October 6, 2021 – The Stage is Set

Of the many works and quotes attributed to the famous Scottish writer, Robert Louis Stevenson (1850-1894), was the quote that, â??Sooner or later, everyone sits down to a banquet of consequences.â?• It seems to me that quote has special meaning to more aspects of our modern world than can be imagined.

Limiting the subject to the banquet set before us in the world of silver (and gold), it seems inevitable that the consequences include a sharp and sudden rise in the price that can occur, quite literally, at any moment. Yes, I know that I have been speaking of a dramatic market event soon to occur in silver and this is in keeping with that same theme.

On Saturday, I made brief mention of the advice my old friend and mentor, Izzy Friedman, gave me when he told me that one needs to think like a criminal in order to properly analyze a criminal enterprise â?? which is how silver and gold are priced on the COMEX. But I donâ??t think my comments fully expressed what was on my mind, so Iâ??m going to take another shot at it today.

Iâ??ll not spend too much time establishing that the price discovery process on the COMEX is criminal because silver prices are discovered or set, not by the push and pull of actual world physical supply and demand associated with true free markets; but by some much larger paper bucket shop or private betting game between a relative handful of large speculative participants. On one side of the private betting game on the COMEX are the managed money technical traders (which are the dupes or fall guys) and the commercial traders, mostly banks (which are the criminals, along with exchange itself).

The COMEX criminal enterprise has existed for at least 40 years and the lead commercial criminal participants have varied over this time. For the last near 12 years, up until the spring of 2020, the main criminal actor was JPMorgan. But JPMorgan realized early on in its criminal reign, the scope of the manipulation in silver (and gold) and methodically prepared for a successful exit from its dominant and controlling short position on the COMEX, by accumulating a massive amount of physical silver and gold, some 1.2 billion oz and 30 million oz respectively. By the time JPM quit the COMEX manipulation in 2020, in addition to walking away with a massive hoard of physical metal, it also walked away with a few billion dollars in realized trading profits from the time it acquired and succeeded Bear Stearns in 2008 as the COMEXâ??s biggest short seller in gold and silver.

But JPMorganâ??s unilateral decision to quit the silver and gold manipulation while it was well-ahead and loaded with physical metals (and one-step ahead of the DOJ) left the remaining large COMEX commercial short sellers in a genuine lurch. Without the protection provided by JPMorgan against sharply higher prices, silver and gold prices did move sharply higher after JPM exited the short scene in 2020, with silver moving from less than $12 in the early spring to nearly $30 by late summer (eight-year highs) and with gold surging from $1460 to all-time price highs of $2050 over that same time frame.

As a result, the 8 largest remaining COMEX silver and gold shorts, suddenly double crossed and abandoned by JPMorgan on the short side, swung to the largest losses they ever experienced â?? more than $15 billion at times and more recently in the $8 billion range. This was a shock to the system as up until this time the big shorts on the COMEX had always been able to buyback and cover excessive short positions at a profit or breakeven. Without the protection of JPMorgan, that was no longer the case.

Faced with a thoroughly new world, in which the big COMEX commercial short sellers could no longer depend on JPM as a backstop, the remaining big shorts came to know the game had changed and that they needed to dig themselves out from the hole they found themselves in. Such large and powerful institutions, mostly banks both domestic and foreign, were not about to go down without a fight and they did everything they could to limit their losses and extract themselves from the dangerous position of being short silver and gold in a world where much higher prices seem assured.

So, the remaining big COMEX commercial shorts did what was expected and devised the best and only escape route possible and available. Because derivatives trading requires there be an equal number of longs and shorts at all times, the only way the big COMEX commercial shorts would be able to buyback and cover their own large short positions in silver and gold would be to find someone else to replace them on the short side. The big commercial shorts needed someone to take their place on the short side.

The only possible replacement for the big commercials on the short side was the group of traders known as the managed money traders â?? those traders guided solely by price direction. Letâ??s face it, thereâ??s no way the big COMEX commercial shorts could ever get enough individual speculators or mining companies willing to hedge (sell short) their future production on progressively lower prices. Only traders solely guided by technical considerations, such as moving average penetrations, could conceivably be tricked into selling short (and liquidating long positions) in sufficient quantities to allow the big commercial shorts to buy back and eliminate their own short positions.

And that, my friends, is what we have witnessed since the price highs in silver of early February, when the 4 and 8 largest commercial short sellers in COMEX silver futures held their largest short position in more than a year. In the most recent COT reports, the short positions of the largest commercial short sellers in both silver and gold are now at the lowest level in years, with those former commercial short positions largely replaced by managed money shorts. Funny how that worked â?? the only possible escape route for the big commercial shorts â?? getting the managed money traders to replace them on the short side â?? is exactly what has occurred.

Of course, I would be remiss if I did not mention my petition of the CFTC to address the all-important matter of the concentrated short position of the 4 largest commercial shorts in COMEX silver over this time, but letâ??s set that aside and focus on the hard facts that canâ??t be disputed. Those facts include the 4 largest commercial silver shorts holding their largest short position in a year on Feb 1, to them holding their smallest short position in many years today. Â The only possible way that could have occurred was if the managed money technical traders were persuaded to go short and replace the big commercial shorts via a pronounced move lower in price.

In essence, the big commercials rigged the price lower in order to induce the managed money traders to sell and sell short in amounts great enough to sharply reduce the big commercialsâ?? own shorts. And thatâ??s exactly what occurred. Not for a minute am I suggesting that I foresaw all this back inFeb or March when I wrote to the Commission, as silver is so cheap in price (then and now) so as to demand ownership regardless of potential additional price suppression. But there canâ??t be any question, based upon the facts as we know them, that the big COMEX commercial shorts did exactlyas I just described.

The only remaining question at this point is are the big commercial shorts done or nearly done with further price rigs to the downside to induce even greater selling and short selling by the managed money traders? The only true answer to that question is that we will only know for sure after prices turn high enough to induce managed money buying; but it sure seems to me that we are close enough to that upturn to play it as such. And hereâ??s where we get into the core of the issue about thinking like a criminal.

Considering all the above, namely, the big commercial shorts on the COMEX, left adrift by JPMorganâ??s exit from the short side and the resultant price movement and great losses that accrued to those big shorts, as well as their recent great success in reducing those losses and, more importantly, the significant recent reduction in their concentrated short position in silver â?? what now? Hereâ??s where one must think like a criminal.

Channeling Izzy, and putting myself in the shoes of the (former) big commercial shorts and trying hard to look at things with eyes focused only at whatâ??s best for them, I donâ??t see them rushing back aggressively to the short side â?? at least not at the prices where the managed money shorts will turn aggressive buyers. Based upon past history, the managed money traders should turn aggressive buyers in silver (both to cover shorts and to initiate new long positions) as the key moving averages are penetrated to the upside â?? if not at prices even lower than where the key moving averages currently sit.

The lowest of the key moving averages in silver, the 50-day moving average, is more than a dollar higher than the current price of silver, at around $23.67. That means the recently-added roughly 20,000 contracts of new managed money shorts would have to risk $100 million if closed out there. The other two key moving averages, the 100 and 200-day moving averages, are as much as $3 higher than current silver prices and if waited to be covered until penetrated, would translate into a $300 million loss on those 20,000 short contracts recently added by the managed money traders. And Iâ??m just referring to the recently added 20,000 contracts of managed money shorts and not the total 44,000 contracts held short by these traders.

In my experience, the managed money shorts recently added are not likely to wait until all the key moving averages are upwardly penetrated, before moving to buyback and close out those short positions. These traders will likely move to cover many shorts at prices much lower â?? say over $23 or so. Of course, itâ??s always possible for the commercial criminals on the COMEX to first rig silver prices to new lows, trying to get even more managed money shorts to be put on â?? but sooner or later, the banquet of consequences for the managed money shorts will be at hand, if we are not at that point already.

So, the question comes down to this â?? whenever the managed money silver shorts rush to buy back, whether at $23, $24 or $25 â?? will the former big commercial shorts accommodate the managed money buyers by selling short to them aggressively? If I were in the shoes of the former big commercial shorts, I certainly wouldnâ??t sell short at those prices â?? why the heck would I? To put my head back into the lionâ??s mouth at, essentially, the same low silver prices I just worked months (and in criminal fashion) to get the heck out of?

Letâ??s face it, silver prices were so unnaturally low this year that a movement started on the Internet whereby more than 150,000 participants joined in to buy silver because it was so darned cheap and what happened? The price went even lower, not because all these people were seriously misguided and out to lunch, but because there were much more important things going on, namely, as I described above, in the big commercial shortsâ?? pressing need to buyback and cover as many of their short positions as possible.

Certainly, the lower silver prices that have been witnessed had nothing to do with the Reddit crowd and everything to do with the pressing need of the big COMEX commercials shorts to buy back as many of their short positions as possible and in the only possible way that could be accomplished, namely, by tricking the managed money traders to go short. Now that that has largely been accomplished, does it make sense for the former big commercial shorts to re-short silver at prices still close to the lowest levels of the year? Â Not to me, it doesnâ??t.

I suppose one could argue that the former big commercial silver shorts might stand aside at first when the managed money traders start to rush to buy back their recently-added shorts and wait to add price-capping shorts until silver prices reach $30 or $35 or so, but why do that when the opportunity exists for the big commercial shorts to finally exit the game completely â?? just like JPMorgan did?

Of course, thereâ??s no way the remaining commercial shorts could hope to replicate the magnificent and criminal achievement of JPMorgan and acquire more than a billion oz of physical silver, but that took JPM ten years to accomplish. The reality of the situation is that the former big silver shorts, like everyone else in this world, must deal with the cards as they are dealt â?? not what we or they wish them to be. As far as I can tell, the former big shorts have done as well as could ever be expected, according to the cards they were dealt and my sense is that they will do what is best for them. Whatâ??s best for them, further, is not to add silver shorts from this point forward, only to dig the hole deeper and extend a circumstance they never would have entered had they correctly envisioned the future. Thatâ??s the basis for my expectations for an imminent price explosion.

Yes, Iâ??m well-aware that recent price action has been stagnant and trading volume near non-existent, but that just reflects an even greater likelihood of a price explosion once the managed money shorts rush to buy back â?? which they must do at some point, even if they add more shorts in the interim.

Iâ??m also well-aware that most donâ??t see this playing out as I do and the general expectations are for the big COMEX commercials to add enough new shorts on a rally to fully cap and contain the next silver rally. How could I possibly rule out yet another price cap by the big COMEX silver criminal shorts when that has been the essence of my work for nearly 40 years? But to all seasons there comes a change and the important point here is that a change in the big shortsâ?? behavior would have an asymmetrical effect on price. Even if the big COMEX commercial crooks cap the next silver rally, there will still be a rally of some proportions. However, if they donâ??t add new shorts aggressively, silver goes boom to the upside.

Thinking like a criminal means imagining whatâ??s best for the criminal and when it comes to the big commercial shorts on the COMEX, that means quitting the manipulation at the best time possible. Unless many more managed money traders can be lured onto the short side, itâ??s hard to imagine a better time for the COMEX commercial crooks to stand aside and let silver prices run free than now. And even more managed money shorts will only delay and set the stage even better for an upside explosion.

Yes, this will bring great joy and financial gains to silver investors everywhere, but that matters little to the COMEX criminals and is simply an unavoidable consequence of the criminals looking out for their own interests. Whatâ??s best for the COMEX criminals â?? finally quitting a game that must be quit, at this particular time and circumstance, is no longer mutually exclusive from whatâ??s best for silver investors.

As far as what to expect in Fridayâ??s new COT report, it was bifurcated price week, with both gold and silver closing at multi-month price lows in gold and lows not seen in more than a year in silver on the first day of the reporting week; only to be followed by a price recovery into weekâ??s end. My sense (and itâ??s only a sense) is that there was some deterioration (commercial selling and managed money buying) in gold and perhaps less so in silver. Regardless, the market structures in both gold and silver remain extremely bullish, with silver, in particular, markedly so.

At publication time, gold and silver prices are slightly higher from where prices closed on Friday, leaving the total losses to the 8 big shorts as slightly higher at $8.4 billion.

Ted Butler

October 6, 2021

Silver – $22.60Â Â (200 day ma – $25.74, 50 day ma – $23.67, 100 day ma – $25.26)

Gold – $1763Â Â Â Â Â (200 day ma – $1803, 50 day ma – $1785, 100 day ma – $1810)

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