I'll get into what the heck happened to my Bear Trap premise, as well as the sharp selloff over the past week, following the price surge that preceded it. First, however, I'd like to expound on a thought process driven by a number of recent emails from subscribers.

There is a remarkable consistency to the theme of most of the personal contacts I receive. Invariably, the theme revolves around that on which there is disagreement on a number of my premises. This is understandable, as there isn't much motive for anyone to take the time to write to express agreement – continuing to remain a subscriber is more than enough to demonstrate that.

Without question, the main theme behind the majority of personal contacts revolves around who has been behind the COMEX silver manipulation I have focused on for more than 35 years – either the leading trading banks, motivated by a profit motive or on behalf of the US Government (by itself or in concert with other governments)? Since I would date the manipulation as starting in 1982, when Ronald Reagan was president and having continued through all subsequent administrations and every political congressional makeup possible, it strikes me as extremely difficult to imagine the singularity of purpose and agreement required to pull off a clandestine operation of this magnitude for this long and being mindful of the caliber of the those in the bureaucracy. And if we are not at the maximum point of political discord today, I shudder to think how things could get more politically divisive than presently. Considering that up until the last two or three years, the 40-year manipulation was always very profitable for the banks, I can't see why government direction was required.

That said, things do change and whereas the CFTC, the federal regulator of commodity futures trading was, essentially, out to lunch and always argued against any notion that silver was manipulated in price by virtue of the concentrated short position in COMEX silver futures, the agency no longer argues or denies the manipulation – instead reverting to silence. Therefore, it's not possible that the CFTC, DOJ, and CME Group (the self-regulator) could still be out to lunch, as no one could be that incompetent not to see the silver manipulation at this point. Throw in the US Treasury Dept. and its order to the US Mint to artificially (and illegally) restrict the sale of US Silver Eagles and there's no way that could be a coincidence.

So, what I'm saying is that, yes, the US Government now knows full-well that silver is being artificially suppressed in price but chooses to do nothing about it and even assists in the continued manipulation by ignoring it, given the embarrassment that will come from the accusations that will result when silver explodes in price. I'm a big believer in the law of supply and demand and when the growing physical silver shortage reaches critical mass, there will not be anything of substance the USG bureaucracy can do to stem the rise. In fact, the government has tried on past occasions – back during Lyndon Johnson's time as president – to do just that to no avail.

In particular, the four new commissioners at the five-member CFTC have now been in office for more than five months and should now be fully-versed on the specifics of the continuing COMEX silver (and gold) manipulation. In addition to sending them every article I've written since their assumption of office; I did send each a personal note of congratulation and wish for success upon their Senate-approval back on May 3 – also being quite specific about the details of the ongoing COMEX silver manipulation. Based upon the data revealed in subsequent COT reports and price performance, I can only conclude the new commissioners have decided to avoid what could have been a change in the standard regulatory response of doing nothing about a serious market crime in progress. That's unfortunate.

I suppose in a real extreme circumstance, some misguided bureaucrat might propose making it illegal to own silver or some nutty such thing, but since silver is a world commodity, with important US producing interests and more individual investors than any country (save perhaps India and China), such a proposal would go over like a lead balloon and only bring the price manipulation to the forefront. Silver exploding in price threatens no one (except those doing the manipulation or covering it up) and any preemptive move to outlaw its ownership will only exacerbate things.

This may sound delusional, but I can't help but be encouraged about the extremely egregious smackdown in price over the past week. No doubt, there is much pain in melting account values, but unless someone is on margin and can't meet margin calls (a practice long-condemned on these pages), this too shall pass. The most remarkable thing is like the build up of scar tissue, the increasingly-obvious manipulative price smashes have stopped inducing fear in the vast majority of silver investors and have created an even stronger intuitive knowledge and conviction that the only thing wrong in silver is the crooked price-setting on the crooked COMEX.

Please think about this. Try to articulate something fundamentally bearish about silver from an actual supply/demand basis. I follow silver way too closely and I can't come close to uncovering anything bearish at all – short of a giant meteor extinguishing life on earth as we know it. The only thing bearish is the price and even that statement is an oxymoron as too low of a price is inherently bullish in free market terms.

Therefore, the only thing "wrong" with silver is the manner in which its price is determined. Allowing a literal handful of large paper traders on a crooked and private betting exchange (a bucket shop) to set prices worldwide for a vital commodity is the most “wrong” thing of all. Even more preposterous is that a federal regulator exists whose prime mission and reason for existence is to prevent and root out phony pricing because of the harm it causes in the real world. The result of the COMEX’s distortion and creation of the too-low price of silver is why we’re beyond the cusp of a physical shortage.

So, what happened to my Bear Trap premise and the promise of an explosion in the price of silver (and gold)? Best I can tell, it has only been temporarily postponed. To be sure, prices did surge higher within days of my article and were clearly driven higher by short covering by the bears trapped, namely, the managed money shorts. This was confirmed not only by the price surge in silver and gold, but in the latest COT report. No one could argue that the two-day price surge in silver and gold on Oct 3 and 4 was not driven by the managed money bears trapped on the short side.

The problem was that another one of my key premises kicked in where I hadn’t expected it to. Instead of counterparty commercial selling by the smaller commercials (the raptors) which were long, instead the commercials selling were the former big concentrated shorts, as made abundantly clear in the same COT report. Drats. OK, right on the Bear Trap premise, but wrong about the former big commercial shorts not stepping right back on the short side to cap and contain prices. Now what?

Since there’s no question that anyone intending to add heavily to short positions in gold and, particularly in silver, at current prices and in the face of a developing documented physical silver shortage must have some type of a financial death wish, I can only conclude that the move to add short positions by the former big concentrated commercial shorts was a temporary or tactical move, rather than an indication they intend to continue to add price-capping new shorts from here on out. I don't know what motivated them to add short positions here, but I still don't think it signals continued shorting from here.

In this regard, the sharp selloff of the reporting week ended yesterday (and continuing today) in which gold fell as much as $70 and silver by more than full two dollars (and downwardly penetrating the same moving averages it upwardly penetrated in the prior week), has been caused by managed money and other non-commercial selling and involved commercial buying – since there's never been a significant down move that featured anything else. The only real question, aside from how many contracts were positioned, is the composition of the commercial buying. I'm hoping the same big former commercial shorts who were practically the only sellers on the prior up week were also the big buyers on the big down week. If they were, it would tend to confirm the temporary or tactical nature of their new short selling and allow for a price explosion (he said, guardedly and hopefully). Clearly, Friday's new COT report would appear to be significant in this regard.

Turning to other matters, the new short report for stocks was released and it indicated a significant and long-awaited reduction in the short position on SLV, the big silver ETF, of 10 million shares to 49 million shares (45 million oz) as of Sep 30. In terms of the short position as a percentage of total shares outstanding, the new short position comes to just under 9.5%, down from the shocking-high 12% at the peak of a months ago. But make no mistake, the short position on SLV is still excessively large and a manipulation and fraud in its own right – just a bit less so.

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

The one thing the reduction in the SLV short position does is delay any further complaints by me at this time to the Securities & Exchange Commission and to BlackRock, the trust’s sponsor. On the bright side, the reduction in the short position on SLV over the past month is encouraging in that it allows for the possibility that the SEC (or BlackRock) may have acted on my three complaints, which started two months ago, on Aug 11, and has worked behind the scenes to get the excessive short position down. Should the short position shoot up in the future, that will indicate the SEC took no such action. And while I’m somewhat relieved to see the large reduction in the short position on SLV, I am mindful that the short position is still larger than it was on July 29, which prompted my first complaint to the SEC on Aug 11.

One thing for sure is that neither the SEC nor BlackRock (nor anyone else) has challenged my assertion that a short position on SLV results in less physical silver backing for those who own shares in the trust; as short sellers are not depositing the required metal and, in fact, that’s the reason they are going short in the first place, because not enough physical silver is available at current prices. This is at the heart of why short selling in SLV is inherently fraudulent and manipulative. In addition, shareholders of BlackRock are being defrauded because no management fees are collected on SLV shorted shares.

Perhaps it’s more a case where BlackRock is collecting management fees on more SLV shares than it should (legitimately issued shares, plus the additional illegitimate shares created by the short sellers) and the short sellers are not being charged, as is the case with the requirement for short sellers to pay dividends on shorted stocks paying dividends. That would mean BlackRock is being over-compensated and that might provide an inducement to overlook excessive shorting in SLV, a particularly sleezy prospect.

As for why anyone would hold shares of SLV in the face of the excessive short position, this is very much akin to the question of why anyone would hold anything silver-related in the face of the increasingly-obvious COMEX silver manipulation. Were silver or any asset wildly inflated in price due to an obvious upside manipulation, then it would make great sense not to buy such an artificially-inflated asset. But if the manipulation was clearly to the downside, as is the case in silver (and SLV), that would mean the asset was artificially deflated in price, making the asset that much more attractive for purchase. In fact, it is the ongoing price suppression that makes silver as attractive as it is.

As for why silver always gets beat up more to the downside than gold (or anything else), as has been the case this past week, the answer is that it is much more manipulated in price than gold or anything else. This is confirmed in the long-standing fact that silver has the largest concentrated short position of any commodity when expressed in real world production/consumption terms. Remarkably, this concentrated short position connection has remained true even when the specific large traders accounting for the concentrated short position vary – as has been the case these past few months, when a number of managed money traders entered into the ranks of the biggest COMEX silver shorts.

In fact, the short-covering by large managed money shorts which drove prices higher on Oct 3 and 4 is what made it necessary for the former big commercial shorts to reenter on the short side, thus preserving silver as having the largest concentrated short position of any commodity. The raptors (the smaller commercials) which were long, weren't willing to sell at the $21+ level in silver – otherwise they would have sold. Clearly, these smaller commercials were looking for higher prices – although there's no way of quantifying precisely what those higher prices might be. This is what necessitated the former big commercial shorts to plow onto the short side to cap and contain prices. That they did succeed in capping prices is evident, not only in subsequent price action, but it was also verified completely in the COT data to date.

As such, and since the data confirming the ongoing silver manipulation is published by the CFTC, it is particularly shameful that the agency sits by and pretends all is well in silver and says or does nothing, when clearly, we are quite far from all being well. I can't help but smirk at bit at the current regulatory battle as to who would best regulate cryptocurrencies, the CFTC or SEC. After the bang-up job the CFTC has done in silver, should we prepare for a similar performance in crypto's?

The most important question at this point is how long it will take for the rubber to meet the road. In other words, how much longer will the collusive and corrupt COMEX commercials be able to create the artificial price that camouflages and hides the most severe physical shortage of silver ever seen in history? This is the most critical fact at this point, namely, the continued distortion of price of silver to the point where it provides absolutely no signal that would result in the increased production and reduced industrial demand that the free market law of supply and demand requires.

And this is the greatest shame of all for the incompetent and complicit regulators at the CFTC. By sitting back and pretending that all is well in silver, the CFTC (as well as the industry self-regulator, the CME Group), is actively harming everyone in the world, but especially the citizens of the US, of whom they took an oath of office to protect. It may not rise to the level of sedition, but it certainly rises to the level of extreme disservice to the prime mission they swore to uphold. The allegations and accusations of official malfeasance I make couldn't be more serious and specific and yet they are met only with silence and continued neglect. Certainly, if I'm seriously misinformed in any way and that was communicated, I would promptly acknowledge that. But that has yet to occur.

At the same time, the message to silver investors, one which they have already seemed to have adjusted to, is to put the phony and artificial pricing to its best possible use, by continuing to buy and hold silver. These COMEX crooks which are pressing prices lower in the face of the most widespread retail and wholesale silver shortage in history are operating on borrowed time in an effort destined to prove futile, by continuing to depress silver prices when that only aggravates the physical shortage further. Please know that you haven't lost your mind (nor have I) in concluding that silver will soon explode in price based upon the facts and data emerging from the real world. Don't let these COMEX scamsters throw you off.

Ted Butler

October 12, 2022

Silver – $19.02 (200 day ma – $21.93, 50 day ma – $19.40, 100 day ma – $19.96)

Gold – $1680 (200 day ma – $1824, 50 day ma – $1731, 100 day ma – $1764)