

After a price smash that took both gold and silver below all three key moving averages early Wednesday, prices rebounded to close higher for the week; with gold ending up \$36 (2%) and silver finishing the week up 29 cents (1.2%). As a result of gold's relative outperformance, the silver/gold price ratio widened out by just over a half-point to 75.1 to 1.

For gold, it was the highest weekly close in 9 weeks and had the appearance of yet another technical breakout to the upside, including the now-quite rare occurrence of a strong rally to the week's high on a late Friday close. That silver has lagged to this point is not particularly concerning to me, because if this turns out to be the start of a major rally in gold (as it appears to be), if there's one commodity that can catch up quickly and then vastly outperform, that commodity is silver.

Certainly, there couldn't be much surprise about the early week price take down, given the quite-bearish readings in the COT reports over the past few weeks. The surprise had to be the price turnaround at week's end. Gold prices are now well-above all three key moving averages, while silver is now at or above two of its three key moving averages, with the remaining 200-day moving average still \$1.25 above yesterday's close.

The only potential fly-in-the-ointment was yesterday's very sharp increase in the total open interest for COMEX gold futures, up more than 32,000 contracts. While this suggests heavy managed money buying and commercial short selling, some of that increase is likely due to uneconomic spread creation, since we are in the prime-time zone for spread creation over the next week or so. There has been evidence of phony spread creation in the COT reports of late.

No doubt the commercials (the banks) have been successful in keeping a lid on gold

and silver prices for more than a year, selling on rallies and buying back on rigged selloffs and that success has resulted in gold and particularly silver prices lagging far behind what they should be, based upon every indicator in the real world of metals beyond COMEX paper positioning. What's notable this week (aside from the surge late Friday) is that on the Wednesday morning price lows, it looked like the commercials were about to induce the managed money traders into shorting heavily again – something that didn't occur to this point.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses cooled off this week, as 2.9 million oz were moved and total COMEX silver inventories increased by 0.6 million oz to 353.9 million oz. Holdings in the JPMorgan COMEX silver warehouse fell a slight 0.2 million oz to 179.5 million oz.

COMEX gold warehouses slipped by another 0.1 million oz (mostly due to rounding), to 33.1 million oz, another new low extending back more than a year, but it must be remembered that COMEX gold holdings rose by nearly 30 million oz over just a few months back in 2020. Holdings in the JPMorgan COMEX gold warehouse was unchanged at 12.57 million oz.

Physical gold holdings in the world's gold ETFs slipped another 0.2 million oz this week, a pattern that has existed for some time. Total metal holdings in the world's silver ETFs fell by 1 million oz, a much smaller relative amount when compared to gold, given the much larger holdings in the silver ETFs. I still sense buying by a large investor in SLV, quickly resulting in conversions of shares to metal, a most bullish sign – if I am reading it correctly.

Retail sales of silver continue to surge – with the continued refusal of the US Mint to

obey the law and produce Silver Eagles sufficient to meet demand, which is particularly shameful, in addition to being illegal.

Turning to yesterday's Commitments of Traders (COT) report, although there were no predictions offered by me due to the travel-induced skipping of a Wednesday report, the results were exactly as I expected (just kidding). In fact, the overall results weren't particularly out of line with price action, as silver prices were weaker than gold prices and the headline number of the total commercial net short position in each were relatively minor compared to recent reports.

In COMEX gold futures, the commercials increased their total net short position by a scant 200 contracts to 239,900 contracts. Whereas silver prices were weaker over the reporting week ended Tuesday, gold prices were choppy than anything else. Interestingly, while the total commercial net short position was close to unchanged, the 4 biggest shorts reduced their net short position by more than 3600 contracts to 140,102 contracts (14 million oz). This is the lowest big 4 short position since June 29 and among the lowest in years.

While the big 4 short position in silver is much more critical than its counterpart position in gold, the concentrated short position in gold is far from meaningless. Should the 4 big gold shorts refrain from adding aggressively to new shorts on a gold move higher, it's hard for me to see the remaining commercials (the big 5 thru 8 and the raptors) from containing a serious gold move higher on their own.

For the reporting week, the 5 thru 8 largest commercial shorts added nearly 2200 new gold shorts and the big 8 short position fell to 229,950 contracts (23 million oz), while the raptors (the smaller commercials apart from the big 8) added 1600 new shorts to a net short position of 9900 contracts of Tuesday.

The managed money traders were light net sellers in gold of 1123 contracts, consisting of the sale and liquidation of 4336 longs and the buyback and covering of 3213 short contracts. The other large reporting traders were net buyers of around 1700 gold contracts, almost all new longs, and the concentrated long position of the 4 largest longs grew by 3000 contracts.

As a result of the increase in the concentrated long position in gold, I sense the big gold whale that I have been referring to for the past two months (in virtual silence by just about everyone) may have grown by that amount to 38,000 net contracts (3.8 million oz). Perhaps there is another explanation for this week's increase in the concentrated long position in gold and I don't want to automatically conclude all changes in this category are due to one big trader. More than anything, however, it still appears to me that the new gold whale is in it for the long term and I believe he or she knows what they are doing. No signs of a new whale in COMEX silver futures, but there are plenty of signs of a whale in SLV, due to share to metal conversions – not something detectable in GLD.

In COMEX silver futures, the commercials reduced their net short position by 2600 contracts to 48,900 contracts. The raptors were the big and only category of commercials buying, as they added 4000 contracts of new longs, increasing their net long position to 14,400 contracts. The raptors obviously bought more on Wednesday's early price weakness, but were likely bigger sellers on the late week rally. The 4 big shorts added nearly 800 new shorts and hold (as of Tuesday) 45,670 contracts short (228 million oz). The 5 thru 8 largest shorts added 400 new shorts and the big 8 short position was 63,345 contracts (nearly 317 million oz).

While I never like to see the big 4 increase their short position in silver, unless their

short position grows by leaps and bounds from here, the price explosion premise remains alive. As it is, the big 4 short position is down 20,000 contracts (100 million oz) from the peak of Feb 2.

On the sell side of silver, the managed money traders were net sellers of 5163 contracts, consisting of the sale and liquidation of 2255 longs and the new sale of 2908 short contracts. The gross managed money long position of 50,391 contracts is close to the lows of the last year and a half and wouldn't appear to represent a significant threat of major selling ahead. The gross short position of the managed money traders, now at 26,422 contracts, is another matter. This has been the “swing” factor in silver prices over the past few months.

The gross short position of the managed money traders reached 48,000 contracts, the highest in more than 2 years as silver prices cratered to \$21.50 in mid-September. Let me correct that - silver prices cratered to \$21.50 in mid-September because the commercials hoodwinked the managed money traders into shorting the largest number of contracts in two years. After all, there is a big difference in those two statements, even though they may sound to be one and the same. The difference is this - managed money shorting caused silver prices to plummet.

The corollary of this managed money selling in silver is this - if the commercials are successful in snookering the managed money traders into heavily shorting again, then silver prices will go lower. In fact, this is the only potential factor in driving silver prices lower from here. Admittedly, it is somewhat maddening that the managed money traders would even contemplate heavily shorting silver (or gold), given that they have never collectively profited when doing so. I believe I made this clear over the past couple of months, so the fact that the managed money traders

covered their large recent short position at a loss can hardly be considered surprising.

As to why the managed money traders persist in shorting silver at times, despite never winning, must be attributed to their disciplined technical approach, namely, when they get a technical signal to sell (penetrating key moving averages), they sell short, regardless of past experience. I think this is nuts, but lots of things seem nuts to me.

The bigger surprise was and is why the commercials let the managed money traders off the hook so easily once they are maximum short. Instead of allowing the managed money shorts to escape with relatively minor losses, as was the case this time and in the past, I am always surprised when the commercials let the managed money traders off with short hook with relatively minor damage. Since COMEX paper positioning has been the prime, if not sole price driver, please allow me to expand a bit on this issue.

The main counterparties to the managed money traders are, obviously, the commercials and most recently it has been the raptors doing most of the buying and selling against the managed money traders. The 4 big shorts have always been the price restrainers of last resort, but the raptors are more responsible for the zigs and zags in price. The raptors are price manipulators of the first order, but I haven't officially complained about them because they rarely get net short - instead building up big long positions as prices sink due to managed money selling and then selling out those long positions as the managed money traders rush to buy on higher prices.

Sure, there is clearly a collusive element driving the raptors (and the big commercial shorts), but it's hard for me to imagine interesting the CFTC in doing anything about

this scam, since the raptors are always adding longs on lower prices and selling those longs on higher prices. Heck, I haven't been able to get the CFTC to react to the big commercial shorts never buying back shorts on higher prices, so they would likely not consider the raptors' behavior as anything other than good trading – you know, buying low and selling high.

I have come to learn that the raptors never hold on for much bigger silver price moves higher and settle for surer and lesser gains because they are, largely, one bird-in-the-hand traders, rather than two in the bush. The raptors have come to strongly adopt taking quick but sure gains as opposed to playing for larger gains. The downside for the raptors is that by booking the quick gains, they forsake profit on the really big silver moves, both in the past and in the future. The raptors didn't profit at all on the run up in silver prices to \$50 in 2011 and profited little on the run up to \$30 more recently.

In other words, whenever silver prices liftoff for good (which could be quite soon), the raptors will miss the rally. The 14,400 contracts they were net long as of Tuesday is almost certainly less than that now after the rally into Friday's close. The good news is that the raptors are not likely to add aggressively to shorts should silver prices continue to rally (since they rarely go short), so big short selling from the raptors on higher prices can largely be ruled out. This further condenses the key to the silver price equation to whether the 4 biggest shorts do sell short aggressively on the eventual rally.

I'm not suggesting that other factors might soon influence the price of silver (and gold), including the actual supply/demand forces at work, but until now, prices have been determined by COMEX paper positioning – mostly between the managed money

traders and the commercials (mostly the raptors of late). In fact, I am eagerly anticipating the day when COMEX paper positioning no longer is the main price driver. After all, it is completely crazy for how long COMEX positioning has dictated silver and gold prices to the exclusion of every other factor

So, we appear to be at a critical juncture in COMEX positioning, what with gold attempting to break out and silver's market structure setup even better, considering it has two moving averages yet to penetrate to the upside. Can the collusive commercial crooks instead rip prices lower yet again? Of course, they can, but this crooked COMEX game is now as old as the hills, with more discovering this scam on a daily basis. One thing for sure is that once the raptors use up what little selling they might have remaining and the biggest shorts hold back on aggressive new shorting, it's hard to see where the new COMEX selling will come from should silver prices start to run - which will likely attract momentum-type buying from all quarters - just as has occurred in virtually every other asset class.

As a result of this week's rally, the 8 big COMEX gold and shorts have gone deeper into their financial hole to the tune of \$900 million - pushing their total loss to an even \$10 billion. A quick word on the big shorts' total losses. I am increasingly convinced that the big gold shorts brought in the near 30 million oz of physical gold into the COMEX warehouses in the spring of 2020 due to demands from the regulators to show they weren't naked short on the COMEX. As such, one could argue that the losses I portray on COMEX gold short positions might be somehow hedged (not the case in silver). While that may be true, that still leaves the \$10 billion loss on the COMEX and means that without the concentrated short positions on the COMEX, the 8 big shorts would be \$10 billion better off - and much more should gold and silver prices continue to rally.

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While the strong close late Friday may prove to be yet another false breakout, at this stage it appears foolhardy to treat it as anything but the start of a big move higher. Gold and particularly silver prices are so cheap and so overdue to surge higher that to play it any other way than that this is the start of something big seems downright dangerous.

Ted Butler

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Silver - \$24.24 (200 day ma - \$25.47, 50 day ma - \$23.41, 100 day ma - \$24.26)

Gold - \$1820 (200 day ma - \$1792, 50 day ma - \$1782, 100 day ma - \$1787)