August 19, 2017 – Weekly Review

Despite hitting new ten month highs in gold and two month highs in silver early Friday, both then sold off to finish the week lower; gold by $4 (0.3%) and silver down by 15 cents (0.9%). Due to goldâ??s relative outperformance, the silver/gold price ratio widened out by half a point to 76 to 1. Still locked in a fairly tight trading range extending back a couple of years, itâ??s kind of a wonder the ratio has been as stable as it has been, considering the relative price â??heavinessâ?• in silver.

As I indicated on Wednesday, the heaviness in silver has become visible by just observing the struggle the price of silver encounters when approaching its key moving averages (50 and 200 day ma) over the past year or so relative to gold. Not for a minute am I suggesting that the price of gold is not manipulated by the same forces I outline in silver; itâ??s just a case that silver is manipulated much more intensely. A quick glance at the charts of each reveals a much greater pressure to keep silver from going uncorked than is visible in gold. And if Iâ??m going to postulate that both metals are manipulated in price, I am required to distinguish the one most manipulated if that is the case. Clearly, that would be silver.

The key feature this week (and every week) was the positioning changes in COMEX gold and silver; but the special twist in yesterdayâ??s Commitments of Traders (COT) Report was that the identity of the one entity most responsible for the heaviness in the price of silver was revealed. Iâ??m sure no one will be particularly surprised that JPMorgan is the entity, not just mostly, but more solely responsible for the visible inability of silver to rise more freely in price; and I will lay out the case momentarily.

In the meantime, I hope it is not lost on anyone that price changes in gold and silver have had nothing to do with the things normally thought to be price influences. This week, weâ??ve had more than our fair share of those other things, like political chaos and divide, terrorism, stock market instability, an approaching total eclipse and anything else youâ??d care to throw into the mix. I would contend that none of these things exerted the slightest influence on the price of gold or silver. If Iâ??m going to attempt to analyze and comment on these metals, I must focus on the greatest influence on price and that explains my close attention to COMEX futures positioning changes. To do otherwise would constitute negligence of the highest order.

The turnover or physical movement of metal brought into or removed from the COMEX silver warehouses cooled off to 2.2 million oz this week, less than half the average weekly rate over the past six and a half years. Total COMEX inventories fell a slight 0.4 million oz to 215.6 million oz, still very close to the fresh 20+ year highs of the previous week. In a slight twist, close to 0.3 million oz came out of the JPMorgan COMEX warehouse, with the resultant total of 115.2 million oz down slightly from last weekâ??s record holdings.

There have been higher than the usual numbers of deliveries this month on the COMEX for both gold and silver, but I still canâ??t see any message worth commenting on, other than a customer(s) of JPMorgan has issued about 75% of all the gold deliveries. The house account of JPM has stood aside completely, having gone missing-in-action in silver since the end of March (after dominating the stop side the previous two and a half years).

Sales of Silver (and Gold) Eagles remain comatose and the Royal Canadian Mint just reported sales of its gold and silver Maples Leafs being down 50% from levels of a year ago. Can anyone deny that JPMorgan has stepped aside from buying these coins after gobbling them up for six years running?

The changes in this weekâ??s COT report were mostly in line with expectations, but Iâ??m happy to report that the increase in commercial selling/managed money buying in silver was less than half as much as my 20,000 contract prediction. And, as is usually the case, this week managed money buying fully matched and slightly exceeded commercial selling.

In COMEX gold futures, the commercials increased their total net short position by 37,100 contracts to 196,600 contracts (I had predicted an increase of 30,000 to 40,000 contracts). This is the largest (most bearish) total commercial net short position since June 13. Over the past four reporting weeks, the commercials have sold 123,000 COMEX gold futures contracts, the equivalent of 12.3 million oz. Yes, these are paper ounces, but this was the main drag on why gold didnâ??t rally more because it was the largest amount of gold sold over this time. Â Simply put, had the commercials demanded higher prices before selling this many COMEX gold contracts, those higher prices were guaranteed to having been achieved. The question is why didnâ??t the gold commercials demand more? (My answer is they want to skin the technical funds as much as possible, but still keep them in the game and the scam alive).

By commercial category in gold, it was a typical Three Musketeers-type affair, as the 4 biggest shorts added 8500 short contracts, as did the big 5 thru 8 to the tune of 5500 new shorts. The raptors sold off 23,100 long contracts (all at big profits), reducing their net long position to 42,400 contracts. The big 4 and big 5 thru 8 traders now hold their largest short positions since October 4.

On the buy side of gold, it was all managed money traders and then some, as these traders bought 40,577 net contracts, including new longs of 30,605 contracts and the further buyback of 9966 short contracts. Once again, I was taken aback by the amount of short covering, since it was so low to begin with. With less than 19,000 contracts now held short by the managed money traders in gold, the lowest total in years, Iâ??m bound to be right one of these days in pronouncing no more managed money short covering possible; but not through the latest COT report.

A continuing standout over the past month in gold, which is also quite noticeable in silver as well, is the record large short positions of the other large reporting traders. Itâ??s clear that these traders are betting on the technical funds to eventually capitulate and sell on lower gold and silver prices (otherwise they wouldnâ??t be holding record short positions). While the historical pattern suggests these other large traders will likely be proven to be correct, being heavily short gold, or particularly silver, is a position that could blow up in these large non-commercial traders face quite easily. Iâ??d rather pick up nickels and dimes in front of a steamroller blindfolded than be naked short silver, but I suppose thatâ??s just me.

All told, over the past four reporting weeks, the managed money traders (technical funds) in COMEX gold have bought more than 150,000 net gold contracts, with about 80,000 contracts representing short covering and about 70,000 contracts being new longs. This is a stupendous amount of gold to have been bought (15 million oz and the dollar equivalent of almost $20 billion), far larger than any other amount of gold bought elsewhere and fully accounting for the more than $90 gold price rally. On the other hand, had the commercials which sold to the technical funds demanded $100 or $200 or any price higher before selling to the technical funds, gold would have risen by any amount demanded. This goes to the core of price setting on the COMEX.

Since weâ??re now within spitting distance of the highest commercial net short readings of the past year, the market structure in gold must now be considered bearish, at least over this time period; having been extremely bullish a few short weeks ago. Compared to the highest commercial short positions in history last summer, I suppose there is room for the managed money traders to add another 130,000 long contracts, in which case gold prices would climb further. Â But thatâ??s about the same number of contracts that these traders could sell, should we return to the levels seen a month ago. At best, that makes the gold market structure neutral.

In COMEX silver futures, the commercials increased their total net short position by 8500 contracts to 48,100 contracts (in hindsight, I should have bracketed my expectations in silver to between 10,000 to 20,000 contracts, similar to what I did in gold, but I know â?? no do overs). Still, I am glad that the silver numbers werenâ??t as bad as I feared. Unfortunately, other details in the report were more troublesome.

By commercial category, the big 4 added a disproportionately large 5400 new shorts, while the raptors sold off 4800 longs, reducing their net long position to 34,800 contracts. The big 5 thru 8 bought back 1700 contracts, but all signs suggest that short-covering was related to managed money traders, not commercials. Iâ??d now peg JPMorganâ??s concentrated silver short position to be 30,000 contracts and that was the standout negative feature to the COT report.

Over the past few weeks, JPMorgan has added around 11,000 contracts of new silver shorts on the visibly labored price rally (since July 25). I believe the case is very easy to make that JPMorgan is solely responsible for why silver has struggled to the upside. I made the point last week that JPMorgan was the sole new commercial short seller in silver and this weekâ??s report made that same point in spades. Yes, the raptors have sold even greater numbers of long contracts, but there is a world of difference between a sale of long positions (at profits) and a new short sale.

COT data indicate clearly that JPMorgan has been the only commercial short seller over the past few weeks. Without JPMorgan adding 11,000 new COMEX silver shorts since July 25, the only way for other traders (including the raptors) to be persuaded to sell an additional 11,000 contracts would be on higher prices than achieved. Therefore, itâ??s quite simple to conclude that JPMorgan single-handedly kept the price of silver in check. Do not be fooled into thinking this is not as simple as I represent it to be.

I doubt youâ??ll see JPMorgan or the CME Group or the CFTC refute any of this and thatâ??s what makes JPM and the CME market criminals and the CFTC the most inept of all federal agencies. If thereâ??s only one short seller and you can see with your own eyes that the price of silver is acting very heavy, there is no other conclusion than that the sole short seller is solely responsible for the struggling price. Iâ??ll come back to this in a moment.

On the buy side of silver, it was all managed money traders, as they bought 9,440 net contracts, including new longs of 1568 contracts and the short covering of 7,872 contracts. The small increase in managed money longs to just over 68,000 contracts means there is still not an excessive amount of long contracts to be liquidated on any down move, since the recent low point of 56,000 core nontechnical fund longs still appears intact. And the 31,000 contracts of remaining managed money shorts is still quite large at the stage of the rally (although I would imagine more were bought back since the cutoff).

This is admittedly subjective, but I would still consider the market structure in silver to be bullish, although not excessively so. On Tuesday, the total commercial short position was â??onlyâ?? up by roughly 26,000 net contracts from the drop-dead excessively bullish reading on July 18; and still down close to 70,000 contracts from the ultra-bearish structure of April 18. Where goldâ??s market structure is at best neutral, silverâ??s market structure still appears bullish in comparison. That makes JPMorganâ??s new silver short selling that much more of a standout.

Itâ??s certainly not as if the dominant and now exclusive short selling by JPMorgan in COMEX silver futures is new in any way. As Iâ??m sure you know, this is a signature issue of mine â?? JPMorgan and silver. And as Iâ??m sure you also know, I have made this a big issue with the new Enforcement Director at the agency, James McDonald, for just over four months, from the first day he started at the agency. I clearly identified to him that the key to the silver manipulation was preventing JPMorgan from adding to its silver short positions on the COMEX on any rally. Now that JPMorgan has added decisively (and exclusively) to its silver short position over the past few reporting weeks, itâ??s clear that McDonald did not take my suggestion of ordering the crooked bank privately (jawboning) to cease its manipulative way. Now what?

This is a tricky issue. First, I know that the vast majority of readers held no hope for McDonald doing the right thing and, furthermore, believed that the CFTC and everyone who works for the agency as corrupt and criminally rotten to the core, same as JPM and the CME. Considering that JPMorgan has been the sole commercial silver short over the past few weeks, I am in no position to conclude the majority of you were incorrect and that I was wrong in expecting (hoping) that McDonald was on the up and up and would do the right thing.

However, there are also those (more than one actually) which believe that McDonald will do the right thing in the end, but that we must be patient and how Rome wasnâ??t built in a day. The silver manipulation is a very serious matter and care must be taken to end it in the best manner possible. Those still holding hope for him doing the right thing are not unreasonable, but JPMorganâ??s recent shorting is not especially encouraging.

As for me, I am more doubtful than I was about McDonald previously, given the particularly egregious behavior by JPMorgan over the past few weeks, but choose instead to take the higher, more optimistic road of continuing to encourage him to do the right thing. For one thing, like it or not, there is only one federal commodities regulator and even if they are all sniveling cowards or are thoroughly corrupt and in bed with JPM and the CME, itâ??s not as if we can go to a different federal regulator (I know because I tried them all).

Iâ??m still assured by someone very close to McDonald that he is a straight shooter and honest man and I have heard nothing to the contrary. Besides, none of us are ever in position to look into the soul of others and judge them; only actions matter. To that end, I would paraphrase the words of John F. Kennedy in addressing McDonald â?? â??If not you, who? If not now, when?â?•

We are so late in this rigged game in silver that I see no choice but to ride it out in a fully exposed market posture. Of course, I am always concerned when the silver crook of crooks adds to short positions, but I am also intrigued by the overt nature of JPMorganâ??s price manipulation of silver. Itâ??s possible that the recent exclusive short selling by the bank has a whiff of desperation attached to it. Itâ??s not every day a market has only one short seller.

Finally, I have attempted to make a big deal out of futures positioning coming to explain price moves in other commodities. The fact that copper is at two year price highs can be explained more by the documentable record gross and net long position of the managed money technical funds than by stories about Chinese demand. And the recent sharp rally in platinum can be explained by the extreme short covering by those same funds (I recently pointed out how large the technical funds had gotten on the short side of NYMEX platinum).

As a reminder, I have switched over completely to the COMEX December contract for gold prices, since thatâ??s the lead contract. Be aware that the December contract is roughly six dollars higher than spot prices. In a couple of weeks, I will switch to the December contract in silver for pricing purposes, as the September contract enters the delivery period.

Ted Butler

August 19, 2017

Silver – $16.95Â Â (200 day ma – $17.09, 50 day ma – $16.50)

Gold – $1291Â Â Â Â Â Â (200 day ma – $1233, 50 day ma – $1255)

Date Created
2017/08/19