

Gold and silver prices retreated this holiday-shortened trading week, so far failing to follow through on last week's upside breakout. Then again, prices have failed to follow through to the downside as well for two months, resulting in a two month flat in in price. For the week, gold fell \$6 (0.5%), while silver fell a more substantial 30 cents (1.7%). As a result of silver's underperformance, the silver/gold price ratio widened by a full point to 75.8 to 1 and still stuck in fairly tight three-year trading range.

With this week's Commitments of Traders (COT) Report delayed until Monday afternoon, I plan to publish comments about the report late that day. So today I'll try to comment on things not typically covered, during the typical weekly format.

Turnover or the physical movement of metal brought into and removed from the COMEX-approved silver warehouses remained close to the average but frantic levels of the past six and a half years, as 4.3 million oz were moved. Total COMEX silver warehouse inventories rose to yet another 20 year high of 233.1 million oz, up 1.7 million oz for the week. The JPMorgan COMEX silver warehouse saw no movement, remaining at 116.4 million oz.

I received a good question this week from a subscriber concerning the growing COMEX silver inventories and the notion of a silver shortage being a contradiction of the strongest kind. I agree, normally increasing inventories imply a surplus, the opposite of a shortage, all things being equal. But a closer look reveals a very different conclusion.

First, COMEX silver warehouse inventories are a subset of the total world silver

inventories of 1000 oz bars. An important subset to be sure, but still just that. All told, there are close to one billion oz in documented total world silver inventories, plus what I estimated are another 550 million oz held in unverifiable holdings (held by JPMorgan). At 233 million oz (half held by JPM), COMEX silver inventories make up about a quarter of all the visible silver inventories in the world. These COMEX inventories are the second largest subset of total world silver inventories (SLV is first at 317 million oz). While the COMEX silver inventories are close to highs seen since the early 1990's, that's a result of these inventories making up a larger percentage of the total pie, rather than the whole pie (total world inventories) getting larger.

75 years ago, the world had close to 10 billion oz in world silver inventories, with the US Government holding roughly half of that total. Today, the USG holds no silver and I just estimated current world inventories to be no more than 1.5 billion oz (1 billion oz visible). So total world inventories of silver today are lower by 85% to 90%, as a result of industrial and other fabrication demand over the past three-quarters of a century. Yes, COMEX silver inventories are up, but the increase is mostly a result of inventory rearrangement and the accumulation of physical silver over the past 6.5 years by JPMorgan.

As to a silver shortage, I agree that we are not currently in the state of shortage and I don't believe I have insisted that we are currently in such a state. I do believe that we have the necessary preconditions in place for a physical silver shortage in that it wouldn't take much to push current total demand (industrial plus investment demand) above current production and the fight that will occur over available silver inventories. That shortage will drive silver prices bonkers, as we started to see in early 2011.

As you know, I find it instructive to compare silver to gold for analytical purposes, since both metals are closely aligned in price movement and share many unique properties. Nowhere is this comparison more suited than in the matter of the COMEX warehouse inventories of both metals. In the nine COMEX-approved gold warehouses (located in the US), total inventories are 8.9 million oz, worth around \$11.5 billion (compared to the \$4 billion value of COMEX silver inventories). Interestingly, the HSBC warehouse holds 6 million gold oz, 67% of total COMEX gold inventories (compared to the 50% that JPM holds in COMEX silver inventories). As is the case in silver, COMEX gold warehouse inventories are the second largest private holdings in the world, behind the metal in the big gold ETF, GLD (27 million oz).

<http://www.cmegroup.com/clearing/operations-and-deliveries/nymex-delivery-notices.html>

The main reason I don't delve into the COMEX gold inventories like I do with COMEX silver inventories is because while 9 million oz of gold worth \$11.5 billion can't normally be considered minor; in terms of total world gold inventories (in all forms), said to be 5.8 billion oz worth nearly \$7.5 trillion (trillion with a "T"), that's exactly what they are. While total world silver inventories have declined by 85% to 90% over the past 75 years, over that same period, world gold inventories have more than tripled. But where COMEX silver inventories represent nearly 25% of visible world silver inventories, COMEX gold inventories (even though they are worth three times what silver inventories are worth), represent only two-tenths of one percent of all the gold in the world.

Yes, I know I am comparing only silver in the form of 1000 oz bars versus gold in all forms, but that is my custom due to the fact that the price of silver will be set by

what happens in 1000 oz bars, while that situation doesn't exist in gold. Besides, even if you compared COMEX gold inventories to only gold in bullion form, the 9 million oz in the COMEX warehouses would only represent three-tenths of one percent of the 3 billion oz of gold bullion in the world. There's a big difference between 25% (the percentage of world inventories represented in COMEX silver inventories) and the two or three tenths of one percent that COMEX gold inventories represent.

As to why there is so little gold publicly owned and stored relative to total gold in the world and, particularly relative to the amount of silver similarly owned and stored, the explanation lies in the relative value of each and who holds it. A good portion of gold, particularly metal in bullion form, is owned by world governments and central banks; on the order of one billion oz or \$1.3 trillion. I'm not aware of any official world silver holdings. More importantly, gold's high value per ounce makes self-storage more practical relative to silver. Someone holding \$250,000 worth of gold might well choose to hold his 200 ounces (13 lbs.) on his own and not in the COMEX or any other warehouses or storage facilities. At a minimum, that is highly possible and feasible.

On the other hand, \$250,000 worth of silver comes to 15,000 oz or more than a thousand lbs. While personally storing half a ton of metal may be possible for some, it is not feasible for most. Significant dollar amounts of silver must be professionally stored, where that isn't the case in gold. I like to think of it as getting too much for your money in silver, so much so that professional storage is mandatory on larger dollar amounts. Regardless, there are some good reasons why much more of a percentage of total world inventories are held in the COMEX silver warehouses than in gold – and do not involve any conspiracy theories.

My main point is that in analytical terms, inventories that amount to 25% of total world inventories, as is the case in COMEX silver, are infinitely more meaningful than inventories that represent only two or three-tenths of one percent of world inventories, as is the case in COMEX gold. One has to be very careful about forming conclusions based upon too narrow of a statistical sample and that's why I don't dwell closely on COMEX gold warehouse inventories. However, I also can't help but notice how this particular COMEX comparison highlights just how much more gold there is in the world than there is silver.

Finally, the fact that such a large percentage of the world's total silver inventories is located in the COMEX warehouses augments my turnover observations. In gold, there is relatively little turnover in the COMEX inventories which, in turn, are also very small relative to world gold inventories. In silver, not only do the total COMEX inventories represent an unusually large percentage of total world inventories, this unusually large inventories are spinning in and out of the COMEX warehouses like there's no tomorrow. This is something that I've written about for more than six and a half years nonstop and I'm scratching my head trying to imagine why so few even mention it.

In other developments this week, another 950,000 oz were redeemed yesterday from the big silver ETF, SLV. While COMEX silver inventories have been increasing each week recently, over the past month almost as much silver has come out of the two big silver ETFs, SLV and SIVR. In fact, that's largely the same case that has existed over the past year and longer, namely, COMEX silver inventories have grown much more than total world inventories. What it means to me is that this is more of a rearrangement of world silver inventories rather than a pure overall net increase. Silver has come into the COMEX warehouses, but more due to inventory shuffling

than anything else for a variety of reasons, mostly unverifiable, but undoubtedly related to JPMorgan.

I keep saying to myself that sales of Silver Eagles from the US Mint can't get any worse, only to observe sales have only continued to fade. There are only a few reporting days left in November, but even if monthly sales to date doubled or tripled in the last few days, total monthly sales would still be among the lowest months of the year.

<https://www.usmint.gov/about/production-sales-figures/bullion-sales>

As to the cause of the stunningly low sales of Silver Eagles, it's clear to see that retail investment demand for silver is virtually non-existent. However, retail investment demand wasn't all that hot during the record years of Silver Eagle sales starting around 2011. In fact, it was the glaring discrepancy between the reported record sales of Silver Eagles and repeated first-hand reports from the retail front of no big surge in retail buying that led to me discovering that JPMorgan was the big buyer of Silver Eagles and other forms of physical silver. Now that JPMorgan has retreated from the purchase of Silver Eagles (and Canadian Maple Leafs) its absence speaks volumes. JPM may no longer be buying Silver Eagles, but it's clearer than ever that did buy a mountain of coins – 150 million oz all told in Eagles and Maple Leafs combined, every single coin now melted into 1000 oz bars. In a strong sense, JPMorgan's retreat proves it had bought – just like a herd of a thousand elephants leaving a trail through the jungle.

I put a highly abbreviated and edited version of Wednesday's missive, "Life Under Manipulation" in the public domain. It occurred to me after I published the piece for subscribers that I may not have made one key point strong enough, so let me attempt

to do so now.

<http://silverseek.com/commentary/life-under-manipulation-16971>

What I'd like to stress is that had the concentrated net short position of the 8 largest traders in COMEX silver futures, now at just over 500 million oz and, effectively, also the entire net short position, been held by many hundreds of independent traders and not just 8 large traders, you would never have heard from me. That's because if that many different traders decided to sell short silver, it would never constitute a price manipulation.

Admittedly, it is almost inconceivable to imagine large numbers of traders willingly to be short silver at current price levels, but were that to be the case, I would have no good reason to allege a price manipulation. What makes silver manipulated is the fact that only 8 traders hold the entire net short position. It is the concentrated nature of the silver short position that makes all the difference in the world and I wanted to be sure to make that point clear to subscribers above all.

On a less serious subject, here's a live version of the Talking Heads doing the song that inspired the title of the article, done more than 30 years ago –

<https://www.youtube.com/watch?v=OVHNwBbkSj4>

As far as Monday's COT report, I have no specific predictions yet again. Total open interest through the Tuesday cutoff date were largely unchanged in both COMEX gold and silver futures, suggesting no big net positioning change. Should we get no big net change that will also confirm the premise that the managed money traders bought the tentative break out on Friday a week ago, only to sell on the selloff last Monday. The wild card and what prevents me from making an unchanged net

November 25, 2017 - Weekly Review

positioning guess is the potential large number of spreads liquidated going into next week's first delivery day on the COMEX. But that will all be known late Monday afternoon. Look for comments around 6 PM EST.

Ted Butler

November 25, 2017

Silver - \$17 (200 day ma - \$17.16, 50 day ma - \$17.03)

Gold - \$1288 (200 ma - \$1266, 50 day ma - \$1287)