower prices. At least not for the past 40 years. That's not market making, that's price manipulation. Add in the fact that COMEX silver has had the largest concentrated short position in real world terms for 40 years and attempts to frame what the big commercials have done as legitimate market making is an insult to the term itself.

Will the new shorts added by the largest COMEX commercials be bought back on lower prices, as has always been the case before (perhaps with the exception of what happened over the past couple of years)? I don't know, as the smaller commercials in both COMEX gold and silver, the raptors, don't seem to be going along yet. Plus, the drumbeat of ever-tightening physical conditions, particularly in silver, has gotten so

loud, so as to be nearly impossible to ignore – making the clash between physical and COMEX paper trading all the more extreme.

In the "maybe you really can fool all the people, all the time" department, new data from the Silver Institute raise the prospects of just that. Or, at the very least, the new report should make everyone question the body of reasoning behind the law of supply and demand – which holds that when demand exceeds supply, price should rise. If the Silver Institute's new supply and demand data for silver is accurate (as I believe it to be), then surely, we've all been duped in some super-sophisticated plot destroying our past collective understanding of the law of supply and demand.

The just-released new report from the Silver Institute indicates that in 2022, silver total demand has surged by the largest amount in history, 16% over 2021 to 1.21 billion oz, while total silver supply (mine plus recycling production) only grew by 2% to 1.017 billion oz, resulting in the largest physical deficit (194 million oz) in multi-decades.

https://www.silverinstitute.org/global-silver-demand-rising-new-high-2022/

The statistics posted appear to be reasonably accurate and conform with other data sources. All that said, there is something so glaringly wrong with everything in this report that, at a minimum, anyone reading it should be questioning their sanity, or at least everything learned about the most basic lessons regarding the law of supply and demand. What the Silver Institute published is the guaranteed formula for higher prices – based upon the functioning of the law of supply and demand.

If the statistics published by the Silver Institute are accurate (again, as I believe them to be), then it is impossible for silver prices to have fallen this year and not

risen sharply. Let me re-state that – either the statistics are so wrong so as to represent a gross misstatement of the facts (by Metal Focus, the report's actual author) or something is glaringly wrong with the price of silver. One or the other. It's impossible for prices to fall when demand exceeds supply – unless (and this is the point) someone is monkeying with the price.

In a real sense, this is a flashback to 1985 for me, when my late silver mentor and dear-departed friend, Izzy Friedman, first challenged me to explain how the price of silver could be so low and stagnant in the face of what was then a documented structural deficit, in which more silver was being consumed than was being produced. Izzy's challenge, as I have related since on frequent occasions, was so difficult to answer that it took me a full-year to come up with the explanation. And it was only because I happened to have a professional commodity futures background – not by any grand design, but by happenstance – that the answer to why the price of silver was so low when actual supply and demand mandated much higher prices was the same then as it is today.

The answer, then and now, is because the price of silver is suppressed and manipulated by too large of a concentrated short position on the COMEX. For sure, the specifics of who is holding the concentrated short position have somewhat changed this year, but not the fact that COMEX silver futures have consistently had the largest concentrated short position of any commodity in real world terms for the past four decades. This is what explains how the law of supply and demand can be so turned on its head when it comes to silver. Of course, there is no mention of this in the Silver Institute's report – just that silver demand is greater than supply and, by the way, prices are lower – as if that's to be expected.

In fact, the report is quite timely, as it underscores my recent appeal to write to the CFTC and its four new commissioners asking them to explain how silver's supply and demand could be so bullish, yet its price not reflect the actual fundamentals. I didn't know what would be in the new report from the Silver Institute, but the data contained therein certainly increases the necessity of the regulators to address this issue.

There is not the slightest doubt in my mind that the explanation I discovered 37 years ago for a circumstance that would appear impossible on its face is the same explanation today (and all along). Where it gets particularly tricky is coming up with an alternative explanation. I explain the extreme disconnect between silver's actual fundamentals and its price as due to price manipulation on the COMEX. I've yet to see an alternative explanation that come close to making sense. I guess the collusive commercial crooks on the COMEX think they can keep on fooling all the people all the time. But the checkmate to the COMEX commercials' crooked game is the growing physical shortage which is about to render the past decades ongoing artificial pricing suddenly moot.

Moving on, I have read and listened to an unusually large number of commentaries on the FTX-collapse, with nearly all of those commentaries managing to point to SEC chairman Gary Gensler as being at the heart of the scandal. It seems to me that the banks and others in the hedge fund community, which have long considered Gensler public enemy number one, have orchestrated a coordinated campaign to paint him as the bad guy in this scandal. However, most of the attacks have come in the form of innuendoes, nebulous accounts of guilt by association and other loose connections. Even the famous Zoom-meeting between Gensler and Sam Bankman-Fried lasted a half-hour and was attended by at least ten other participants. What possible

skullduggery and under-the-table conspiracies could be hatched in such a single meeting?

Since so many have seen fit to send me what they believe to be the perfect explanation of the FTX debacle (most with an angle of blaming Gensler), allow me to return the favor and present what I believe to be the best explanation I've run across so far. It's from Ben Hunt of the Epsilon Theory, which includes specific mention of the regulators at the SEC and CFTC.

https://www.epsilontheory.com/the-macguffin-part-2-the-story-arc-of-sbf-and-ftx/#comments

It's no secret that I believe Gensler to be innocent until shown to be guilty of any type of malfeasance in the FTX matter and should I be proven wrong, I will admit to same (although I suspect that won't be reciprocal on the part of his many accusers). One thing Hunt lambasts in his commentary is the revolving door between the regulators and the regulated, as I was also previously quite clear about. Just to restate it for the record – Gensler was never part of this revolving door process. Since leaving his partnership at Goldman Sachs more than 25 years ago, he has served in public service (or taught very briefly at MIT), never re-entering the highly-paid ranks of the financial industry, which seems so intent on attacking him now. I'm convinced these attacks are directly related to how qualified and knowledgeable he is in the issues that matter most. Having super-smart people with experience and no expectation of financial reward running things in government regulation is exactly what we want. Or so I believe.

Speaking of cryptos, while I can't remember exactly when, sometime around a year ago, I believe I made the comparison between Bitcoin and silver, when Bitcoin was

over $60,000 and silver was around $25. Specifically, I was comparing one Bitcoin with a thousand oz bar of silver, where one Bitcoin would buy nearly two and a half thousand oz bars of silver back then. Subsequently, a single thousand oz bar of silver is now worth more than one Bitcoin, even though silver has fallen from the $25 mark.

But the main thrust of my comparison was that there were close to 20 million Bitcoins in existence, whereas there are only 2 million thousand oz silver bars in existence. Yes, I know the supply of Bitcoins is supposedly strictly limited to 20 million although (as someone who has difficulty mastering the TV remote) I have trouble fully-accepting how some crackerjack programmer can't evade that limit someday. While there is no theoretical limit to the number of thousand oz bars of silver that can be created, current circumstances (as depicted in the Silver Institute report) strongly suggest the supply won't be increasing anytime soon.

So, even though a single one thousand oz bar of silver is now worth more than one Bitcoin, since there are still ten times as many Bitcoins as there are thousand oz bars of silver, to say nothing of the true value and industrial use of each, I'd take a bar of silver over a Bitcoin from now until the cows come home or until we see a very high price of silver. So should you.

Ted Butler

November 19, 2022

Silver – $21.00 (200 day ma – $21.49, 50 day ma – $19.77, 100 day ma – $19.49)

Gold – $1752   (200 day ma – $1806, 50 day ma – $1688, 100 day ma – $1721)