A sharp Friday rally put gold and silver up for the week, with gold scoring a weekly gain of $12 (0.7%), after establishing fresh multi-year intraday price lows earlier that same day (an impressive reversal to this non-card-carrying technical observer). Silver's performance was even more noteworthy, as it ended up by $1.20 (6.6%) and decisively above its key 50-day moving average in very late dealings.

As a result of silver's sharp relative outperformance, the silver/gold price ratio tightened in by nearly five full points to 85.7 to 1, almost erasing last week's six-point blowout when silver plunged nearly $2 and gold fell by $50. Based upon what's going on in the actual world of metals, relative silver outperformance is the only thing that comes close to making any sense.

Not only did yesterday's sharp price rallies and reversals look impressive, the manner in which silver, in particular, ran up in late dealings (and on low volume) stood out to me. Overall COMEX trading volumes in both gold and silver were particularly heavy yesterday, but considering that both metals were sharply lower in early Friday trading before a burst to the upside in late dealings, I'm not quite sure what the net positioning effect was in terms of the price-setting positioning between the managed money traders and the commercials for the day as a whole.

Therefore, I can't shake a strong "Spidey-sense" that something significant occurred in yesterday's dealings – along the lines of a real hose job by the commercials of the managed money traders. My sense includes yesterday's early dealings being one in which the collusive COMEX commercials did everything they could to rope in as much managed money selling in one final trap before prices explode. I may be all wet, but the release of yesterday's new Commitments of Traders (COT) report only added to my sense that the long-expected price explosion may be at hand.

I plead guilty to prior expectations of the long-awaited price explosion, particularly in silver, only to be faced with the reality of no such explosion taking place. Most of my prior expectations over the past few months were based upon the extremely bullish market structures created in both COMEX silver and gold by the highly-deliberate price selloff since early March. In fact, silver's market structure has been bullish since early May, with gold getting into the ultra-bullish range a couple of months later (say July). Despite what have been ultra-bullish market structures for some time, prices have been stuck in the mud.

Sure, we've had a few sharp ($2 to $3) rallies in silver and a couple of $100 rallies in gold over this time, but not the big one, as just enough commercial selling came in to snuff out the prior rallies. Seeing as the same-old, same-old rally-capping commercial selling emerged these past few months, what is it that suggests to me that this time may be different? The answer is a developing physical shortage in silver more extreme than any in history – both on a retail and wholesale basis.

The fact is that this is the inevitable result and proof of the decades-old manipulation and price suppression of silver on the COMEX. I never thought it would take this long (40 years), but if my allegations of a COMEX silver manipulation were anywhere close to being accurate – there could be no other end result. The free market law of actual supply and demand wouldn't have it any other way. If prices are artificially suppressed, regardless of the means of the suppression, sooner or later, a physical shortage must occur. While it's been unfortunate that it has taken so long in silver, I am grateful to having first discovered it (and petitioned against it) from the get-go.

On the retail side of silver, the evidence of physical shortage couldn't be clearer. I received an email from a long-time subscriber the other day asking about the retail

silver shortage.  Forest asked if I would comment on the still-wide premiums of retail silver products, like one-ounce rounds and other forms of retail silver to 1000 oz bars. It seemed to him that there was plenty of profit opportunity for those minting and producing such items to supply all that was needed at this time. The high premiums were discouraging investors like him from accumulating more silver in these forms.

There is no question that Forest hit the nail on the head. The premiums on retail forms of silver have never been higher and there are expanding delivery time delays to go along with the high premiums. In time, it seems reasonable that the premiums should decline as those producing these items react to the profit arbitrage opportunity presented. Then again, there is no guarantee that by the time increased retail form production catches up with demand and current premiums on retail forms of silver shrink, that wholesale silver prices won't be much higher and if that is the case (as I believe will be) then buying such forms currently will still turn out to be a good deal due to the coming overall increase in silver prices.

One alternative is to buy 1000 oz bars, if one can afford the roughly $20,000 unit cost or in fractional units by use of shares in a silver ETF. Of course, there is a difference between holding physical silver in hand or having a third-party storage arrangement.  Alternative solutions aside, the importance of Forest's question is why are premiums on retail forms of silver at the highest level in history?

First and foremost, retail forms of silver are strictly in the realm of actual physical supply and demand and the premiums or lack thereof attached to them are not subject to paper short selling or other derivatives influence. Investors pay cash on the barrel and dealers provide physical metal in return. Retail silver premiums are

determined on a cash-market basis and while the COMEX short selling derivatives scam certainly sets the price of 1000 oz bars, retail premiums are set differently. The sharply-higher retail premiums are a function of actual supply and demand and are not directly related to typical COMEX manipulation.

In terms of wholesale silver, the signs of physical shortage are different and not in the same full view as exists in retail forms of silver. But even here, the signs are unmistakable and are the subject of much of my attention. The amount of silver flowing to India is shocking, as are other signs related to COMEX warehouse and silver ETF flows. Yes, the ongoing COMEX price suppression makes one question how so many bullish signs of shortage keep appearing with no price increase, but the lesson here is to look at the price set on the COMEX as wrong and everything else as correct. Admittedly, that's difficult to do, seeing as we are literally bombarded with the manipulated COMEX prices 24 hours a day.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses amounted to just over 7 million oz this week, down a bit from the blistering pace of the past two weeks, but well-above the average weekly movement (5 million oz) of the past 11.5 years. Total COMEX silver warehouse holdings fell by another 5 million oz to 304.1 million oz, the lowest since June 2019. Holdings in the JPMorgan COMEX silver warehouse fell to 158.8 million oz, down 2.3 million oz and at two-year lows.

Much continues to be made about the declining silver inventories on the COMEX, particularly concerning the registered variety. While I think too much may be made about the category changes, I am not at all in disagreement that the actual physical turnover and inventory reduction are bullish to the max. Shrinking inventories point

to an ongoing physical shortage and according to the law of supply and demand – which reins supreme in terms of price – declining inventories should drive silver prices higher. Let’s face it, COMEX and other wholesale (ETF) physical silver holdings have been shrinking for some time all the while as silver prices have fallen sharply.

Therefore, something is wrong with this picture and the most obvious answer is that the price is wrong. How can shrinking inventories and white-hot physical turnover possibly be wrong? And, why is the price of silver wrong? Because of the artificial price-setting process on the COMEX, which has devolved to a private paper betting-game between the commercials and the managed money traders which overrides the effect of the actual law of supply and demand. That override is illegal according to US commodity law and hopefully, the CFTC will speak out on this one way or another, due to the many recent public comments it has received on this issue.

Pressing on, COMEX gold warehouse inventories fell a slight 0.1 million oz to 25.6 million oz, a fresh 2.5 year low. JPM COMEX gold warehouse holdings were mostly unchanged at 10.31 million oz.

Gold ETF holdings continued to slip, down 0.9 million oz for the week, while silver ETF holdings remained nearly flat. Tuesday’s new short report on stocks is eagerly anticipated for SLV, the big silver ETF. The last short report showed a reduction of 10 million shares to 49 million shares as of Sep 30. There were some large physical metal deposits in the new reporting period to be announced Tuesday and for that reason I would expect another reduction in the short position, but if any report has been more difficult to predict for me than the stock short position, I shudder to think what it might be. Plus, the short position in SLV is still too darn high and I’m hopeful

that between the SEC and BlackRock, the issue has been addressed behind the scenes.

As a reminder, one of the two ways a short position in SLV can be reduced is by depositing physical metal for shares (the other being a straight open market purchase of shares). I'm still convinced the short position in SLV blew out originally because physical metal was in such tight supply that the sellers sold shares short because physical metal was unavailable – a key proof of the developing shortage in 1000 oz bars.

Turning to yesterday's new COT report, I'm relieved to report my hopes and expectations were realized, namely, that there would be significant improvement in the market structures in both gold and silver, in part due to the pricing and timing quirks of the prior week's report. Further, I was particularly hopeful that the former big commercial shorts which single-handily shorted and capped the silver and gold rallies at over $21 in silver and $1730 in gold in early October, would take the opportunity to buy back many of the manipulative shorts they added. I'm happy to report that was the case.

In COMEX gold futures, the commercials reduced their total commercial net short position by 13,700 contracts to 90,000 contracts. There have only been two recent weeks in which the total commercial net short position has been lower over the past few years. The really good news is that almost all of the commercial buying was by the 4 or fewer largest commercial shorts. On a combined basis (commercial plus managed money), the big 4 short position was only lower by a hundred or so contracts to 99,112 contracts (9.9 million oz), while the combined big 8 short position was up 2100 contracts to 165,621 contracts (16.6 million oz).

However, in terms of the commercial-only components of these concentrated short positions, the big 4 commercial-only component dropped by at least 12,000 contacts to 66,000 contracts, while the commercial-only component of the big 8 dropped to no more than 126,000 contracts. There have been only two recent weeks where the commercial-only components have been lower – going back for as long as I can remember. These calculations would leave the gold raptor net long position at around 36,000 contracts.

The managed money traders were much larger sellers than the commercials were buyers, as these traders sold 20,118 net gold contracts, consisting of the sale and liquidation of 5021 longs and the new sale of 15,097 short contracts. The resultant managed money net short position increased to 25,698 contracts (73,344 longs versus 99,042 shorts) – a level that can only be described as white-hot bullish. Explaining the difference between what the commercials bought and what the managed money traders sold was net buying by the other large reporting traders of some 2600 contracts, as well as net buying by the smaller non-reporting traders of just over 3700 net contracts.

In COMEX silver futures, the commercials reduced their total net short position by 6500 contracts to 9100 contracts. As was the case in gold, the commercial buying was largely by the commercial-only big 4 shorts. On a combined basis (commercial plus managed money), the big 4 position fell by more than 2300 contracts to 40,953 contracts (205 million oz), while the combined big 8 short position grew by a hundred-some odd contracts to 60,817 contracts (304 million oz).  On a commercial-only basis, the big 4 short position fell by more than 5000 contracts to 28,000 contracts, while the commercial-only big 8 short position fell to no more than 45,000 contracts – both among the lowest in modern history. This would put the silver

raptors' net long position at 36,000 contracts, once again and coincidently the same this week as in gold.

On the managed money side of things in silver these traders sold 7827 net contracts, consisting of the purchase of 2872 new longs and the short sale of a rather astounding 10,699 contracts or 53 million oz. Only those refusing to see could fail to understand that the one-week short sale of 53 million silver oz was why prices fell so much ($2) – pure manipulation on its face, since not a one of these short sellers was a bona fide hedger. In fact, the standout feature of this week's COT report in both silver and gold, in addition to the almost exclusive commercial buying by the former big commercial shorts, was the large new short selling by the managed money traders in both markets.

The net managed money short position in silver is now (as of Tuesday) 7712 contracts (36,365 longs versus 44,077 shorts), not the most extreme position but white-hot bullish nonetheless. It's hard to believe that after so many years of being zoomed by the commercials, that the managed money technical funds could still be snookered into selling as many new short contracts as they did this past reporting week in both silver and gold. And based upon price and trading action since the cutoff, it's more than possible that despite yesterday's rally, the market structures in both COMEX silver and gold are the same or even better through yesterday's trading than they were at the cutoff.

I suppose I continue to sound like the boy who cried wolf too many times concerning an imminent explosion in prices, particularly over the past several months; but a far worse accusation would be not sounding the alarm about such a price explosion. The market structures have been super-bullish over this time, even as the commercials

have toyed with the managed money traders. It is understandable that one's patience and stamina would suffer under such circumstances, but it's important to remember that the market doesn't give a hoot about anyone's personal feelings.

I've always felt strongly that when the moment of truth comes in silver, it will come under conditions in which the controlling commercials suddenly spring a trap on the managed money traders. More than ever before, that sudden trap seems to be at hand.

Silver and gold are structured on the COMEX to explode and the intensifying physical silver shortage is the new wild card; one that no entity on earth can overrule. In the end, the actual law of supply and demand will prevail and in the face of a price suppression that has lasted for 40 years, the price payback in silver will be something to behold. Please put it to your advantage.

Ted Butler

October 22, 2022

Silver – $19.40   (200 day ma – $21.75, 50 day ma – $19.14, 100 day ma – $19.71)

Gold – $1662   (200 day ma – $1818, 50 day ma – $1708, 100 day ma – $1749)