April 6, 2019 – Weekly Review

After establishing two new daily price lows (salami slices) intraweek, both gold and silver finished only slightly lower by weeks end, with gold down $1 and silver by 3 cents. This left the silver/gold price ratio at just under 86 to 1. Still, it was the lowest weekly close for silver year to date.

While I was disappointed at first when reading the new COT report released yesterday in that the overall positioning changes fell short of my very aggressive predictions, any disappointment quickly faded when I got to the expected changes by JPMorgan. Iâ??ll dig into the details in a moment, but one thing not surprising at all was the general direction and scope of the COMEX futures contract positioning reported yesterday.

The reporting week, of course, included the high volume price smash of Thursday, March 28, which capped a two day price smash of more than $20 in gold and 50 cents in silver and which penetrated key moving averages. The sharp selloff brought out the usual number of articles and commentaries, all mostly lamenting the obvious artificial and manipulative nature of the price move, but also still missing the core of what occurred. Most of the articles pointed to paper commercial (bank) selling as the culprit. This is fundamentally incorrect.

While the commercials clearly induced the deliberate price downdraft by selling very small quantities of contracts to get the price snowball rolling down the hill -that initial selling was only designed to set off more serious managed money technical fund selling, which the commercials bought into aggressively. Iâ??m sorry to have to subject subscribers to this litany yet again, but itâ??s simply remarkable how few seem to see whatâ??s really going on. The simple truth is that on every (and I do mean every) significant selloff, the commercials always end up as significant net buyers that day when the dust settles. Thatâ??s the way the game (scam) is played and itâ??s shocking to me how many otherwise intelligent observers just donâ??t see it. And itâ??s not just in gold and silver, but all commodities.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses amounted to a very average 4.5 million oz this week (234 million oz annually), as total inventories rose by 0.6 million oz to 305.5 million oz, another new all-time high. Interestingly, 0.6 million oz was also the amount added to the JPMorgan COMEX warehouse, bringing the total there to 148.5 million oz. In total, I believe JPMorgan owns or controls well over 200 million oz in all the COMEX warehouses and 650 million oz elsewhere.

I donâ??t see much to comment on in other developments, like COMEX deliveries, so I wonâ??t provide the details of things I donâ??t believe matter much currently. I would note that there have been hefty withdrawals (redemptions) of metal from the big gold ETF, GLD, while not much metal has come out of the big silver ETF, SLV. Both ETFs, of course, are the ones most suspect and reviled by many in the precious metals community, although I donâ??t share the collective revulsion.

This week, some 725,000 oz of gold were redeemed from GLD, not exactly chump change at being worth close to a cool one billion dollars. While thatâ??s a lot of gold and money, I canâ??t help but think in terms of silver, where the same billion dollars would equate to 65 million ounces. Money is money, and there are untold numbers of individuals and entities to which a billion dollars is doable in dollar terms, but Iâ??d like to see anyone try to buy 65 million oz of physical silver in a week. As far as anyone selling 65 million ounces of physical silver, there is only one entity in the world capable of doing so and I canâ??t see JPMorgan selling at current prices. Add a hundred dollars or more to the price and it might.

Getting back to GLD, Iâ??m not particularly surprised at this weekâ??s redemptions, since this is the way it should work. Prices get set (quite artificially) by paper contract positioning on the COMEX and that sets off changes in GLD holdings. Since the past week saw COMEX positioning set prices artificially lower, it follows that there would be collective investor liquidation in GLD, which resulted in metal redemptions. COMEX sets the price, everything and everyone else follows. Itâ??s crooked as hell, but thatâ??s beside the point. The wonder is why didnâ??t we get redemptions in SLV? Donâ??t ask me, ask the crooks at JPMorgan.

While I was off on my overall predictions in this weekâ??s Commitments of Traders (COT) report in terms of numbers of contracts, I would have hung it up had there not been the expected heavy managed money selling and commercial buying, as that would have negated my basic market structure premise. As I indicated earlier, thereâ??s never been a significant price selloff that didnâ??t feature heavy managed money selling and commercials buying. Never is a long time.

In COMEX gold futures, the commercials reduced their total net short position by 33,200 contracts to 118,200 contracts (I predicted a whopping 60,000 contracts). While definitely on the low (bullish) side of total commercial net short positions year to date and on a longer historical basis, this weekâ??s improvement in market structure didnâ??t quite equal the previous weekâ??s deterioration (although the managed money traders did sell more net contracts this week than they bought in the previous reporting week). Interestingly, the concentrated short position of the 4 largest traders was the lowest since the gold price bottom ($1200) on Nov 13.

On the sell side of gold, the managed money traders sold 33,369 net contracts this reporting week (versus the purchase of 27,512 net contracts in the prior week). The composition of this weekâ??s selling included the sale and liquidation of 24,557 long contracts and the new short sale of 8812 contracts. I thought there would be much more new short selling by the managed money traders, since they bought back and covered more than 16,000 shorts in the previous week. For those keeping track at home, the managed money traders hold, as of Tuesday, a net long position of 24,618 contracts (110,816 longs and 86,189 shorts). While this is a far cry from the flat net long or even net short position I predicted, on an historical basis, the managed money net long position is quite low and bullish.

One thing I touched on last week, but didnâ??t delve into was the notable recent â??itchyâ?• trigger finger of the managed money traders in both buying and selling significant quantities of contracts as soon as the moving averages are penetrated. Previously, the managed money traders tended to scale into positions as time evolved, but this strategy resulted in more buying at price highs and selling at price lows, causing bigger losses to the managed money traders. They seem to have adjusted their trading to put on bigger positions more quickly in the hopes of improving trading results. It doesnâ??t seem to be working as it results in quicker position whipsaws, if the past two reporting weeks are any indication.

In COMEX silver futures, the commercials reduced their total net short position by a not-insignificant 12,400 contracts to 34,500 contracts (versus my too-high 20,000 contract prediction, although I was a bit closer in managed money terms). This is the lowest (most bullish) commercial net short position since Dec 11 and three months is a pretty long time in positioning terms. Iâ??ll get to JPMorgan shortly.

On the sell side of silver, the managed money traders sold 14,030 net contracts, consisting of only 374 contracts of long liquidation and the new short sale of 13,656 contracts. The failure to liquidate many more long contracts on what was such a clear downward penetration of silverâ??s 200 day moving average suggests to me not much further managed money long liquidation ahead, but time will tell. The managed money position on the Tuesday cutoff did end up as a net short position of 1724 contracts (52,136 longs versus 53,860 shorts) â?? not as large as a net short position as I expected, but a net short position nonetheless. With the exception of several times over the year 2018, any managed money net short position would generally be considered bullish.

The highlight of this weekâ??s COT and Bank Participation reports was that both suggested that JPMorgan no longer holds a net short position in either COMEX silver or gold futures, definitely what I was hoping for. In fact, I would have preferred this outcome over a much bigger overall managed money/commercial positioning change which included not much of a change in JPMâ??s position. Iâ??ll go over the reasoning behind my analysis, but should also point out that the CFTC also announced a rare revision in the prior weekâ??s COT report due to a reporting firm error. It looks to me like the reporting firm in error was JPMorgan (real big surprise â?? not), with the changes in gold being negligible and the revisions in silver causing me to adjust downward my estimation that JPM increased its short position in silver to perhaps 10,000 contracts last week (up 2000 for the week). It looks like JPM stood pat at 8000 net silver contracts short in the report thru March 26 after the revisions.

I now believe that JPMorgan has reduced its silver short position in the reporting week ended April 2 to zero (and may be slightly net long in gold). While there was an ample enough reduction in the commercial net short position this week (Producer/Merchant and Swap Dealers combined), I am relying heavily on changes in the Bank Participation reports over the past few months for my analysis. Since I donâ??t usually do so, please allow me to present that analysis in simple terms.

The Bank Participation report comes out monthly and is based upon the exact same data that appear in the weekly COT report, with the added filter of providing the futures positions of commercial banks, both domestic and foreign. Obviously, JPMorgan is carried in the US bank category, but beyond that, no names are provided, only the number of banks in each category and their combined long and short positions and percent of total open interest. On its own, the Bank Participation report is fairly useless, except in special circumstances, which explains why few follow it. One such special circumstance occurred back in August of 2008 when the Bank Participation report led to my discovery that JPMorgan was the big silver and gold crook, having taken over Bear Stearns six months earlier.

Since then, the only significance of the Bank Participation report for me is that it helps me to calibrate JPMorganâ??s positions when extreme. As you know, I try to watch JPM like a hawk, since I am convinced it controls the price of silver and gold by virtue of its positioning on the COMEX. For instance, back in 2013, it was the Bank Participation report, in conjunction with the COT report, which indicated that JPMorgan went from holding a short side corner in COMEX gold futures of some 75,000 net contracts at the start of the year to a long side corner of 85,000 net contracts by August of that year. Let me turn to more recent developments.

As of Feb 5 (I donâ??t remember the date of my analysis, since we were dealing with delayed COT and BP reports at the time), I calculated JPMorganâ??s silver short position to be 26,000 net contracts. The Feb 5 BPR indicated that the net short position of the US banks to be 46,000 contracts. As of

March 5, I estimated JPMâ??s short position to be down to 12,000 net contracts and the BPR of that date indicated that the net short position of the US banks was just under 32,000 contracts â?? both JPMâ??s position from COT calculations and the reduction in the US banksâ?? net short position were down 14,000 for the month. Finally, both my estimate of JPMâ??s short position as of April 2 of zero and the BPR net short position of the US banks (20,000) were down 12,000 contracts for the month.

Interestingly, at the same time that I have estimated JPMorganâ??s net silver short position to have declined from 26,000 contracts on Feb 5 to zero on April 2 along with a corresponding decline in the BPR of 26,000 contracts in the US banksâ?? net short position, the net short position of the non US banks over the same two months has hardly declined at all, from 29,000 net contracts to 27,700 net contracts. This is what I base my JPMorgan double cross premise on.

I also believe JPMorgan has effected the same double cross in gold. In fact, I believe the double cross in gold started a year ago, as I wrote at the time, when JPM bought back close to 100,000 gold short contracts as other commercials sold. But there is more current evidence in gold of a double cross as well. As of Feb 5, the US banks held a net short position of 75,000 COMEX gold contracts and on April 2 that short position was down to 46,000 contracts, a 29,000 contract reduction. Over that same two months, the non-US banks actually increased their net short position from 51,000 contracts to 58,000 contracts.

Obviously, since there was a 20,000 contract net silver short position held by US banks on April 2 and I am estimating that JPMorgan is no longer short at all, I am also concluding that other US banks are net short to the tune of 20,000 contracts. As to who those banks might be, I can only speculate since the CFTC doesnâ??t disclose individual trader identities in COT and BPR releases. One would appear to be Citibank, since they feature prominently in OCC derivatives data on OTC positions for precious metals. Am I saying Citibank is being double crossed? Heck yeah.

I plan on expanding on this topic on Wednesday, but what JPMorgan has apparently achieved over the past two months, particularly in silver, is almost other-worldly. On a net reduction of less than 44,000 contracts in total commercial short contracts from Feb 5, JPMorgan has managed to account for nearly 60% of that short covering or 26,000 contracts. One of the (many) things I got a kick out of the interview with Bart Chilton was his statement that just because someone maintains a very large market position doesnâ??t necessarily point to manipulation unless they trade that position. Heck, thatâ??s what the crooks at JPMorgan do for a living, according to the CFTCâ??s own data over the past two months and before that, forever.

But rather than lament the regulatorsâ?? continuing failure, let me focus instead on just how bullish JPMorganâ??s recent positioning has left the market structure. Simply put, JPMorgan has never been in a better position to let silver and gold prices rip to the upside. Thatâ??s a factual statement on my part, predicated on the fact that it holds no short position in either silver or gold on the COMEX and also holds more physical metal (850 million oz in silver and 20 million oz in gold) than ever. It is the combination of the two â?? no short position plus the largest physical positions ever â?? upon which the factual statement is based.

To be sure, there have been times in the past where I have made the same statement when that was also correct, namely, when JPMorgan did hold its then-largest net long position (largest physical position minus paper short position). I remember making that statement in silver when JPMorgan held 300 million oz net long and then at every 50 and 100 million oz increment increase in its net long position up through and including today, as it is net long 850 million oz. Also to be sure, on exactly none of those previous occasions when it was most advantageous for JPM to let her rip higher, did silver prices actually rip higher. Let me restate that a bit â?? as I recall (and please feel free to correct me) â?? we always got a rally in silver prices shortly after JPMorgan was as favorably positioned as it had been to that point; just that the rallies turned out to be mostly pitifully weak.

Which brings me to the same point Iâ??ve made countless times before and may, in fact, prove true yet again in the very near future, namely, that the inevitable rally that is surely coming in silver may not be the big one, but yet another milquetoast version. And should we witness another disappointing rally up ahead, it will be for the very same reason we have always experienced weak silver rallies â?? because the crooks at JPMorgan decided to add new shorts to cap the rally. So regular has JPMorganâ??s selling short been on every silver rally over the past 11 years, that many (most?) have assumed it will always occur in the future.

While I understand this prevailing sentiment and fully admit that it may occur yet again, I completely disagree with the notion JPM will always add to shorts on every future silver rally. Let me see if I can explain why it may be different (I canâ??t believe I just said that), both eventually and perhaps this time. While JPMorgan has continued to make money on adding and then buying back COMEX short positions, the gains have diminished. This last 26,000 short contract addition and subsequent covering netted JPM $100 million at most and maybe substantially less. You can say thatâ??s not bad for a nearly five month trading operation, but weâ??re talking about JPM and itâ??s nowhere near what it had been making in past similar silver trading operations.

Please keep in mind that JPM stands to make $850 million per dollar up in silver once it quits the COMEX manipulation (every $10 up amounting to $8.5 billion), to say nothing about the coming gains in gold, before concluding it will stick to extracting what have become pennies in comparison by continuing the COMEX paper scam. Even more than the diminished profits from the continuing paper scam has been the ability of JPMorgan to continue to accumulate physical metal at bargain prices. I will concede that even if JPM were to only break even on its COMEX paper scam operations, it would continue to suppress the price should that mean it would be able to scarf up physical on the cheap.

But with more attention being placed on JPMorgan everyday (thanks again, Bart Chilton), it has gotten harder for these crooks to conduct the dual paper scam/physical accumulation master plan with the world remaining unaware (as JPM would surely prefer). Say what you want, but JPMorgan would much prefer doing what it has been doing in secret and canâ??t be happy with any widespread notice, to say possible notice from the Justice Department (who has managed to miss the real crime until now). At some point, even the DOJ may wake up and smell the roses, especially when they are stuffed up its nose.

More than anything, the logic of JPMorgan letting silver rip someday is much more compelling than for it to continue to accumulate physical for no good reason. The only reason anyone, even the worldâ??s biggest financial crook, buys anything is to have that asset go up and make a ton of money. I know there are those who claim JPMorgan is accumulating physical metal for reasons other than to make a profit, but those reasons make no sense to me.

So while I canâ??t tell you for sure whether this is the time JPM lets prices rip higher, I can tell you it is more advantageous for it to do so than ever before. Perhaps we go even lower temporarily and JPMorgan buys even more paper contracts and/or physical metal, but current market structure readings seem good enough for a true price blast higher, particularly in light of JPMorganâ??s recent positioning. As to whether these crooks add new short positions on the next rally that remains to be seen. Hey, maybe JPMorgan might get tired of being called crooked and decides to quit its evil ways and make some real big money. Stranger things have happened.

Ted Butler

April 6, 2019

Silver – $15.08Â Â Â Â Â Â (200 day ma – $15.10, 50 day ma – $15.51)

Gold – $1296Â Â Â Â Â Â Â Â (200 day ma – $1252, 50 day ma – $1309)

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