
September 23, 2023 – Weekly Review

Over a week that featured a decent amount of volatility, the price of gold ended \$1 lower, while silver finished up by 47 cents (2%). The relative strength in silver caused the silver/gold price ratio to tighten in by a point and a half to 81.7 to 1, about mid-range for the price ratio over the past year or so, but still leaving silver extremely undervalued relative to gold.

While we did have a wide variety of news developments this week that are often associated with purported price influences on gold and silver (like a Fed meeting), from my perspective, the price changes had more to do with the positioning (or lack thereof) in COMEX futures contracts. Both in gold, but particularly in silver, future price action revolves around will they, or won't they in regard to will the big shorts add to short positions when the key moving averages are penetrated to the upside?

While short term selloffs are always possible in highly manipulated markets, like we witnessed late-Thursday through Friday morning, the fact is that the COMEX market structures in gold and particularly in silver, are bullish, so it's only a matter of time before we punch through to the upside. Of course, then we'll be faced with the key variable in silver, namely, will the 4 and 8 big shorts add aggressively to short positions to cap and contain the rally once the managed money traders go into full buy mode on upside moving average penetrations.

It is a little bit surprising that the managed money traders have yet to be more significant buyers in silver, considering how close we've come to upside penetrations, but then again, consideration how badly these traders have been whipsawed over the past two months, perhaps it's natural for them to be hesitant about getting whipped on the buy side yet again. However, from my perspective, any delay is just that, as sooner or later, it's a mathematical certainty the moving averages in silver and gold will be penetrated to the upside, with the only unknown being the exact timing.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained at the weekly average of the past more than 12 years this week, as just over 4.9 million oz were moved. Total COMEX inventories rose by 0.8 million oz to 273.6 million oz, with holdings in the JPMorgan warehouse slipping by 0.6 million oz to 136.3 million oz, a fresh five-year low. (And it still looks very likely that 103 million oz in the JPM warehouse is held for SLV, making the true net levels quite skimpy).

While there was some turnover this week in the COMEX gold warehouses, at week's end, the holdings there were unchanged at 20.9 million oz, a three-year low. No change either in the JPM gold warehouse, which remained at 7.67 million oz.

There were continued withdrawals in the gold ETFs, of around 400,000 oz this week, but as I reported on Wednesday, the large one-day deposit into SLV of 8.8 million oz resulted in a 9 million oz net deposit into the silver ETFs in total this week. And 9 million oz turned out to be the increase in the combined silver holdings in SLV and the COMEX warehouses this week, putting those combined holdings back to 723 million oz, up from last week's 714 million oz.

As a reminder, I'm still of the opinion that the total silver holdings in the world's two largest stockpiles of silver are not likely to fall much from here, since they are owned by investors. While this

week's large deposit into SLV looks related to reducing the short position in SLV, as we turn up in silver prices in due course, it must be expected that net new investment buying will require additional deposits of physical silver into SLV and the other silver ETFs. It's hard to see how that won't exert strong upward pressure on silver prices.

One other physical silver story to report on. It seems that Newmont Mining has submitted a new contract proposal to the 2000 striking union miners at the big Pensaquito Mine that has been shutdown since early June, that public reports suggest might be accepted. Even if the mine, the largest silver mine in Mexico restarts quickly, close to 9 million oz of silver has been irretrievably lost to the market about the very last thing needed in the deepening physical silver shortage.

Turning to yesterday's new Commitments of Traders (COT) report, the results were generally in line with expectations of some improvement in silver and no serious deterioration (commercial selling and managed money buying) in gold, although the amount of managed money buying was a bit more than I expected. As a reminder, silver prices were basically unchanged over the reporting week (after dipping early), while gold ended the reporting week higher by \$25.

In COMEX gold futures, the commercials increased their total net short position by 8100 contracts to 152,900 contracts. The 4 largest commercial shorts only added less than 800 shorts to a net short position amounting to 136,242 contracts (13.6 million oz), while the 5 thru 8 largest shorts added 1200 shorts, increasing the big 8 short position to 210,716 contracts (21.1 million oz). The raptors (the smaller commercials apart from the big 8) sold off 6100 longs, reducing their net long position to 57,800 contracts.

The managed money traders bought 12,819 net gold contracts, consisting of the purchase of 3435 new longs and the buyback and covering of 9384 short contracts. The resultant managed money net long position grew to 47,390 contracts (121,172 longs versus 73,782 shorts), still much more on the bullish side than bearish. It was the net selling of more than 4600 contracts by the other large reporting traders and the smaller non-reporting traders that accounted for the commercials not having to sell as many contracts as the managed money traders bought.

In COMEX silver futures, the commercials bought and reduced their total net short position by 2200 contracts to 29,800 contracts their lowest (most bullish) net short position over the past four reporting weeks. The 4 largest shorts added a minor 260 new shorts, to a short position amounting to 36,467 contracts (182 million oz) on Tuesday still one of the lowest big 4 short positions on record and still down by close to 30,000 contracts from Feb 2, 2021. The next 5 thru 8 traders bought back close to 700 shorts and the big 8 short position fell to 51,306 contracts, about the lowest since the important price bottom of March.

The raptors added 1800 new longs to a net long position amounting to 21,500 contracts. I did have hopes that the big 4 shorts might buy from the raptors, but since the raptors didn't sell, but bought, there was no chance for the big 4 to buy from them.

However, I can't help but note that currently, the 5 thru 8 largest silver shorts now hold what has to be close to their lowest short position in memory at 14,839 contracts. Back in March, they did reduce their short position to as low as 17,000 contracts, but then increased their short position by 8,000 contracts on the \$6 rally into May, much more than the big 4 increased their short position. In essence, the rally from March to May was capped and contained by big 5 thru 8 shorting and the selling (long

liquidation) by the raptors of 37,000 contracts.

So, in addition to watching what the big 4 do on the next rally, it will be critical to watch what the big 5 thru 8 do as well, since it is highly unlikely for the raptors to sell off much more than 15,000 long contracts on the next rally, should that rally get rolling quickly. I guess that's another way of wondering how much the 8 big commercials are tuned into the deepening physical shortage?

The managed money traders in silver were buyers of 786 net contracts, consisting of the purchase of 985 new longs and the new sale of 199 short contracts. The managed money net long position increased slightly to 1354 contracts (32,700 longs versus 31,346 shorts), and while I was hoping to see a net short position, this is still a quite bullish reading. Explaining how both the commercials and managed money traders could both be net buyers this reporting week was the selling of more than 3500 net contracts by the other large reporting traders.

The bottom line is that we are still structured to rally, particularly in silver, although I suppose it's always possible for unexpected selloffs, considering just how corrupt trading operations are on the COMEX and the extremely grave stakes for the shorts should silver prices explode, as seems inevitable. I did make public Wednesday's article, "The Bonfire of the Silver Shorts", and observe it has attained decent readership.

<https://silverseek.com/article/bonfire-silver-shorts>

In the article, I made brief mention of the short squeeze in the stock of GameStop, which soared in price back in early 2021, largely due to short sellers, largely institutional in makeup, being caught off-guard by smaller retail-type investors and speculators. It was a fascinating story, which I wrote of at the time (in the archives) that has recently been made into a movie.

<https://people.com/the-true-story-behind-wall-street-scandal-movie-dumb-money-7972382>

From the feedback I've received from subscribers, I can tell there was a new awareness of just how serious the circumstances might get for the short sellers in silver, which was the intent of the article. Now, seeing how the short squeeze in GameStop has been resurrected in the new movie, I feel it is fitting to compare that short squeeze to what I see as inevitable in silver.

GameStop was a run-of-the-mill, "A bricks and mortar video game store largely situated in shopping and strip malls that was barely profitable and had poor prospects for future profitability, as has been confirmed to this day. Should GameStop ever go out of business (not a prediction), it would attract little relative attention. Silver, on the other hand, is a necessary and vital commodity that the world as we know it could not exist in its present form, without severe adjustment. It's impossible for silver to go bankrupt or disappear from the scene or go worthless, which the short sellers in GameStop could envision.

GameStop stock may have been depressed in price over the year preceding its price explosion in early 2021, by the short selling of its shares, but nothing compared to the extent that the price of silver had been suppressed by 40 years of manipulative short selling on the COMEX; so much so that, as required by the law of supply and demand, a physical shortage of silver has developed as a result of its prolonged price suppression. A shortage of shares in GameStop could be addressed by the instant creation of new shares, by the stroke of a pen. A shortage in silver can only be addressed by increased

production and/or a decrease in demand.

The short sellers in GameStop were mostly a few large hedge fund types, like Melvin Capital, which had to be bailed out as a result of the extreme losses it incurred as a result of its short position. In silver, the lead short sellers over the decades have been large banks on the COMEX, but the short sellers have come to include numerous other short sellers, including managed money traders and sellers of call options, both on the COMEX and in shares and call options on SLV, the big silver ETF. All told, including OTC dealings, the combined short position in silver derivatives is way more than a billion oz.

The short squeeze in GameStop occurred almost without prior warning, whereas the excessive and concentrated short position in COMEX silver futures has been raised with the regulators (both the federal regulator, the CFTC and the industry designated self-regulator, the CME Group) for more than 38 years. The CFTC has received over the years, more public complaints about a COMEX silver manipulation, as well as the need for legitimate speculative position limits, than the complaints and comments received on all other markets combined. By my count, the last time the CFTC publicly commented on the short position in COMEX silver was in 2008.

The short squeeze in GameStop, while intense in terms of price, was also largely resolved quickly, burning out over several months. Due the incredibly long time that an excessive short position in COMEX silver has suppressed the price, some 40 years, it's impossible for the effects of the price suppression to burn out quickly in terms of the actual supply and demand equation fully adjusting to four decades of an artificial suppressed price.

That the price of silver will soar to unimaginable levels is one thing; what I'm talking about is the time it will take for the world's producers, consumers and investors to adjust to a sudden new world, where the price of silver suddenly loses the artificial price mechanism that has controlled and set prices for four decades. I'm talking about a shock to the system almost beyond comprehension. And it all comes down to will they or won't they, in terms of whether the biggest commercial shorts on the COMEX add aggressively to short positions on the next rally?

Considering the stakes involved, I suppose I have to be mindful about relying completely on the compelling logic that it would be foolhardy for the big shorts to aggressively short yet again into the developing physical silver shortage. I guess what I'm saying is that after 40 years of price suppression on the COMEX, the stakes are so high that any comparison with GameStop or any past price manipulation on anything else, pales in comparison to what has transpired in silver over the past 4 decades.

The situation looks so extreme to me that I would almost welcome any type of legitimate rebuttal to what I've presented consistently over the decades and would particularly welcome such a rebuttal from the regulators. But if past is prologue, it's not likely I'll hear from the regulators. And please note that I have confined the discussion today largely to the effects of short covering in silver derivatives and have left out completely the likely massive new buying from those seeking to buy for profits, not curtail losses on short positions. Unless collective human nature has changed, higher silver prices will result in new investors seeking to buy, particularly in the silver ETFs, which will result in required physical metal deposits.

It seems to me that the best course is hold on tight and continue to acquire silver on a non-margined

basis, being prepared for the price explosion to come at any time. If one does choose to speculate, then do so on a strictly fully paid for basis on call options, with the full knowledge that the spirits deciding the matters of timing may or may not smile on you. However, if they do smile on you, be prepared for a bounty of riches hard to fully-conceive beforehand.

Ted Butler

September 23, 2023

Silver – \$23.82 (200-day ma – \$23.60, 50-day ma – \$23.88, 100-day ma – \$23.88)

Gold – \$1945 (200-day ma – \$1934, 50-day ma – \$1954, 100-day ma – \$1963)

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