

October 5, 2022 – In Play?

One should be very careful about making outlandish pronouncements based upon a few days of trading action. At the same time, however, one shouldn't hold back if signs emerge that an important inflection point has been reached. So, please understand that I'll try to navigate today between those two conflicting thoughts. Certainly, the matter in question regards the most important issue presented on these pages from the very beginning and dating back far longer than that – for more than 35 years.

The issue is the decades-old price manipulation in COMEX silver (and gold) and whether we are at the cusp of witnessing whether that manipulation is in the process of being terminated. Admittedly, it's not something I take lightly, given its profound significance, nor would I wish to embarrass myself or mislead readers. So, let me highlight the signs that suggest to me that silver (and gold) is now "in play", meaning that the process of the termination of the manipulation has begun.

First, is very recent price action. After starting the week with two very strong up days, as I begin this piece today, prices are sharply lower, particularly in silver. Despite, today's early weakness, the price action on Monday and Tuesday strike me as significant. After suggesting, literally only a few days earlier, that a bear trap had been set for those managed money traders heavily short silver and gold, that trap seemed to work, particularly in silver.

On Monday, silver shot up by nearly 9%, its largest one-day gain in 14 years, on tremendous trading volume, with no specific news that I could uncover – except that the move upwardly penetrated two (the 50 and 100-day) of moving averages regularly featured on these pages as significant to the managed money traders. While I'll save comments on what this Friday's new COT report may look like until later, no doubt there was very heavy managed money buying, both short covering and likely new buying – with accompanying commercial selling.

This proves two things, one, that significant price moves are always caused by significant changes in COMEX positioning (the essence of the manipulation) and anyone refusing to see that is just as stubborn as a Jenny mule. Two, that yet again, the managed money traders were unable to convert large open profits of close to \$700 million in COMEX silver short futures to realized profits on a collective basis – a key premise of mine over the decades. Even with today's sharp selloff, their open profits on the short are as gone as the wind.

When discussing what may come necessarily requires a bit of circumspection, but no such requirement exists about what has already occurred. I've made a very big deal about the managed money traders being led around by the (price) nose by the collusive COMEX commercials and a big proof of that has been my insistence that never have the managed money traders in COMEX silver and gold been able to achieve collective realized profits on the short side, even when ahead handsomely on an unrealized or open basis.

Likewise, I hope you know that I was highly skeptical that the managed money traders would do so this time, but please don't take this as any type of "gloating" on my part, as that is the very last thing I intend. Instead, the entire give back of open profits on the short side of silver (and the coming complete give back of open short profits in gold) is important because it confirms how the crooked

COMEX game has been played. Had the managed money shorts been able to realize large profits on the short side, it would have undermined my entire manipulation premise â?? a premise that includes and climaxes with a coming price explosion.

I suppose there is some slim outside chance that the managed money traders might be persuaded (tricked) into getting heavily short again on commercial-induced price rigging lower, but that appears to be a stretch at this point for a number of reasons (aside from the obvious, namely, could the managed money traders be that dumb to again get heavily short?). For one thing, silver prices are still dirt cheap and two, we are staring down the gun barrel of the most pronounced physical silver shortage that Iâ??ve ever witnessed, either on a retail or wholesale basis.

I guess it comes down to this â?? whether you believe in the law of supply and demand or not? Yes, I know that the law of supply and demand can be overridden by an artificial price manipulation for incredibly long periods of time (what do you think has been my focus for the past few decades?). But, in the end, any such artificial price manipulation must succumb to the forces of actual supply and demand, no matter how long the artificial price regime has been in effect. The only question will be the manner and timing in which the artificial price manipulation regime ends. The only answer is violently and, in a manner, consistent with the length of the artificial price regime and at a time unknowable in advance.

Aside from the confirmation that the managed money traders would (and could) not convert large open profits on the short side to realized profits, another key contention of mine has been a sure proof of the manipulationâ??s end will be a refusal of the very largest of the COMEX commercial shorts to add aggressively to short positions as they have over the decades. I would define â??aggressivelyâ?• as more than 10,000 or 20,000 contracts in silver. Obviously, unlike what occurred with the managed money shorts, this remains very much in the â??weâ??ll seeâ?• category.

Certainly, the evidence to date still strongly suggests that the big former COMEX silver and gold shorts will not plow back heavily to the short side â?? starting with the aforementioned observation that silver (and gold) has never been as â??tightâ?• physically as currently and the price has never been cheaper. Intelligent people, even stone-cold market criminals, do not get heavily short in such circumstances. But it goes a lot deeper than that.

As I indicated on Saturday, Friday marked the end of the third quarter and on that date, the 8 largest commercial shorts on the COMEX had achieved, not only their lowest quarterly loss in years, but had also succeeded in covering more of the short position they held from June 2019 than ever before. Still, my calculations indicate the 8 big commercial shorts sustained roughly \$5 billion in losses when all was said and done since June 2019 by being short. And in the beginning, JPMorgan was still a key participant as the largest of the 8 big shorts, successfully eliminating its controlling short position in the spring of 2020 and, effectively, leaving the other large shorts to fend for themselves (still, the biggest financial double cross ever).

The significance of all this is that for the first time in a history that goes back 40 years, the big commercial shorts on the COMEX suffered a very large loss when that had never occurred previously. The big commercial shorts never resorted to buying back their short positions on higher prices, thus preserving another one of the key premises Iâ??ve raised over the years as proving the COMEX silver and gold price manipulation. Nevertheless, \$5 billion isnâ??t chump change and it is not possible that losses on the short side werenâ??t on the minds of the big shorts every minute of every day,

particularly when up to 2019, no losses were ever taken on the short side.

Plus, to think what it took for the 8 big shorts to achieve • an \$5 billion loss and the closeout of as many shorts as they did cover is remarkable. It boggles the mind to contemplate just how many shorts were covered. These crooks took silver prices lower by as much as 36% (22% in gold) since March 8 in a manner even Ray Charles and Stevie Wonder could see (but, apparently, not the regulators). Here's my point • how many more times could the crooked commercials and the crooked exchange on which they operate pull this off? My own guess is never again.

Put yourself in the shoes of the former big shorts (and the regulators at the CFTC and CME Group). Are you likely to get heavily short again and then be forced to rig prices lower again in full view, staring down the gun barrel of a physical shortage that would choke a horse and having just escaped (barely) from the largest losses you've ever faced? If you think the big former commercial shorts will decide (as I believe they have) that this is as good a point as ever for quitting the manipulative game they've run for four decades, then you would also have to conclude that the termination of the silver manipulation is at hand. As such, things are very much in play.

What does •in play• mean? It means, to me, that the inevitable price explosion that must come with the termination of the manipulation is closer at hand than ever before. Like pregnancy, manipulation is a condition or state you are either in or not in. The COMEX silver manipulation is either at an end or is not at an end. What determines either is the condition of the concentrated short position of the very largest COMEX commercial shorts. If these key manipulative traders increase dramatically their short position, then the manipulation lives on (although it is possible that they could then get overrun). But if these former big commercial shorts stand aside and don't add aggressively to the short side on higher prices, then for sure the manipulation has ended and that will be reflected in sharply higher prices.

The great thing is that whatever it turns out to be, it will be fully-reflected in both price and in running COT report data. I suppose there could be some head fakes along the way, such as a temporary increase in the commercial concentrated short position, only to be bought back and covered fairly quickly. Such a temporary development is even possible in this Friday's new COT report and if the former big shorts have increased their short positions thru yesterday's cutoff, it wouldn't surprise me that they were the big buyers on today's selloff, already offsetting any new shorts added.

To summarize, the amount of dollar loss reduction and more importantly, the degree of short position reduction achieved by the former big COMEX commercials shorts has been astounding – even though they got tagged with their largest loss ever. Combined with the tightest physical silver (and gold) market in history and still far too low prices, it makes less sense than ever before for the former big commercial shorts to put their heads right back into the lion's mouth by greatly increasing their concentrated short position. Whether they do or not is, essentially, all that matters. I say they won't, but time will tell.

As far as what to expect in Friday's Commitments of Traders (COT) report, it will be a miracle if there isn't substantial deterioration (managed money buying and commercial selling) in the market structure in COMEX silver and to a lesser extent in gold. After all, silver prices shot up higher, driven by managed money buying of the short-covering variety and completely wiping out all accrued open profits (again). It wouldn't surprise me if managed money buying (short-covering and new buying) exceeded 20,000 net contracts. Gold's numbers are more •iffy•, as there was no decisive

upward penetration of any of its key moving averages, as occurred in silver.

I'm hopeful that the commercial selling was mostly in the form of long-liquidation by the raptors, the smaller commercials apart from the former big commercial shorts. Going into the reporting week ended yesterday, the silver raptors were net long around 35,000 contracts and had an ample-enough supply of long contracts to satisfy the expected counterparty buying by the managed money traders. But, as always, we'll read them and weep (or not) when the report is released.

In closing, it would appear to be time to buckle up for increased price volatility, the best means of all is by not engaging in over-leveraging on a margin basis. Don't hold any positions on margin where you might be forced to lose any positions due to a margin call. On the other hand, please don't take that as any reason not to be fully-exposed to silver (and gold) at this time.

Ted Butler

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Silver – \$20.60 (200 day ma – \$21.99, 50 day ma – \$19.34, 100 day ma – \$20.02)

Gold – \$1723 (200 day ma – \$1826, 50 day ma – \$1736, 100 day ma – \$1770)

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