# August 14, 2021 – Weekly Review

A Friday rally was sufficient in resulting in a $16 (0.9%) weekly gain for gold, but not enough to rescue silver from a weekly loss of 60 cents (2.5%). Of course, considering the start of the COMEX trading week last Sunday evening, even silverâ??s weekly loss represents a close $1.50 higher than the lows that evening and a stunning $100 rally in gold from its earlier lows.

Still, it was another fresh year to date weekly closing low for silver, resulting in a further widening of the silver/gold price ratio by a full two and a half points to 75 to 1, also a fresh year to date extreme. After being confined in a five-point trading range (65 to 1 and 70 to 1) for much of the year, has the silver/gold price ratio â??broken outâ?• and signaled a sharp new thrust higher and a period of time where silver continues to lag gold?

Aside from the shortest time period ahead, I donâ??t think so. While the ratio is 5 points higher from its previous trading range top, the ratio is also still 50 full points below where it was back in March 2020. From everything I look at, silver is still set to vastly outperform gold ahead, and thatâ??s saying a lot because gold also looks spectacularly bullish to me.

The principal cause for my belief that both metals are poised for a rally of great significance â?? aside from the spectacularly bullish state of the physical silver market â?? is the equally spectacularly bullish state of the COMEX market structure in each. Of course, Iâ??m referring to the results in yesterdayâ??s Commitments of Traders (COT) report, which were even better than the shockingly bullish expectations I wrote about on Wednesday.

While there have been a few other COT reports over the years featuring even larger actual positioning changes than occurred this week, all things considered, this weekâ??s report is â?? hands down â?? the most significant in my four-decade+ study of this report â?? and thatâ??s going back to when the report was issued monthly and available by mail (no email back then) or brokerage news ticket machines. Iâ??ll dig into the report following the usual weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses settled down to more average, but still highly unprecedented, levels this week as 5.8 million oz were moved (300 million oz annualized). Total COMEX silver warehouses inventories rose by 1.2 million oz to 361.3 million oz. No change in the JPMorgan COMEX silver warehouse, which remained at 186.8 million oz.

COMEX gold warehouse inventories declined by roughly the same amount they rose last week, as total gold inventories fell 0.2 million oz, back to 35.3 million oz. No change in the JPM COMEX gold warehouse, which remained at 13.09 million oz.

Nothing particularly new to report on as far as COMEX deliveries this month, where JPMorgan continues to dominate gold deliveries, as both the largest stopper (taker) in gold in its house account (3929 contracts) and on a net basis of near 2900 contracts for customers.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

I commented on Wednesday how shocked I was that there were no redemptions in the big silver ETF, SLV, in the face of the high-volume and quite deliberate price drubbing last Friday and Monday. Not only has the lack of redemptions continued, but 2 million oz of physical silver was added to the SLV since my comments. I had tied the lack of redemptions in SLV as being connected to the large short position on the stock, where the big short seller(s) was using the selloff to buyback shorted shares from investors selling on the price smash. Yesterday was the end of the reporting period for the next short report, due Aug 24, and I am still expecting a sharp decline in that short position.

Turning to yesterdayâ??s epic COT report, the most remarkable aspect of the report was that it was fully anticipated and expected. Sharp price declines are always â?? and I do mean always â?? the result of COMEX commercial traders tricking the non-commercial traders into selling so that the commercials can buy. There have been no real deviations from this pattern in all the decades I have studied the report. So strong and reliable has this pattern been that I keep looking over my shoulder, waiting for the pattern to change.

Hereâ??s a personal confession. I mentioned a little while ago how I always get â??butterfliesâ?• starting around 30 minutes or so before the COT report is actually released on Friday afternoons, particularly when I have predicted big changes (like this week). I keep thinking to myself that if the report comes in completely opposite to what I expected, I would have no choice but to hang it up. Short of a major reporting error, I would have no explanation for how the commercials may have sold heavily on a major price decline, instead of buying heavily.

Thatâ??s how straightforward my whole market premise has been, namely, silver and gold prices are set and determined by how much the commercial traders can hoodwink the non-commercial traders. This is also the ultimate proof of the ongoing price manipulation as it should be impossible in a free market for one side to always be buyers on lower prices and never on higher prices, as the commercials have consistently pulled off on the COMEX for 40 years.

Needless to say, any butterflies I may have had flew away the moment yesterdayâ??s report was released. Based upon the high trading volume and price violence on Monday and Friday, I threw out ballpark estimates of a 10,000 net contract positioning change in silver and 30,000 contracts in gold. I didnâ??t want to overstate the expected positioning changes because the market structures in both gold and silver were already super-bullish, meaning there didnâ??t appear to be great room for further improvement. As it turned out, despite the already bullish market structures, the actual changes were even greater than my ballpark estimates. As most often is the case after a new COT report is published, in addition to no more butterflies, Iâ??m left to ponder how can this keep happening over and over?

In COMEX gold futures, the commercials reduced their total net short position by 35,600 contracts to 195,600 contracts. Except for two weeks earlier this year (March 30 and June 29 â?? both quarter ends), this is the lowest (most bullish) commercial net short position since June 2019. By commercial categories, it was a Three Musketeersâ?? (all for one, one for all) joint effort. The 4 big shorts bought back 7900 shorts, reducing their concentrated short position to 144,601 contracts (14.5 million oz). The next 5 thru 8 largest traders bought back 5300 shorts, reducing the big 8 concentrated short to 220,958 contracts (22.1 million oz). The smaller commercials, the raptors, did the heaviest lifting by adding 22,400 new longs to a net long position now at 25,400 contracts.

While the commercials in gold bought slightly more than I expected (and hoped-for), the managed money traders blew the doors off in selling an astonishing 54,462 net gold contracts (nearly double my estimates), consisting of the sale and liquidation of 21,028 longs and the new sale of 33,442 short contracts. Â This is just about the lowest (most bullish) managed money net long position since June 2019. Explaining the mismatch between what the commercials bought (35,600 contracts) and the managed money traders sold (54,462 contracts), the other large reporting traders bought a remarkably large 26,547 net contracts (including 25,145 new longs).

Itâ??s as if these other large reporting traders were fully expecting the large price decline and loaded the boat as it occurred. And based upon the very slight increase in the number of long traders in the other large reporting traderâ??s category and a sharp increase in the concentrated long position of the 4 and 8 largest gold longs (not something I talk about often), most of the increase in gold long positions involved a few large traders and not a wide-swath of traders.

In COMEX silver futures, the commercials reduced their total net short position by an extremely large 12,300 contracts to 39,800 contracts. This is the lowest (most bullish) commercial short position since the three weeks into May 2020, in the aftermath of the historic silver price smash to under $12. This was only one of several records set this week in silver. More important records were set in terms of the concentrated short positions of the 4 and 8 largest traders.

The 4 largest silver shorts reduced their concentrated short position by a monstrous 7100 contracts, to 39,395 contracts (197 million oz), the lowest level of this critically-important measure since March 17, 2015, more than 6 years ago (more on this in a moment). The 5 thru 8 next largest traders bought back 400 shorts and the big 8 short position declined to 54,381 net contracts (272 million oz), the lowest it has been since late 2014. The raptors added 4800 new longs to a net long position now amounting to 14,600 contracts.

An important distinction between this weekâ??s results in gold and silver is that the smaller commercials (the raptors) were the largest commercial buyers in gold, with the 4 biggest gold shorts accounting for 22% of the total commercial buying, while in silver, the 4 biggest shorts accounted for nearly 58% of all the commercial silver contracts bought. My conclusion is that the silver price decline was clearly the primary work of the 4 largest shorts â?? all crooked to a trader.

On the sell side of silver, the managed money traders sold 13,670 net contracts, consisting of the sale and liquidation of 4,247 longs and the new sale of 9,423 short contracts. I find both types of managed money sales to be spectacularly bullish. Not only is the net managed money long position of 11,740 contracts the lowest it has been since May 2020, the gross short position of these traders is the highest it has been since then as well. I know a few subscribers were disturbed by my pointing out that past extremes in managed money shorting were much larger than currently, but that was just me reporting on the historical record. I see little chance of significant new managed money shorting from this point forward and am quite pleased to see the level of shorting being as high as it is currently, as this is just more buying fuel as and when prices turn higher.

There was also other large reporting trader net buying in silver, although nowhere near as large as in gold. Still, this category of trader is quite close the highest level of net longs since the spring of 2020.

While I believe it is extremely bullish and significant that the concentrated short position in silver is now at levels not seen in years, it doesnâ??t tell the whole story by a long shot. There were many occasions in the past when the concentrated short position in COMEX silver got greatly reduced and it was on every one of those occasions that a price rally of some significance did develop â?? only to be met with an increase in that concentrated commercial shorting that doomed every such rally.

Thatâ??s why I fully understand how many (most) are resigned to the same fate on the next rally, namely, an increase in commercial concentrated selling that will cap the next rally. This despite the unusual circumstances surrounding the particulars of the recent concentrated short covering â?? including that the big 4 and big 8 short positions in silver are now at the lowest level in many years and which follows the timeline of my March 5 complaint to the CFTC and its response of May 3.

Perhaps Iâ??m looking too closely, but since the silver price high of Feb 1, when the concentrated short position of the 4 largest commercial trades hit 65,262 contracts (326 million oz), the highest it had been in a year, that short position has been reduced by nearly 26,000 contracts (129 million oz), the largest reduction in the shortest time ever. The CFTC had every opportunity to refute my allegations and didnâ??t; for the first time referring the matter to its Divisions of Market Oversight and Enforcement. I canâ??t guarantee that the Commission spoke to the large short traders involved, jawboning them into reducing their large concentrated short position, but I strongly suspect that is the case and it is fully supported by the timeline.

If (perhaps a very big â??ifâ?•) I am correct in my sense of what has transpired behind the scenes and the big shorts reduced their concentrated short position at the Commissionâ??s urging, it seems to me that would increase dramatically the odds against the big shorts turning around and adding new shorts aggressively on the next rally. Why bother to go through the blatant motions and motives for bombing prices if all you are going to do is turn around and re-short and activate the issue again? But wait, thereâ??s more.

While itâ??s no small matter that the one issue that I have focused in on like a laser for decades, the concentrated short position in COMEX silver, has suddenly dropped from levels that were the highest in a year (on Feb 2) to the lowest in six years now, there is something Iâ??ve left out until now. Yes, on all the many previous occasions when the concentrated short position fell to low levels, guaranteeing a rally was due to occur, when that rally did occur, it was inevitably met with renewed concentrated short selling â?? dooming the rally.

But what I left out, until now, is that over the vast majority of the past decade and longer, the largest concentrated silver short was JPMorgan and that is no longer the case. Yes, I postulated incessantly from say 2013 onward that on the next rally, the big shorts would stand aside, yet neither JPM nor the other big shorts ever did so â?? making a mockery of my expectations. But in hindsight, I now believe I understand why JPMorgan never stood aside and let silver (and gold) price rip higher, namely, these crooks were too busy and too successful in accumulating physical metal on the cheap to end the COMEX price manipulation.

It was only when JPMorgan and its friends and family truly topped off its physical tanks (with 1.2 billion oz of silver and 30 million oz of gold) and put to rest any chance of regulatory blowback (with its deferred criminal prosecution agreement and phony $920 million fine last year) was it truly free to let prices rip. JPMorgan hasnâ??t been meaningfully short on the COMEX since early 2020 and while the remaining big shorts have managed to hold the line since then, their continued price control looks tenuous.

An objective review of the record would indicate that the big shorts â?? minus JPM â?? havenâ??t fared as well without their former big and crooked backstop as they did when JPMorgan was active on the short side. Even this week points to that – at the price lows on Sunday evening, the 8 big shorts had reduced their combined short position in COMEX gold and silver by close to $3 billion from Fridayâ??s close. But at the close yesterday, their total losses for the week had grown by $200 million to $9.3 billion.

Itâ??s important to recall that back at the price lows of early 2020, when JPMorgan closed out its entire COMEX gold and silver short positions, the 8 big shorts were even on their concentrated short positions. Since then, it has been mostly an unmitigated financial disaster for the big shorts â?? despite their recent success in greatly reducing the concentrated short position in silver. Now, with additional non-commercial selling looking like it has been exhausted, it seems we are on the cusp of a monumental change in the silver and gold markets.

Given the price violence witnessed recently that enabled the COMEX commercials to buy as many contracts as they did buy, particularly by the 4 big shorts in silver, itâ??s hard for me not to expect even greater price violence to the upside, if the big shorts refrain from adding new shorts on the coming rally. Since the only reason silver (and gold) prices have been as suppressed and contained as they have been is due to manipulative short selling, should that short selling fail to materialize on the rally, few have a firm handle on how explosive that can be for price.

Many people expect $40 or $50 or $100 or higher silver in the not-too-distant and reasonable future, but if the big shorts donâ??t plow back onto the short side aggressively, those numbers can be hit in the relative blink of an eye. This is not some wild bullish rant; it is just a cold mechanical reckoning of what will occur when guaranteed and built-in speculative buying (managed money new buying and short covering) hits a selling void if the big shorts donâ??t re-short. This is neither technical nor fundamental â?? itâ??s strictly mechanical. It goes without saying that one should be holding oneâ??s maximum silver position before this mechanical event occurs.

Not that anyone can reliably predict the future as far as the actual timing is concerned; it seems to me that with the key moving averages in both gold and silver so tightly configured, with there being only a 30 cent difference separating silverâ??s three key moving averages and only a $13 difference in gold, as and when those moving averages do get penetrated to the upside, that could easily precipitate the mechanical event I feel lies ahead.

Ted Butler

August 14, 2021

Silver – $23.75Â Â Â  (200 day ma – $25.90, 50 day ma – $25.90, 100 day ma – $26.20)

Gold – $1780Â Â Â Â Â Â  (200 day ma – $1817, 50 day ma – $1810, 100 day ma – $1804)

**Date Created**
2021/08/14