

Extending a price consolidation now measuring five weeks, closing prices were mixed this week, as gold gained \$8 (0.4%) and silver lost 20 cents (0.7%). As a result of gold's outperformance, the silver/gold price ratio widened out by just over half a point to 72.5 to 1.

One of the hallmarks of the price consolidation that has endured since early August when gold closed at its highest ever weekly close of \$2045 and silver at its highest weekly close in 7 years (\$28.40) is that the price ratio between the two has varied little from the 72 to 1 it was at the time. After all, the price ratio was at 125 to 1 in mid-March (not that it should have ever been that extreme) and had fallen by the most ever in less than 5 months (10 full points a month) and then just flat lines for next 5 weeks? I am certain the price ratio will tighten severely in silver's favor over time, but only a mad man would predict the short term direction of the ratio.

Year to date, gold is up by \$400 or 26%, while silver is up \$9 or 50%, but the real measure to me is the price performance since the lows of mid-March, since those lows were so obviously engineered by JPMorgan and other COMEX commercials to buy as many COMEX futures contracts as possible. From the rigged prices lows of March, gold is now up by \$500 (35%), while silver is up an astounding \$15 or 125%.

Moreover, at the engineered price lows, silver set price lows not seen in ten years, only to climb within months to 7 year highs; something that not only has never occurred in silver or any other commodity in history, but also is something that would seem impossible to occur for any world commodity. The only conceivable explanation would be someone monkeying with the price and the stark proof of such monkeying has been presented in government data (COT reports), which indicate massive commercial buying, particularly by JPMorgan on the decline into mid-March.

Yet to this day, neither the CFTC, the CME Group, JPMorgan, nor the most misdirected Justice Department in US history have seen fit to utter a word about something that would appear impossible on its face – a world commodity establishing ten year price lows, followed by seven year highs within a few months. Marvelous. I'll get more into the current state of the market after running through the usual weekly developments, which continue to be anything but usual.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued to be extremely active over this holiday-shortened 4 day week. Just under 10 million oz were physically moved this week as total COMEX silver inventories climbed by 6.1 million oz to 357.8 million oz, another new all-time high. On an annualized basis, this week's movement came to more than 500 million oz, not far from all the metal in the SLV, the world's largest stockpile of silver. Inflows into the JPMorgan COMEX warehouse accounted for 4.1 million oz of the total increase, as this specific warehouse hit 175.2 million oz, also another new record high.

Over the past eight weeks, total COMEX silver inventories have risen by just over 33 million oz, with the JPMorgan warehouse accounting for 14.5 million oz of the total increase. While I still maintain that the weekly physical turnover over the past 9.5 years is far more significant than the recent increase in total COMEX silver warehouse inventories, particularly since the physical turnover is so unprecedented and unique to silver, it's impossible not to wonder what's behind the increase in COMEX silver inventories.

Then again, the increases in the COMEX silver inventories must first be put into perspective. Over a four month period from March to early July, the COMEX gold

warehouse inventories increased by an astounding near 29 million oz, a fourfold (400%) increase over the 8.5 million total oz held into March. In silver, the 33 million oz increase over the past two months represents little more than a 10% increase over what existed in July. For silver to replicate the total increase in COMEX gold inventories in percentage terms, more than 1.2 billion oz of silver would need to be brought in over the next few months, not something likely to occur (since there are little more than 2 billion oz of silver in the world, including what's already in the COMEX warehouses).

Still, it's only natural to question what's behind the increase in COMEX silver inventories. My best guess is that it represents demand for physical metal by either investors or industrial consumers, including demand as a result of the ongoing COMEX September futures deliveries, now totaling more than 9300 contracts (46.5 million oz) and with another 5 million oz still open in September. Customers of JPMorgan still dominate both sides of the September delivery process (but not the bank itself in its own house account), and the contracts still open suggest even more metal will come in.

[https://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

If it is physical delivery demand driving the inflows into the COMEX warehouses (as appears apparent to me), it means the metal already on deposit, while sizable, is not available for sale and delivery, necessitating new metal being brought in. Whether demanded by investors or users matters little in terms of immediate demand, as the COMEX warehouses are a great place to store and hold large quantities of physical silver. And while it's natural to wonder where the silver is coming from, that is less of a concern in a practical sense of any price influence. After all, the 400% increase in

COMEX gold warehouse inventories certainly didn't prevent gold prices from rising sharply this year.

While COMEX silver inventories have been rising recently, COMEX gold warehouse inventories have seemingly plateaued for going on two months. This week, COMEX gold holdings fell 0.4 million oz to 36.5 million oz. essentially where they were two months ago, following the sharp increase from March. No change this week in the two JPMorgan COMEX gold warehouses, still at 13.23 million oz. Each week that there is little net change in the COMEX gold warehouses, following the unprecedented spike from March to early July, further convinces me that the physical gold came in as a result of regulatory pressure on the 8 or so big shorts to show they had the metal and therefore, the capability of tolerating the large losses created by the rise in gold prices. The quantities match up too closely not to conclude a direct connection.

I suppose it's possible that the regulators are now pressing the silver shorts (most likely, essentially the same as the big gold shorts) to do the same, namely, show the metal backing up the big silver shorts; but it's still a bit early for that to be the entire reason for the increase in COMEX silver warehouse inventories. For one thing, the regulators took much longer to pressure the gold shorts to bring in the metal and silver delivery demands, particularly in the September contract, seem more likely the explanation for the physical silver coming in presently.

While physical silver is being brought into the COMEX warehouses that is not the case for the big silver ETF, SLV. This four day work week, some 7.9 million oz were removed from the trust, following a pattern I've been discussing for weeks. First off, I suppose it's possible that some of the silver coming out of the SLV might be the

result of plain vanilla investor liquidation and is finding its way into the COMEX warehouses. That would at least help answer those questioning where the metal is coming from that is finding its way into the COMEX warehouses. While admittedly convenient, I don't think that is what is occurring.

I'm still more convinced that the metal coming out of the SLV is not really moving in real physical terms, but is being converted into a more pure allocated form by the conversion of shares to physical metal by the owner(s) of the shares. For example, following the recent conversions of blocks of SLV shares in round quantities of 5 and 10 million shares, even this week's 7.9 million oz that were "removed" do equal a fairly round 8.5 million shares of SLV. I only wish I (my wife) owned enough shares of SLV to convert into physical metal in those quantities, because it would be just what I (would have her) do. In fact, it's a no-brainer having shares of SLV converted into metal - it's a cheaper and safer way to hold the metal - provided one is dealing in those quantities.

I don't argue that holding physical silver in your own possession might be more secure than holding it in shares of SLV, or in direct ownership in London, or in the COMEX warehouses, but not when you are dealing in millions of ounces. Of course, I'd give a king's ransom to know who was doing all the suspected share to metal conversions in SLV, or at least whether any industrial users were included.

Speaking of SLV, the new short report for positions held as of August 31, indicated that the prior reporting period's sharp increase was completely reversed as close to 7 million shares of the previous 30.5 million share short position were covered, leaving the short position at just under 23.5 million shares (ounces). My guess is that the price consolidation, already in force at month's end, allowed the short sellers to

buy back a good chunk of their shorts. It also delays (fortunately) any cage rattling with BlackRock for allowing a large short position in SLV, which is now down to a fairly reasonable 3.9% of total shares outstanding. I remember many years ago when the short position in SLV hit 12%+ of total shares outstanding. Yes, I agree that there shouldn't be any short position allowed in SLV, but there shouldn't be a lot of other things allowed in the world too.

<https://www.wsj.com/market-data/quotes/etf/SLV>

Turning to this week's Commitments of Traders (COT) report, we didn't get the large managed money selling and commercial buying hoped for (but not predicted) or any such positioning change in gold (a little in silver), as a result of the fairly large price takedown thru the Tuesday cutoff. As a reminder, prices were down as much as \$70 in gold and \$2.50 in silver at times, although not at Tuesday's close. As I'll describe in a moment, I think the lack of greater positioning changes (or of any in gold) is the result of the generally washed-out market structure in both gold and silver.

In COMEX gold futures, the commercials actually increased their total net short position by 3600 contracts to 281,000 net contracts. The numbers weren't particularly significant, as the surprise was that there was any selling at all as prices were lower. The 8 big shorts increased their total net short position by 700 contracts to 228,557 contracts and the smaller commercials (the raptors) added 2800 new shorts. I'd peg JPMorgan as selling 1000 contracts, which would put it net short by that amount.

The managed money traders bought even more than the commercials sold, as these traders bought 6550 net gold contracts, comprised of the new purchase of 8353 longs and the new short sale of 1803 contracts. My best guess is that the managed

money traders adding new longs weren't of the technical fund variety, but value driven or were some other non-technical type of traders. Remember, the managed money category is defined by whether trader is run by a manager, not the methodology employed by the manager.

Some net selling by the other large reporting traders (900 contracts) and the smaller non-reporting traders (2000 contracts) accounted for the difference between what the commercials sold and the managed money traders bought. No real change in the other large reporting traders holding close to a record long position.

In COMEX silver futures, the commercials reduced their total net short position by 2700 contracts to 49,100 contracts, less than hoped for, but at least in the direction expected. The 8 big shorts reduced their net short position by around 1400 contracts to 69,479 contracts and the raptors added 1300 new longs. JPMorgan is back in the raptor fold, accounting for 1000 contracts bought, which puts it net long by that same amount.

The managed money traders didn't sell as much as the commercials bought, just 1763 net contracts, consisting of the sale and liquidation of 1902 longs and the buyback and covering of 139 short contracts. Mixing up (and perhaps confusing) matters, the other large reporting traders bought 1771 net contracts, while still remaining net short, while the smaller non-reporting traders sold close to 2700 net contracts. If you're not confused at this point, you might consider having a drink, as this is deep in the weeds stuff, even for me.

The bottom line in terms of this week's COT report and the COMEX market structure in general is that there doesn't appear to be many apples left on the tree (where apples are defined as contracts of potential speculative selling) for the commercials

to shake off with deliberate price jam jobs to the downside. That's not to say (warning – here comes the double talk) that the commercials won't give up trying to rig prices lower. After all, despite gold bouncing off its 50 day moving average hit in early Tuesday trading, that average is still climbing sharply and at week's end is only \$25 or so below closing prices.

This does present a tempting target for the collusive commercial shorts to stage another price raid to the downside. It's not as if the regulators are about to stop them or anything of the sort. And while silver's 50 day moving average is still much further below (by \$2.50 or so) from yesterday's close, it is still closer than it has been in months and few don't know that silver is the most manipulated market of all and if gold gets smacked, it typically follows that silver gets smacked more. I'm not predicting anything specific, as that is impossible; I'm just pointing out that the big shorts, particularly in silver, are quite vulnerable on higher prices and these crooks must be expected to pull out all stops when it comes to saving their own hides.

In fact, if we do get a sharp selloff, as much as that would crush all of our spirits in the short term, it wouldn't be bad at all in terms of what it would portend for sharply higher price thereafter. Such a selloff, should it materialize, would likely end the debate about how many apples might still remain on the tree capable of being shaken off. We would at least know, most likely once and for all, the answer at that point. This brings me to the current state of the market referred to earlier.

The great rise in gold prices began in the summer of 2019 and which accelerated after the March lows, as well as the even greater rise in silver prices since the March lows have been characterized by two major phenomena. One, for the first time ever, both the gold and silver price rises have occurred with no great buildup of managed



money long and commercial short positions. Prior to these current great rallies the managed money traders have always caused all previous rallies by buying with a reckless abandon and in which the commercials have shorted with an even greater abandon.

Not this time. There has been no great buildup of managed money long positions and, likewise, no great buildup in commercial short positions. Further and perhaps even more compelling, for the first time since 2008, JPMorgan is not short on the COMEX and holds a monster physical long position in both gold and silver to boot. Quite frankly, this has never occurred before. So while I'm always concerned about one final commercial takedown, I'm also mindful that the current market structure is unprecedented on its face.

The second great phenomenon is what has transpired in the physical gold and silver markets since the March price lows. Never, and I do mean never, have we witnessed the parade of physical developments that have occurred over the past several months. In gold, the physical inflows into the COMEX warehouses and deliveries against futures contracts have truly exploded by increments thought impossible by many until they actually occurred (me included).

Plus, the rise in gold prices since yearend triggered, as it usually does, buying in the world's gold ETFs separate but strangely equal to the near 30 million ounces that flowed into the COMEX warehouses. I still believe the big inflow of metal into the COMEX gold warehouses is directly related to the concentrated short position of the 8 or so largest traders on the COMEX and have yet to hear an alternative explanation that comes close to making any sense.

In silver, the physical developments have been even more unprecedented. Since the

mid-March price lows, some 300 million physical ounces have been deposited into SLV and the other world silver ETFs (before the very recent conversions of shares to metal in SLV). That wasn't a misprint or a typo; the 300 million oz are mostly backed by published serial numbers, weights and hallmarks. Yes I know that there are those who doubt the actual silver was deposited into SLV, but to a man, all such naysayers are promoting some other silver storage program, which, invariably, I find to be scams or near scams.

Because the 300 million oz is such a large amount of physical silver, it could only have come from the world's largest holder of physical silver, JPMorgan. And as I have explained previously, the only way JPM would "give up" such a large amount was under duress and order from the regulators. But among other signs, the recent additions into the JPMorgan COMEX silver warehouse supports the idea that the forced disposal was limited to 300 million oz.

Coupled with the ongoing (for 9.5 years) and recently accelerated physical turnover in the COMEX silver warehouses, the physical situation in silver is even more unusual and unprecedented than the unusual physical circumstances in gold. Taken together, the situation is far beyond what anyone could have ever imagined at any point prior to this March. Yet here we are - everything I just laid out is confirmed by actual data. It's just that the data is so unusual and unprecedented that even when presented, it's almost unbelievable.

These two great phenomena, the unprecedented positioning on the COMEX in the face of the great rallies in gold and silver and the unprecedented physical developments in both markets set the stage for what is about to unfold. Only a fool or charlatan would be so presumptuous as to offer short term price predictions and,

believe it or not, I try to be neither. But it does seem to me, perhaps unduly influenced by my strong conviction that silver has been manipulated and suppressed for more than 35 years on the COMEX, that the two great phenomena point to an imminent end to the manipulation and a setting free of the price. I just don't know if that imminent end involves one final crooked commercial takedown or not. But not knowing that one unknowable bit of the near future is not going to prevent me from approaching it from other than the near-certain knowledge that silver is destined to move much higher.

The mixed price picture this week resulted in not much change in the total realized and unrealized losses to the 8 big shorts. Based upon yesterday's close, the 8 big shorts were about \$100 million worse off for the week, putting their total loss at \$15.2 billion. They would appear to have some incentive to reduce losses into month's end and the end of the third quarter. But that could have been said going into the end of the second quarter at the end of June, when losses exploded from the end of March (\$4 billion) to near \$10 billion at the end of June. That's the trouble with unprecedented occurrences - too often you never know what the heck to expect.

(In a housekeeping note, I'm scheduled to speak late tomorrow afternoon on Chris Marcus's Internet Silver Fest, on the COMEX warehouse movement, if you are inclined to listen).

Ted Butler

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Silver - \$26.90 (200 day ma - \$18.76, 50 day ma - \$24.59)

Gold - \$1948 (200 day ma - \$1703, 50 day ma - \$1923)