

Two weeks ago, on Aug 18, in “Major Market Event Ahead?”, I wrote how I expected an upside explosion in silver and gold prices, largely based upon the mechanical effect of a certain large quantity of buy orders coming into COMEX futures contracts from traders identified as managed money traders as and when the key moving averages were penetrated to the upside (which was a mathematical certainty in time). I quantified the expected amounts of managed money buying in silver to be 30,000 contracts and 75,000 contracts in gold.

Since that time, gold has upwardly penetrated its key moving averages, but not yet (or even close) has that occurred in silver. On that gold rally, some 40,000 contracts have been purchased by the managed money traders over the past two COT reports since my article and extrapolating for this Friday’s report, at least 10,000 more contracts have likely been bought by the managed money traders. So, a pretty good chunk of the 75,000 net contracts that I expected to be bought as and when the key moving averages were upwardly penetrated in gold have been bought. Gold has rallied by around \$140 from the intraday lows of Aug 9, a fairly sharp rally, but not what I would characterize as an explosive market event.

Of course, it is too soon to pronounce the gold move as being over, all things considered and I am not suggesting that. More to the point, my premise of a major market event being on the cusp was primarily aimed at silver, as I believe I made clear. Over the same two reporting weeks, in which the managed money traders bought 40,000 gold contracts, they were net sellers of 1100 contracts in silver, although it wouldn’t surprise me if they were buyers in this Friday’s report. Therefore, it is fair to say we are still waiting for matters to be resolved in silver.

The key point of resolution in silver, moreover, is what will the 4 largest commercial

shorts do, as and when silver prices rally and penetrate the key moving averages. I fully expect the smaller commercial longs (the raptors) to be aggressive sellers of their accumulated long positions on higher silver prices, as this is what these traders have always done. But even if the raptors sell out the expected number of longs to the managed money traders on higher prices, that will still leave the 4 big shorts as having to add around 20,000 contracts of new short sales in order to contain prices and prevent a major upside market event. This is the mechanical aspect, namely, if the big 4 shorts add aggressively to short positions, no upside market event - only, most likely, a garden variety rally of few dollars in silver. If they don't add aggressively to shorts, it seems to me that silver prices must explode.

It also seems to me that this is the only real thing that matters in silver (and in gold to a lesser extent). I read just about everything that is written on silver, including the supposed influence from actual silver supply/demand fundamentals, Fed policy, the prospects for inflation and the economy, the stock market and just about everything under the sun. But the only real impact on silver prices seems to me to come from COMEX positioning changes. I don't doubt for a moment that silver is the most undervalued asset out there - my main concern is explaining why that severe undervaluation exists in the first place. Let me not beat around the bush - silver is so darn cheap because a few big shorts have colluded in selling short paper contracts for nearly 40 years in amounts out of line with any other commodity.

However, the prospects of great change appear to be upon us. Rarely have the lines of demarcation between whether the COMEX silver manipulation continues or ends been clearer than presently. After more than a decade of near iron-fist control by JPMorgan in which it designed and put into play the perfect escape strategy (by accumulation mountains of physical gold and silver), JPM abandoned the short side

of the COMEX completely on the infamous price smash into March 2020. For years, at least from 2013-14, I had been expecting JPM to exit its dominating short positions, so JPM certainly took its time while accumulating as much physical metal as possible. In finally doing so, JPM handed off the baton to the remaining big short sellers on the COMEX, without their knowledge or warning.

Since it was nothing less than a stroke of criminal genius on JPMorgan's part to dream up and then to turn its physical metal accumulation plan into 1.2 billion oz of silver and 30 million oz of gold, in which very few knew was happening (away from these pages), JPM had the play to itself, even the big commercial traders on the COMEX were left out in the cold as to what was going on. Therefore, when JPM just about personally arranged for the epic smackdown in silver and gold prices into March 2020, it had the field to itself as far as buying back COMEX short positions. The other big shorts couldn't or didn't react quickly enough and when the dust settled on that epic price smash, JPMorgan emerged as doing most of the commercial short covering, as the remaining big shorts were caught flat-footed.

Even though the big 8 commercial short position in gold and silver did get back to even temporarily on a financial basis in mid-March 2020 on that big price drop, by the end of that month and the first quarter of 2020, their total losses were back to \$4 billion, slightly higher than yearend 2019. From the end of the first quarter 2020, total losses to the big 8 have ranged from \$8.3 billion to \$14 billion, as I have chronicled all along. While it's true that the 8 big shorts appear to be well in control, particularly at times when they lean in to rig prices lower, the fact is that their losses have not only remained much larger since JPMorgan bolted from the short side in early 2020, they haven't been able to completely rid themselves of the core short position - although it has been reduced in silver to the lowest levels in six years - no

minor accomplishment.

We all feel pain or bad vibes when prices decline and we must confront our paper losses. Heck, it's almost agony even watching silver prices remain low after big price drops, like recently. But, unless I'm way off, no one (or at least not many) reading this has lost billions of dollars on silver or gold, as have the 8 big COMEX shorts over the past year and a half. Please understand that I lose very little sleep with concern over how the big shorts may be suffering with losses. But at the same time, such large losses (over a billion dollars per trader on average) must be causing concern among those actually experiencing the losses - how could it not? After all, the point of the great game we all play is to try and make the most, not lose the most.

Therefore, I would ask that you put yourself in the shoes of those which are most heavily short. And remember, these are institutional entities, manned by professional traders, well-versed in sophisticated market operations. For such entities not to be aware of their large total losses and the best remedy for eliminating those losses and, most importantly, eliminating the chance for even greater losses would be unthinkable. But what if the most-immediate remedy for capping the losses - forget breaking even or managing a profit - was simply closing out the short position forthwith so as to eliminate the short position, would involve additional severe losses?

The age-old market remedy for closing out a short position, particularly a losing short position, is simply to buy the short position back and endure the higher prices the short buyback might necessitate. However, a problem arises when the short position is so large that the buyback and covering of such a position would send prices to extremely high levels, further increasing the already large losses. We've

seen this phenomenon this year in certain stocks, like GameStop and AMC (and before that in Tesla), where a big hedge fund short had to be bailed out privately

But the short position in COMEX silver held by very large traders, as I hope I've conveyed for decades, is way too large to buy back in a short period of time without prices truly exploding. That's because the concentrated short position in COMEX silver has existed for decades, meaning it has become embedded in the fabric of silver prices. So embedded and so large that had the concentrated short sellers in COMEX silver tried to simply buy back the short position quickly, the losses would be so great as to be on a par with financial suicide. So cheap has silver become that there are simply not enough willing sellers at close to current prices. If there were, the big shorts would have dumped their short positions on those willing sellers, just like JPMorgan did to the current big shorts.

There is no way that the 8 big shorts, being out \$10 billion on something they do for a living wouldn't know this equation and set of circumstances inside and out.

Nothing concentrates the mind more than billions in losses and the prospect for even greater losses. Standing in their shoes, what would you do? After considering all the possibilities, I've come to the conclusion that I would do almost exactly what they have done to this point. Just exactly what is it that the big shorts have done and are likely to do next?

Well, for starters, to this point the big shorts have averted catastrophe or the situation that would have occurred had they simply blasted silver prices higher by rushing in to buy back short positions when they first realized they had been duped by JPMorgan's abandonment of the short side. Simply buying back short positions as quickly as possible to cap growing losses would have exposed the scam of

manipulation that has existed for close to 40 years. Not only would the financial losses been extreme, the legal liability attached to the manipulation would engulf any of the shorts still standing.

In other words, the big silver shorts had no real choice but to continue to cap prices as they worked on a solution to fix a very serious problem. That price capping reached a pinnacle on Feb 2, when the 4 biggest COMEX silver shorts were the only short sellers that week as prices soared and they needed to add more than 6600 new short contracts (33 million oz), increasing their concentrated short position to the highest it had been in a year. The gambit worked, as silver prices topped out, but the evidence of the price-capping was indelibly recorded in Commitments of Traders (COT) report data.

It was based strictly on this data that I wrote to the Commission (via elected officials) on March 5 and in which I received a response two months later on May 3. The Commission's response, quite surprisingly, didn't argue or rebut anything I alleged (as had always been the case previously) and implied it was referring the matter to its Divisions of Market Oversight and Enforcement. As such, I opined that the agency would have had to take the matter up with the big silver shorts privately and a fair reading of subsequent events would seem to confirm that. What events?

From a point on Feb 2 when silver prices were the highest they had been in 8 years and the concentrated short position was the highest it had been in a year (for the first time with JPMorgan not on the short side), the big shorts succeeded in reducing their concentrated short position to the lowest levels since 2015 on the professionally-engineered price decline over the past several months. Yes, the CFTC was likely instrumental in the dramatic reduction of the COMEX silver short position,

but it was also clearly complicit in allowing the big shorts to rig silver prices lower so that the short position could be reduced.

On the one hand, I feel the Commission should be horse-whipped for allowing all this to occur, as well as being so darn incompetent or on the take for allowing the COMEX silver manipulation for existing as long as it has; but there may be another sick explanation involving it finally becoming aware of the great silver scam. Since I relied strictly on the Commission's own data in my letter of March 5 and they had every opportunity to argue with my allegations and chose not to, it is quite possible that it finally woke up to the scam that had been occurring under its eyes for decades.

Regardless, what's on the data scoreboard is clear, namely, that the big silver shorts have been masterful in reducing the all-important concentrated short position. I must point out that on the recent epic price smash that started on Sunday evening Aug 8, the 4 largest silver shorts bought back more short contracts that reporting week (7100 contracts) than they sold short into Feb 2. Please think about that for a moment. The 4 biggest shorts were the sole short sellers at the price top and, by far, the largest buyers on the lowest prices of the year. One can delude himself by concluding these guys are simply great traders or that they are gaming the system by more dirty trading tricks than can be imagined.

Admittedly, it has seemed like pure torture watching silver prices relentlessly rigged lower these past months, but the covering and reduction of the concentrated short position seems well-worth the pain - if these big crooked (but still trapped) shorts refrain from adding new shorts aggressively on the next rally. Yes, I'm well-aware that I am virtually alone in this basic assessment of the silver market, but that's just

the way it is. It still comes down to whether the big silver shorts add or don't add to shorts on the next rally and time will tell.

Moving on to other developments, I had been anxiously awaiting whether there would be physical silver added to the big silver ETF, SLV, following the explosion of trading volume last Friday, when more than 38 million shares were traded. It usually takes at least a day before the appropriate deposits/redemptions are posted and this time it took two days before a very large 5 million oz deposit was recorded. The large trading volume on Friday looked somewhat out of place and also looked quite focused and professional, as opposed to being collective investor buying and smacked of short covering. Last night's large deposit is not in keeping with a reduction in the short position, but we'll know for sure on Sep 10, when the next short interest report is issued.

The first days of the big September COMEX deliveries in silver have now come and gone and the verdict appears to be that it was a non-event, as often has been the case. About the only good thing is that JPMorgan is the biggest stopper (taker) of silver deliveries for clients, taking close to 2000 net contracts of the total 4300 contracts issued. JPM remains on the down low and absent in silver in its own house account, trying (in my opinion) to put as much distance between itself and what will come in silver.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

It's been quite some time since I last mentioned sales of Silver Eagles from the US Mint, but I'm happy to report that the Mint is no longer following orders from the Treasury Dept to artificially constrain such sales. It was a despicable attempt to limit the amount of silver being consumed (3 to 4 million oz per month) and finally

appears to be no longer in force, as sales for August came in just under 4 million oz. Let's hope that the lamebrain who came up with this crackpot and illegal idea was sent to Afghanistan.

As far as what to expect in Friday's new COT report, it's hard to imagine how there won't be additional managed money buying and commercial selling in gold, seeing how prices finally penetrated and closed above all three key moving averages (the 50, 100 and 200-day ma's) during the reporting week ended yesterday. I threw out the number of 10,000 contracts earlier and am hoping it won't be significantly more.

There was also likely managed money buying and commercial selling in silver given the price reversal higher on Friday, although none of the key moving averages were penetrated to the upside. Like the false gods of a primitive culture, there was an upward penetration of the 20-day and shorter moving averages in silver, but the again there's no shortage of moving averages. Along with the penetration of important moving averages, there is also the matter of risk control and the managed money traders who went short near \$23, likely found it prudent to trim shorts as a full dollar in a COMEX silver contract comes to \$5000 and suggests some short covering on loss limitation grounds.

I would imagine that if there was commercial selling in silver, it was on the part of the raptors, the smaller commercials who are long, versus new short sales by the big short crooks. But as Forrest Gump says, each new COT report is like a box of chocolates and you never know for sure what you are going to get.

Price action since Friday's close has been choppy, but mixed and at publication time today, the 8 big shorts are slightly better off, by less than \$100 million than they were on Friday, putting their total losses at \$10.2 billion - a loss very well known to

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those holding it.

(On a housekeeping note, I'm switching to the December contract in silver from September, which adds 4 or 5 cents to the price and brings both silver and gold prices as being based upon the lead December contract, at least until the beginning of December).

Ted Butler

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Silver - \$24.18 (200 day ma - \$25.87, 50 day ma - \$25.00, 100 day ma - \$26.04)

Gold - \$1815 (200 day ma - \$1812, 50 day ma - \$1794, 100 day ma - \$1812)