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Being consistent to the point of repetition is fine if one's position is basically correct; otherwise, it is the height of folly. Time alone, of course, will be the final arbiter of which it will be. In the world of precious metals, particularly for silver, the great imponderable is why the heck are prices so low and what would it take for prices to come close to what so many observers contend should be the proper level?

Make no mistake, enough observers believe the silver market is artificially priced - manipulated - to make it a valid point of debate. Certainly, over the past 15 years and longer, more individual investors have petitioned the federal regulator, the US Commodity Futures Trading Commission, about concerns of a silver market manipulation by many orders of magnitude than the total number of complaints for all other markets combined. Yet, not only has the CFTC been unable to quell the public's concern of a silver price manipulation, the concern is growing (as evidenced by this year's reddit/wallstreetsilver movement).

It goes almost without saying that I am firmly in the camp that silver prices have been manipulated by large trading firms on the COMEX, having raised the issue with the CFTC and the COMEX (and others) since 1985. I would also point out that since uncovering the mechanics of the COMEX silver manipulation back then, I have been steadfast in attempting to end the fraud, to the point that it has been my main focus. I am mindful of the great returns that will come from silver-related investments when the manipulation is ended, but I also know that the gains are predicated on the manipulation's termination.

The mechanics of the COMEX silver manipulation are centered on the concentrated short position of the largest commercial traders. For nearly 40 years, every time that silver prices have rallied, a handful of large commercial traders have always been

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able to sell as many new COMEX short contracts as necessary to eventually cap and contain nearly every silver rally. Once the necessary number of short contracts were added and the buyers of those contracts began to sell, the big commercial shorts would then grease the skids for lower prices and buy back their added shorts at a profit. It was a highly-successful and long running scam, continuing to this day - sort of.

Over the decades, the identities of the biggest silver shorts evolved from Drexel Burnham Lambert Trading, to AIG Trading, to Bear Stearns and eventually to JPMorgan, with only JPM solving the riddle of how to quit the crooked game cleanly (by buying physical metal). Because the CFTC doesn't disclose the identities of large traders, I'm not sure who the biggest commercial silver shorts have been since JPMorgan eliminated its COMEX short position a year and a half ago, although data in the Commitments of Traders (COT) report confirm that the same pattern of short selling by big commercial traders on higher prices and the buyback of those short positions on lower prices has continued to the present.

Concentrated short selling by the largest commercial traders in COMEX silver reached a peak around Feb 1 this year as the 4 largest short sellers increased their short position to just over 65,000 contracts (325 million oz), the highest level in more than a year, as silver prices hit \$30, the highest level in 8 years. Shortly thereafter, I wrote to the Commission about the concentrated short selling and in time it responded (on May 3), saying that it had shared my concerns with its Divisions of Market Oversight and Enforcement.

Since the silver price top of Feb 1, the concentrated short position of the 4 largest commercial shorts began to decrease, but remained elevated at nearly 60,000

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contracts as of May 25, as the price of silver remained above \$28. But starting in mid-June, both the concentrated short position of the 4 largest shorts and the price of silver began to fall in earnest, the same old familiar pattern of the decades, as the big commercials succeeded in greasing the price skids in silver lower.

In the most recent COT report, for positions held as of Sep 21, the price of silver had fallen as low as \$22, down \$8 (26%) from the highs of Feb 1 and down \$6 (21%) from mid-June. Conforming to the decades-old familiar pattern, the concentrated short position of the 4 largest commercial shorts also fell sharply, but here's where it gets a little tricky. Because the commercials have been so successful in luring at least one managed money trader into the ranks of 4 biggest shorts, the calculations for the commercial component of the big 4 short position have become somewhat muddled.

But the data are strongly suggestive that the commercial-only component of the big 4 short position as of last Tuesday was on the order of 36,000 contracts or less (out of a posted big 4 short position of just under 45,000 contracts). If my calculations are accurate (as I believe them to be) that means the biggest commercial shorts in COMEX silver futures have reduced their concentrated short position by nearly 30,000 contracts (150 million oz) since Feb 1 and by nearly 24,000 contracts (120 million oz) since May 25.

Further, not only is this one of the sharpest reductions in the concentrated commercial short position in silver ever, it comes at a time when there is good reason to believe, for the first time ever, the reduction may have been prompted by CFTC directive. Of course, I may be completely off-base in presuming the Commission had anything to do with this latest sharp reduction in the commercial component of the concentrated short position in COMEX silver futures, but,

regardless, we are approaching or are at, perhaps the most critical time in silver in four decades.

On the next upturn in silver prices through all the key moving averages, which must occur in time, whether the CFTC has advised the biggest commercial shorts to end their evil ways or not, we'll find out if the silver manipulation that has existed for nearly 40 years will come to an end. If the big commercial shorts plow right back onto the short side on the next silver rally, then the most reasonable conclusion is that little has changed and my speculation that they won't add new shorts aggressively, will, once again, have fallen by the wayside.

But there is a very big difference between accurately predicting what the largest COMEX commercials will or won't do on the next silver rally and the basic proposition that the concentrated commercial short position is at the heart of the ongoing silver manipulation. It's one thing to uncover the true basis of the silver manipulation - the concentrated short position of the largest COMEX commercials - and being able to predict in advance when that manipulation will end. We're talking about two separate matters - one within the confines of legitimate analysis and another more in the realm of prophecy.

Upfront, let me acknowledge that any previous predictions I made about the big commercial shorts standing aside on the next silver rally were, obviously, wrong. At the same time, however, considering that such predictions were made only after silver prices had declined and the big commercial shorts had already bought back much of their concentrated short position and that silver prices nearly always rallied to a certain extent, my predictions weren't fatal. True, the big commercial shorts did add enough new shorts to cap and contain the rallies, but there were still rallies -

just not the big one.

So repetitious was the pattern of the big commercial shorts adding new shorts on rallies and buying back those added shorts on price declines that many subscribers used my analysis to trade in and out of silver - although that was not my primary intent. Along the way, so reliable proved to be the repetitive positioning of the big commercials that COT analysis grew to be a regular feature by many commentators - as should have been the case.

But because this most reliable pattern was never broken by even one instance where the biggest commercial shorts ever rushed to buy back short positions on higher prices - in defiance of the experience in every non-COMEX market - any prediction of mine that new shorts wouldn't be added on the next rally were wrong and the ongoing manipulation remained in full force. And let me be quite clear about this - my predictions don't amount to a hill of beans compared to the much more important issue that silver has remained manipulated and suppressed in price in the manner I've described for decades, namely, by artificial and excessive short selling by certain large commercial traders on the COMEX on every silver rally over this time. The important point is that the big COMEX commercial shorts never bought back silver short positions on higher prices, in sharp contrast to what occurs in non-manipulated markets.

With that preface, let me once again predict that on the next silver rally (and yes, there will be another silver rally) that takes us up through the key moving averages, there are more reasons than ever to suggest the biggest commercial shorts will refrain from adding aggressive new amounts of short positions to cap and constrain that rally. Yes, I know that silver has plunged below its recent low of \$22 as I write

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this and is at the lowest level in more than a year. And no, I don't believe it is false bravado on my part, so let me give you my reasons for why I believe the big commercial shorts won't add aggressively on the next silver rally that upwardly penetrates the key moving averages.

As highly successful as the big commercial shorts have been in buying back and covering a record amount of silver short positions over much of this year at successively lower prices (same as it ever was), for the first time in history, the big commercials have bought back these short positions at an overall loss - having held their short positions from even lower prices - say, \$17 or \$18 (or less) - since mid-2019.

Yes, the losses are much less than they were at the higher silver prices that prevailed over the past year, by a billion dollars or so, but still represent a loss of more than that when all is said and done (remember, the biggest losses to the 8 big shorts have been in gold). Again, this is the first time the 4 biggest commercial COMEX silver shorts have closed out short positions at a loss. Having closed out so many (more than 30,000) short contracts since Feb, it seems highly unlikely that the big commercial shorts would put their heads right back into the lion's mouth by aggressively shorting in the mid-\$20's (all three key moving averages would be upwardly penetrated above \$26) and I doubt the new managed money shorts would wait that long to begin aggressively buying back the silver shorts they have recently added.

Therefore, a classic market setup has been created that can only be described as a potential dramatic mismatch to the upside. There is no question that at some point on higher silver prices, the managed money traders who have been and are adding

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new shorts more aggressively on lower prices than in quite some time, will look to buy back their shorts to lock in gains and limit losses. Who will sell to them? Short positions are open transactions that must be closed out at some point. The managed money shorts have no capability to deliver, so in their case, buying back the recently added silver short positions is the only option of closing out the positions.

Plus, it has already been demonstrated over the years and decades that unlike the commercial silver shorts who only buy on lower prices, the managed money shorts always buy on higher prices - it's how they operate and what they do. Yes, in the current engineered selloff, the managed money shorts are accruing large paper profits and adding more new shorts on lower silver prices (while the commercials are buying), but the moment silver prices turn sufficiently higher, the managed money traders will flip to buy mode.

So, the question becomes - who will sell to the managed money shorts when, not if, they move to buy back short positions (and add new longs) and at what price? I know this may sound like I'm whistling past the graveyard since silver prices are in a free fall, but unless one supposes that silver prices will never rise again, this is purely a mechanical proposition. The price of silver is not locked in a permanent downward trajectory - that would be preposterous.

In fact, there is only one reason why silver has moved as low as it has - so that the commercials can buy back and buy as many COMEX silver contracts as possible and the only way that can be accomplished is by getting someone else to sell. The most logical candidates for selling are those traders willing to sell on lower prices - with the managed money technical funds the standout candidates. Unfortunately, there is no way anyone, certainly including me, can tell you in advance when the managed

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money traders will exhaust their selling capacity, but considering how many new shorts these traders have added through today's selling, we know that selling capacity should be close to exhaustion (and has gone much further than I would have imagined).

Let's face it, there is no legitimate reason for silver prices to have gotten as crushed as has occurred. By "legitimate" I mean the lack of any true actual supply or demand factor to account for the beat down in silver prices. There has been no widespread investor dumping of physical silver and no letup in industrial demand or increase in silver production. The selloff has been an exclusive COMEX orchestration, just the latest in the scores of previous price rigs of the past.

Also arguing for this being the last such silver price rig (in which the big commercial shorts don't add new shorts on a rally), is that by now the big commercial shorts must realize that JPMorgan is not coming to their aid on the next silver rally. JPM abandoned the other big commercial COMEX shorts long ago and the other big shorts surely must know this by now. Finally, the CFTC knows it will be back on the hot seat (not that it ever got off it), if the big commercial shorts add aggressively on higher silver prices again - or I will do my level best to put it on the hot seat.

So, we're back to the same position silver has been in too many times over the years, namely, caught in a severe price decline that seemingly has no limit. On every past silver price smash in which there is apparently no end, it has always been a matter of the big (and smaller) commercials buying and the manged money traders selling. Every single time, when the price decline had run its course and all the added managed money shorts had been ultimately closed out, it never failed that the managed money traders ended up closing out what had been big open profits at

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collective total losses. Not only do I feel that this will be the outcome this time as well, the only way the managed money traders who are short now escape with collective realized profits is if the commercials who are currently buying hand over fist, flip into being aggressive silver sellers at the same low prices they are buying at. That seems impossible to me and impossible based upon the historical record.

Of course, for today the current low and still-falling silver prices are a fact of life and must be dealt with. Unless one is burdened with dealing with margin calls (something that should always be avoided), that means holding and adding to positions where possible.

As far as what to expect in this Friday's new COT report, gold prices appeared to be a bit weaker than silver prices through yesterday's cutoff, so I would imagine more commercial buying and managed money selling in gold compared to silver, with both bounded by the already bullish market structures already existing in both markets. In other words, some continued improvements limited by the greater improvements already in place. Today's outsized selling in silver won't be in this Friday's report.

I found the new commentary by Eric Cinnamond of Palm Valley Capital Management to be refreshing, in that it was completely devoid of any political sentiments and focused on the effects of the current money creation by the Federal Reserve to regular, if a bit better off, people around us. While there was no specific mention of silver or gold, I found everything that Eric wrote to be positive for their future prospects. As of the end of the second quarter, the largest position in his fund was still silver (PSLV), with a substantial gold holding as well (also Sprott).

<https://www.palmvalleycapital.com/post/friends-in-different-places?postId=20170500-651b-42cc-be59-cd0383cef6c0>

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The new quarterly derivatives report from the Office of the Comptroller of the Currency was released about a week or so ago for positions held as of the end of the second quarter (June 30) and indicated slight and proportionate increases in the OTC derivatives positions in precious metals (silver) for JPMorgan, Citibank and Bank of America, in line with the increase in silver prices over the quarter and suggesting positions remained intact (with Citi and Bank of America owing leased metal to JPM). (Table 9)

<https://www.occ.gov/publications-and-resources/publications/quarterly-report-on-bank-trading-and-derivatives-activities/index-quarterly-report-on-bank-trading-and-derivatives-activities.html>

My premonition that the big COMEX commercial shorts may press prices lower into tomorrow's end of the third quarter, unfortunately, appear to have come true. At today's prices at publication time, the sharply lower prices this week have reduced the 8 big COMEX gold and silver shorts total losses (from June 2019) by \$80 million to \$7.2 billion, the lowest level in more than a year and a half.

Ted Butler

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Silver - \$21.50 (200 day ma - \$25.81, 50 day ma - \$23.97, 100 day ma - \$25.51)

Gold - \$1725 (200 day ma - \$1806, 50 day ma - \$1790, 100 day ma - \$1814)