

## December 10, 2018 – COT Comments

The changes in the delayed Commitments of Traders (COT) Report were largely as expected, namely, featuring managed money buying and commercial selling on the price gains thru last Tuesday's end of the reporting week of more than \$30 in gold and 60 cents in silver. After all, it would have been a real head scratcher if there weren't significant managed money buying and commercial selling on that magnitude of price rise. As far as my particular guesses, I came in under on silver (which is good) and over on gold (which wasn't as bad as silver was good).

I'll cut to the chase and note that the main thing I was looking for (and wary of) was whether JPMorgan added aggressively to shorts, particularly in silver, and was more than pleased to discern that it hadn't. That's not to suggest that JPM won't add to shorts from here on out, just that it didn't appear to as of this report. That it didn't add as of yet is somewhat at odds with JPM's behavior pre-Nov 6 and the DOJ announcement and, of course, I see a connection; but that's only fitting because that announcement still very much dominates my central thought process.

In COMEX gold futures, the commercials added a very hefty 42,100 contracts to a total net short position now amounting to 58,200 contracts (I had been estimating an increase of around 25,000 contracts). JPMorgan may have added a small number of gold short contracts, but not many, based upon changes in the Producer/Merchant category of the disaggregated COT and Bank Participation Reports.

On the buy side of gold, the managed money traders bought a significant 48,603 net contracts (about double my estimate), comprised of new longs to the tune of 19,422 contracts and the buyback and covering of 29,181 short contracts. Neither change can be considered surprising, except in quantity. Managed money longs have looked washed out to the downside for months and at 99,414 contracts as of Tuesday, hardly look excessive. Managed money shorts, now at 109,201 contracts, while down close to 90,000 contracts from the price bottom, still leave room for further short covering. However, the big potential buying in gold is new managed money longs.

A couple of points. That we still had a net short position of 10,000 contracts in the managed money category as of Tuesday was somewhat remarkable considering the price rally in gold. (Although, I don't think that's the case in trading since last Tuesday). For sure, the braindead managed money shorts frittered away any open profits and ended up losing money, although I do admit I thought they would be beaten even more badly. Finally, combined with last week's report, the big decline in total open interest (in silver as well) was clearly spread liquidation and anyone suggesting otherwise has his head screwed on wrong (or has no real professional futures experience).

In COMEX silver futures, the commercials increased their total net short position by 6600 contracts to 15,400 contracts (versus my expectation of an increase of around 10,000 contracts). The good news, as I indicated earlier, is that JPMorgan added few if any new shorts, certainly not in keeping with its pattern pre-Nov 6. Should JPM continue to keep its dirty rotten short selling hands to itself, all is bound to be right in the world of silver. I already have a title in mind if these crooks do add to silver shorts – JPMorgan to DOJ: Drop Dead.

On the buy side of silver, the managed money traders bought 9361 net contracts (much closer,

unfortunately, to my guess of 10,000 contracts), consisting of new longs of 1282 contracts and the short covering of 8079 contracts. As of Tuesday, there were 41,303 contracts of managed money longs, still exceptionally low and quite bullish and 63,580 remaining short contracts, still remarkably high and bullish. Based on trading thru today, I would imagine there is still a significant net short managed money position in silver (not the case in gold). Through Tuesday, prior to this year there never was this large a managed money net short position in history.

I went into this report, just like I go into future COT reports, with one key feature in mind whether JPMorgan would add to short positions, particularly in silver. In today's reports (COT and Bank Participation), I didn't detect any significant shorting by JPMorgan and that's alright by me. Let's hope it stays that way.

Ted Butler

December 10, 2018

Silver – \$14.61 (200 day ma – \$15.55, 50 day ma – \$14.48)

Gold – \$1250 (200 day ma – \$1261, 50 day ma – \$1222)

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