

## How Much Longer?

That's what everyone wants to know, but no one can know for sure. Specifically, how long before silver prices reflect what's going on in the real world of actual metal supply and demand? It's not just that we happen to be in the most severe shortage in retail forms of silver any of us has ever witnessed, because some will say the premiums fully reflect the shortage. But while the premiums do confirm the shortage, they don't explain it. And one would think the most severe retail silver shortage in history would demand a detailed explanation.

It's not just the retail shortage in silver demanding an explanation, all the obvious signs of wholesale tightness amid desultory price action also demand explanations. The unprecedented and frantic physical turnover in COMEX silver inventories and the growth of silver inventories in the JPMorgan COMEX warehouse and the shrinkage in other warehouses also demand explanations; but few are forthcoming.

More than anything, how long will everyone tolerate the daily pricing of commodities that is mostly divorced from the realities of actual supply and

September 23, 2015 - How Much Longer?

demand? Increasingly, there is no other plausible explanation for large daily price swings in silver, gold, copper and other metals and commodities than manipulative trading on the COMEX and NYMEX. For instance, I'd sure like to hear a plausible supply/demand explanation for why silver and copper fell sharply yesterday other than the obvious □ the commercials (led by JPMorgan) rigged prices below key moving averages on the COMEX to induce selling by the managed money traders. I won't be holding my breath for an alternative explanation.

While I don't have a definitive answer for how much longer before silver (and other commodities) reflect actual supply and demand and not crooked COMEX pricing; based upon the growing awareness of the price discovery process and the growing tightness in physical silver I sense not much longer. I say that for two reasons □ one, a genuine wholesale physical silver shortage cannot be contained by derivatives at some point and all the signs that I monitor show continued tightness. Two, there are indications that the most important players, like JPMorgan, may be putting the finishing touches on COMEX positioning best suited for a large up move in price.

On Saturday, I wrote how there seemed to be a break in the recent pattern in that there was a large increase in managed money shorting in silver (and gold)

September 23, 2015 - How Much Longer?

yet a notable decline in the concentrated short positions of the four and eight largest traders. Up until the latest COT report, the concentrated short position of the biggest traders always increased when managed money traders increased their short positions ever since managed money traders held large historical short positions (say over the past six months). It really was odd that pattern was broken.

My conclusion was that other big traders covered even more short contracts than the managed money traders shorted and unless the numbers were reported all wrong, I had no alternative explanation. I would define "other big traders" as JPMorgan. The combination of new managed money shorting and the reduction of concentrated shorts was no doubt bullish and I don't think it was a coincidence that a somewhat spirited rally (the best in months) erupted the day after the reporting week was concluded.

In fact, because of the rally thru Friday, I was calculating how much deterioration of the market structure, or managed money buying, occurred on that rally over the 50 day moving average in silver (and gold). I was sure there was significant managed money buying and, therefore, commercial selling; but I was uncertain about which commercials were selling "the big 4 and 8 adding shorts or the raptors selling out longs. To my mind, that's all that matters.

September 23, 2015 - How Much Longer?

As I have intoned incessantly, the silver price manipulation will end (leaving out physical shortage) when the biggest COMEX shorts, including and featuring JPMorgan, don't add to short positions on a price rally. There's not much wrong (compared to other bigger wrongs) with the raptors (the smaller commercials away from the big 8) selling out long positions on a silver rally. There is something definitely wrong with the big shorts adding to short positions on every rally because the only economic justification is to cap prices, which is manipulation and is illegal. And not only illegal but foolproof in that no new silver short position added by the biggest shorts ever resulted in a loss.

The current COT report didn't show that the big commercials wouldn't go short on the next rally, just that they bought back more shorts than usual on the price decline thru last Tuesday. This week's (and future) COT report will likely indicate what the big shorts did during the reporting week ended yesterday. Up until Monday, I was resigned to expecting some increase in concentrated short selling and hoping it would not be excessive. After yesterday's sharp selloff in silver, I am more hopeful that there won't be a large increase in concentrated selling in Friday's report (assuming the data is timely).

September 23, 2015 - How Much Longer?

No matter what Friday's report shows, it seemed to me that yesterday's sharp 45 cent decline in silver (and 10 cent decline in copper) was over the top and blatantly manipulative. In the case of silver, the price was simply rigged lower at 5 AM EST on low volume and then, as is always the case, volume came in afterward as the managed money traders reacted and sold into the lower prices. What's so remarkable about it, is that once silver prices were suddenly set lower, they hardly budged for the entire trading day. What else could explain this price action other than a commercial maneuvering of the managed money traders?

There was no actual supply/demand reason for the declines in silver and copper, as is always the case. Both were exclusive COMEX price productions to attract managed money selling below the 50 day moving average. Gold, by not penetrating its 50 day moving average (yet), featured less managed money selling. Because the silver selloff was so egregious, I am hopeful JPMorgan used it to buy back shorts, including any sold earlier in the reporting week.

I know many eyes glaze over when I get into these complicated COT discussions, but COMEX positioning is what's wrong with the price of silver. In fact, the only thing wrong with silver is the price, so how could I avoid discussing the sole cause of what's wrong? Certainly, the price is out of synch

September 23, 2015 - How Much Longer?

with everything observable. The price is out of synch with the most severe retail shortage in history, with the US Mint and others unable to keep up with demand. The price is out of synch with the frantic and unprecedented physical movement in COMEX silver inventories. The price is out of synch with JPMorgan acquiring 400 million ounces over the past four and a half years. The price is out of synch with the expectations of nearly everyone who observes and comments on silver (and gold).

The only thing that the price of silver is not out of synch with is futures contract positioning on the COMEX. That's because there is no other plausible explanation for silver price behavior away from COMEX positioning. The answer to how much longer it will take for the price of silver to reflect true value resides in how much sharper the disconnect between COMEX positioning and all the things it is out of synch with can get.

I'm still convinced that if the severe shortage in retail forms of silver continues for much longer it must eventually migrate to 1000 oz bars (or ETFs that deal in 1000 oz bars). An investor who can't purchase silver except at some very high premium and long delivery delay will turn to 1000 oz bars at some point. Investment demand is always the wild card in silver's dual investment demand profile and as and when sufficient investment demand comes to 1000 oz bars it

will be reflected in the price of silver; as it will be impossible to hide.

How long comes down to two things □ when there's too much demand for 1000 oz bars and/or big short traders refrain from adding COMEX silver shorts. It would seem to me that of all entities, JPMorgan because it is so plugged into the world of silver, would know when the demand for 1000 oz bars became so critical that it would be futile to fight against it; particularly considering how much JPM would make on a major move higher. Those two things could turn out to be one thing as they are likely to occur simultaneously.

In developments since the Saturday review, it is still the price of silver out of synch with everything else. Silver (and Gold) Eagle sales from the US Mint are still pedal to the metal as the Mint appears to be producing all it can produce or its blank suppliers can provide. The difference between Silver and Gold Eagles, it appears to me, is that JPMorgan's buying of Silver Eagles over the past 4.5 years had so dominated the demand side that even normal retail demand was enough to cause the historic shortage we're in currently. With Gold Eagles, the big buyer over the past 4 months was able to clean out existing Mint inventories and cause the Mint to produce to capacity, but has not (yet) tightened retail forms of gold resulting in high premiums or the delivery delays now common in silver.

September 23, 2015 - How Much Longer?

[http://www.usmint.gov/about\\_the\\_mint/index.cfm?action=PreciousMetals&type=bullion](http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion)

A little while back, I indicated that the Mint was producing Silver Eagles at a higher daily rate than previously and I thought it was an indication that the increase in production would be somewhat permanent. That doesn't appear to be playing out, as sales this month so far are at the former (lower) daily production rate, rather than the newer increased rate. The bottom line is that the Mint appears to be running as fast as it can in producing Silver Eagles, but is not running fast enough to supply demand (as required by law). The US Mint is sensitive to the requirement it produce enough coins to meet demand as it indicated on page two of its annual report, when it addressed the issue of silver blanks and stated it had increased production capacity to 50 million coins a year.

[http://www.usmint.gov/downloads/about/annual\\_report/2014AnnualReport.pdf](http://www.usmint.gov/downloads/about/annual_report/2014AnnualReport.pdf)

There was another highly counterintuitive reduction in the holdings of SLV, the big silver ETF, of 1.7 million oz yesterday. Prices were weak yesterday, but trading volume was light in SLV (it was heavy on the COMEX) and I don't recall a same day reduction or increase in holdings based upon that day's trading. Along



September 23, 2015 - How Much Longer?

with the general decline in total COMEX warehouse inventories recently, the reduction in metal holdings in SLV looks like a conversion of shares to metal (to avoid SEC reporting requirements) or a more pressing need for metal elsewhere. Both are in keeping with tight physical conditions in the wholesale silver market.

The churn or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses has not abated much this week, although no new metal has come into the JPMorgan COMEX warehouse this week so far (none was expected). The delivery situation in the soon to expire September COMEX futures contract is uneventful despite another 200 or so contracts yet to be delivered. There has been no new buying for delivery purposes in this contract, just existing longs waiting for delivery. My sense is that if someone did try to buy a chunk of physical delivery silver (as I outlined in [turning \$1 billion into \$5 billion]) it would be reflected in price, but alas no such buying has emerged (yet).

I would expect some significant commercial selling to be reported in gold in Friday's COT report, seeing how we have traded strongly above the 50 day moving average during the reporting week, although I am hopeful the commercial selling was not primarily new short selling by the big concentrated

September 23, 2015 - How Much Longer?

shorts. Ditto for silver, although yesterday's high volume selloff below the 50 day moving average hopefully undid some of the commercial selling earlier in the reporting week. I will be particularly sensitive to new short selling by the big concentrated shorts, as I indicated earlier.

The price of silver, gold, copper and other commodities are controlled by speculative and manipulative positioning on the COMEX and NYMEX and that is becoming obvious to more observers daily. While it's natural to think of how much longer this pricing scam can continue, it's more important to know it can't continue indefinitely and you don't have to look too far or hard to see the signs of that. It's also important to recognize that at this point, any remaining downside should be fleeting and shallow compared to the potential to the upside.

Ted Butler

September 23, 2015

Silver - \$14.75 (50 day moving average - \$14.82)

Gold - \$1130 (50 day moving average - \$1117)