

Despite what appeared to be a deliberate price smash yesterday afternoon, gold and silver prices finished the week higher, gold by \$25 (1.4%) and silver by \$1.04 (4.5%). For both metals, it was the highest close in 7 weeks. As a result of silver's relative outperformance, the silver/gold price ratio tightened in by another two full points to 73.5 to 1, the strongest silver has been to gold in 10 weeks.

At yesterday's price highs, gold traded well-above its three key moving averages and silver above two of its three key moving averages, but by the close both metals were above only each's 50-day moving average, although only by a slim \$2 was gold below its 100 and 200-day moving averages.

There were a number of key developments this week, not the least of which was a pronounced deterioration in silver in the new Commitments of Traders (COT) report, along the lines of what I had feared and marking the return of new shorting by the 4 largest commercial shorts for the first time in many months. I don't need to be reminded that this is what I have been harping on as the key feature for prospective prices and I will deal with all aspects of this development momentarily.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses slipped to its lowest level in a month, as 2.8 million oz were moved this week and total COMEX silver warehouse stocks slipped by 0.3 million oz to 357.3 million oz. Holdings in the JPMorgan COMEX silver warehouse fell by 1.4 million oz to 180.1 million oz, the lowest level in more than a year. (Although I still maintain that JPM holds a least 100 million more oz for its friends and family in other COMEX silver warehouses).

This week, inventories in the COMEX gold warehouses fell by a sharp 0.5 million oz to 33.3 million oz, the lowest these holdings have been since June 2020 (and close to

the peak of the great inflow of nearly 30 million oz that occurred over the months starting in April of that year). I still sense there is great significance behind the unprecedented inflow of close to 30 million gold oz into the COMEX warehouses last year – having to do with the concentrated short position in COMEX gold futures – but not enough data are visible to form definitive conclusions. Ditto for the recent outflows. Gold holdings in the JPMorgan COMEX gold warehouse slipped by 150,000 oz to 12.59 million oz.

In addition to the withdrawals of 0.5 million oz from the COMEX warehouses, there was another 0.2 million oz redeemed in the gold ETFs, principally GLD this week. In the silver ETFs, the withdrawals amounted to more than 11 million oz (although PSLV bucked the trend with nearly a 1 million oz deposit). The big silver withdrawals were centered on SLV, with more than 7 million oz redeemed and the Deutsche Bank silver ETF, with 4 million oz redeemed.

I had discussed last week how I thought the 8.3 million deposit into the Deutsche Bank ETF, followed by a withdrawal of near that same amount was some type of reporting error, but now I'm not so sure. It's starting to look like these were real deposits and redemptions. But please notice that I am not using the word "movements" in the ETFs in the same sense I monitor and report COMEX silver warehouse movements. In the case of silver inventory changes in the COMEX warehouses, all those changes involve silver put on and taken off trucks and put into or taken out from the various COMEX silver warehouses. That is largely not the case with silver ETF inventory changes – which are mostly bookkeeping entries.

The most plausible explanation behind this week's 11 million oz redemption in SLV and the Deutsche Bank ETF was that it represented a conversion of ETF shares into

direct metal ownership by a large holder(s). I say this because silver prices and the ETF shares have mostly been higher which strongly suggests net investor buying, with the highest trading volumes occurring on the strongest price days. Higher prices and increased trading volumes connotes net investor buying in silver and everything else. Since converting to metal from ETF shares reduces the number of shares owned by a large investor for reporting purposes for the SEC, it makes sense for a large investor to engage in such conversions, as there is no reporting requirement for physical metal (as opposed to shares or futures).

The bottom line here is that if this week's redemptions in SLV and the Deutsche Bank silver ETF are as they appear to me (and I've uncovered no real alternative explanation), then I find this to be very bullish for the simple reason that a large holder would most likely only engage in such share to metal conversions if he or she were seeking to reduce paper share holdings for the purpose of "creating room" for future purposes so as not to trip off SEC share ownership reporting requirements. At least, it would be what I would do if I was in that position.

Turning to yesterday's COT report, I hope you know I find little satisfaction that my fears were fully realized in silver when I suggested there might be a positioning deterioration in excess of 10,000 contracts (although I hoped that wouldn't be the case). I was also a bit surprised to see a large increase in the headline number of the commercial net short position in gold, but then I quickly noticed that the managed money traders were essentially flat.

Please remember that price action over the reporting week ended Tuesday featured the strongest price rally in silver in many months (in which prices rose as much as \$1.70, ending with a reporting week gain of \$1.40 and the first upward penetration

of silver's 50-day moving average in many months) and a fairly mediocre rally in gold of no more than \$40 at the peak and a close of around \$10 higher for the reporting week. Therefore, it had to be expected that there would be significant deterioration in silver and much less so in gold. Anything else would have gone against everything experienced over the past 40 years.

In COMEX gold futures, the commercials increased their total net short position by 11,600 contracts. By commercial categories, the 4 biggest shorts actually bought back around 1000 short contracts and held 144,334 contracts (14.4 million oz) short as of Tuesday. The next 5 thru 8 largest traders added 2200 new shorts and the 8 largest shorts held 227,922 short contracts (22.8 million oz) as of Tuesday. The smaller raptors were the heaviest sellers in gold and sold off and liquidated 10,400 long contracts, reducing the raptors' net long position to 8700 contracts.

As I indicated, I found the increase in the total commercial net short position in gold to be surprising, until I saw that the managed money traders – usually the commercials' main counterparties – didn't do any net buying and actually sold 720 net gold contracts, comprised of the sale and liquidation of 7108 long contracts and the purchase and covering of 6388 short contracts. It's not often you see the commercials selling so much and the managed money traders not coming close to offsetting the commercial selling.

The explanation for how both the commercials and managed money traders could be net sellers in gold is due to buying of close to 8500 net contracts by the other large reporting traders and nearly 4000 contracts of net buying by the smaller non-reporting traders. Interestingly, despite the relatively large amount of buying by the other large reporting traders in gold, the concentrated long position of the 4 largest

longs (home of the new gold whale) increased by less than 900 contracts - strongly implying that the whale (who I still suspect is John Paulson) is sitting tight with around 35,000 contracts (3.5 million oz).

This is very much in keeping with my speculation that the big gold purchase was a "one and done" transaction that was executed flawlessly and is now well-beyond any regulatory criticism and guff. And please remember the existence of this large gold position, in effect, reduces the total commercial net short position in gold below what that position would be if the gold whale didn't exist. In other words, when comparing the current total commercial net short position in COMEX gold to times past, today's total commercial short position should be reduced by 35,000 contracts to fully reflect and offset the singular gold long position (which is unabashedly bullish).

In COMEX silver futures, the commercials increased their total net short position by a whopping 14,300 contracts (certainly qualifying for the in excess of 10,000 contacts that I feared). And it gets, in a real sense, even uglier from there. Not to jump ahead, but because the commercial selling was against equally feared and very large managed money short covering, the net effect of the managed money short covering was to remove any managed money shorts from the big 4 and big 8 categories, which has been the case for weeks. What this means is that we're back to the previous longstanding structure where the 4 and 8 big COMEX silver shorts are in the (crooked) commercial category (same as it's been for gold all along).

The big 4 silver short position increased by around 1600 contracts on a strict week-to-week calculation based upon the concentration data to 44,795 contracts (224 million oz). The next 5 thru 8 largest traders actually bought back 1884 short contracts and the big 8 short position in silver actually fell close to 300 contracts for

the reporting week to 60,914 contracts (305 million oz). The raptors (the smaller silver commercials) were substantial sellers and now hold 16,300 net long contracts.

But if I stopped there, I would be negligent in not conveying what really occurred over this reporting week. I don't mean to make things confusing or more complicated than they need to be, but neither can I avoid delving into what really occurred by explaining it the best way I can. (Please know I will answer any and all questions anyone may have if you ask me).

Because the concentrated short positions of the 4 and 8 largest traders suddenly reverted to being all-commercial (from including a managed money trader or two), the net effect of this reporting week is that the commercials increased their big 4 short position by at least 8000 contracts and the big 8 commercial short position increased by as many as 3000 contracts more. There are not many analysts or commentators who even comment on the concentrated short position in silver, despite it being the most important factor, and the number has got to be close to zero of those who would note that the elimination of the large managed money short positions this week made the concentrated short position back to being exclusively commercial.

Yes, I'm fully aware that I had previously declared that whether the 4 big shorts added aggressively to short positions on the next silver rally was the key issue - and that is still the case - and of my previous speculation that they wouldn't add. Let me come back to this shortly.

On the buy side of COMEX silver, it was as close to an exclusive managed money affair as was possible, as these traders bought 14,381 net contracts (vs the 14,288 net commercial contracts sold), consisting of the buying of 2593 new longs and the

buyback and covering of 11,788 short contracts. If there was ever a more-perfectly aligned match-up between the commercials and the managed money traders than was reported this week, it does not come to mind.

Moreover, I specifically mentioned that managed money short covering of close to this magnitude was likely for the sole reason that these shorts would run like thieves in the night at the first signs of a silver rally and end up collectively losing on their recent excessive short position - exactly the same as had always occurred whenever the managed money shorts were hoodwinked into big short positions by the commercials.

Where I was wrong, this time and in the past, was in overestimating how much damage and financial retribution would be extracted from the managed money shorts by the commercials. To my mind, taking a dollar or two (\$5000 to \$10,000 per contract) from the managed money shorts would be kid-stuff for the commercials, who were easily capable of ripping much more off from the managed money shorts. Once again, I am surprised by the "benevolence" on the part of the commercials in extracting so little from the managed money traders when they could have extracted much more.

One thing the reversion to the all-commercial status of the concentrated short position clarifies is the true net long position of the raptors, the smaller commercials in silver apart from the 4 and 8 largest shorts. For the past several weeks, the presence of a managed money trader or two in the ranks of the big 4 and 8 has obscured the precise silver raptor net long position. This week, knowing that the big 8 short position (60,914 contracts) is back to being purely commercial, by subtracting from that position the total net commercial short position (44,600

contracts), the true raptor net long position of 16,300 contracts can be ascertained.

I am a bit taken aback by the relatively small size of the raptor long position, which based upon price action since the Tuesday cutoff, I would conclude is even smaller now. What that means (to me) is that the raptors have less than 10,000 long contracts left to sell should the silver rally continue. Should the raptors sell those remaining longs, they are likely done selling on higher prices, having exhausted their supply of silver longs and historically being very reluctant to go short silver in a meaningful way. Sure, the raptors will buy on lower prices, providing stiff buying competition to the 4 and 8 big shorts.

Turning to the issue of the de facto sharp increase in big 4 short selling - yes, I know I have been staunch in my speculation that the big 4 would refrain from aggressive new short selling in silver and here I am reporting that they just added 8000 new shorts (40 million oz). I suppose I could have breezed over the short covering by the big managed money short(s) and pretended the concentrated short position held by the commercials was little changed. That would have been a lot less complicated than the more complicated, but truer version I presented, but I have enough trouble sleeping as it is, without resorting to the guilt I would harbor by misrepresenting things.

The fact is that the 4 big commercial shorts added a pile of new silver shorts this reporting week, while I insisted they wouldn't and that can't be sugar-coated. Instead of lamenting that they did what I thought they wouldn't do, let's analyze what this new shorting meant to price and what it's likely to mean going forward. For sure, the new short sale of a minimum of 8000 contracts kept silver prices lower than they would have been if this new concentrated short sale hadn't occurred.

That's a statement of fact because if the 4 big shorts hadn't sold, other traders would have been required to sell in the big 4's place and every other replacement seller would have demanded higher prices (otherwise, the big 4 wouldn't have had to sell). How much higher prices? By at least a dollar or more, which could have easily transpired into a genuine silver rally of unknown proportions.

What if the new short selling by the 4 largest commercial shorts indicates that they have reverted to continuing to add as many new shorts as possible to ensure this silver rally gets snuffed out, the same as it ever was? In that case, it will become evident in the continuing flow of COT concentration data (even though so few will see it). But we're not there yet (despite this week's results). As time has evolved, more than ever have come to believe that the price of silver is manipulated and suppressed in price, even if the mechanics of the manipulation are not fully-known to many. Still, every deliberate and intentional price smash, like the smash yesterday afternoon, generates greater anger and should that anger be focused towards what's really wrong, the silver manipulation will end.

So, what's really wrong? The answer is simple - the COMEX is crooked exchange that works only for the interests of its biggest insiders and, therefore, against the interests of the investing public, as well as all silver producers. The COMEX insiders - the commercials - are the only entities the COMEX (the CME Group) are interested in and the public (and the miners), in no uncertain terms, can be damned. Why this is tolerated is because of inertia and the failure of enough observers and market participants to take the time to study the facts.

The facts are, quite simply, that everyone automatically accepts the COMEX price as the real price of silver without question. Yet, if one looks closer and more objectively,

it's obvious that the COMEX price is set by a handful of large paper speculators, with absolutely no input from the public or mining companies. Look at what transpired in the just-reported COT report – 99% of the very large positioning change in COMEX silver was confined to two very narrow sets of traders – the managed money traders and the crooked commercials which hoodwink the managed money traders. Where does the public and the silver mining companies fit in this equation? Nowheresville – that's where.

The mere fact that I can openly and consistently accuse the COMEX and its owner, the CME Group, of running a monumental and corrupt bucket shop (and send this to its CEO), with no blowback or denial, should be proof enough that this outfit is as crooked as a June day is long. But I do intend a more rigorous and focused effort ahead.

Everything I look at tells me there are developing shortages and higher prices in just every item of every kind, certainly including industrial metals and energy products. In fact, it's hard to come up with any industrial metal not in short supply. In silver, the list is long for those factors suggesting a severe physical shortage, including developments in the silver ETF metal flows and the short position in SLV (new short report due on Tuesday, Oct 26).

What's really wrong and easily proven is that the 4 big shorts and all the other commercial traders on the COMEX have never bought on higher silver prices (either buying back short positions or adding new longs) and only buy on lower prices – never selling on lower prices. How is this possible in a free market and for 40 years? Are they such gifted traders or is it something else? Only the willfully blind or those to which this is not known would conclude this is how it should be.

October 23, 2021 - Weekly Review

All this said and knowing full-well just how crooked are the COMEX commercials and the exchange and regulators and how a price smack down may be in the cards, the situation is also more critical and potentially bullish than at any previous time and I, for one, will continue to approach it as the next move up being the big one.

Just as an objective tool for determining how the 8 big COMEX gold and silver shorts are faring, this week's gains in gold and silver added nearly \$900 million to a total loss now amounting to \$9.5 billion.

Ted Butler

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Silver - \$24.39 (200 day ma - \$25.54, 50 day ma - \$23.33, 100 day ma - \$24.65)

Gold - \$1793 (200 day ma - \$1795, 50 day ma - \$1781, 100 day ma - \$1795)