

## December 19, 2020 – Weekly Review

Gold and silver prices surged this week, with gold up \$43 (2.3%) and with silver up a much sharper \$1.92 (8%). Gold closed at a one-month high, while silver closed at a three month high. As a result of silver's sharp relative outperformance, the silver/gold price ratio tightened in by nearly 4 full points to 72.5 to 1, the strongest valuation for silver in three months.

The sharp and I would say sudden surge in silver relative to gold is somewhat different than what has occurred on the price leg up that started in the summer of 2019, in that up until now, silver has generally played "catch up" to gold for the most part. Yes, silver did surge this past summer, gaining a fairly quick \$10 in a matter of weeks, but as you'll recall gold had been leading the way and the burst in silver prices had all the makings of a catch up. For what it's worth, this time feels different, with silver apparently leading the way.

All that said and with silver still dirt cheap on an absolute and relative basis compared to gold, it's hard to argue that this might be the time for silver to shake off its manipulative shackles and respond sharply higher in price just as it should have done eons ago. Certainly, that is the way it should be handled investment-wise. The only fly in the ointment, of course, is the fate of those which have caused silver to be artificially depressed in price for decades, namely, the large concentrated shorts on the COMEX. I'll devote the bulk of today's commentary to this matter, but let me address the usual weekly topics first.

The turnover or physical movement of metal either brought into or removed from the COMEX silver warehouses cooled a bit this week to 3.4 million oz, as total COMEX silver inventories rose by a scant 0.2 million oz to just under 394 million oz, yet another all-time high. Some 1.2 million oz came out of the JPMorgan COMEX silver warehouse, reducing holdings there to 191.6 million oz.

There has definitely been an overall "cooling off" in COMEX silver warehouse inventory turnover from the fevered movement levels of the summer and fall, but now that we are close to the end of the big December deliveries and a few months from the next big traditional delivery month of March, I suppose the cool down isn't surprising. Still, even with the slower physical movement in COMEX warehouse inventories, this silver movement is still head and shoulders above the physical movement of any other commodity.

And while I hate to automatically attach bullish conclusions to every new silver development, I can't help but think if the unprecedented COMEX silver warehouse inventory turnover ever were to cool off on a sustained basis, then that might be an unusually bullish sign. My thinking here is that ever since the turnover began in April 2011 (as silver was hitting a price high of \$50), the price path has been lower into the early part of this year. Maybe a more permanent inventory movement slow down might signal a more decisive turn up in price. Just sayin'.

Over at the COMEX gold inventories, total holdings also rose a slight 0.2 million oz to 37.8 million oz, which happened to tie the all-time high of a few months back. Still, COMEX gold inventories have basically flat lined for four months or more, following the dramatic surge of nearly 30 million oz earlier this year. No change in the JPM COMEX gold warehouses this week, still stuck at 13.15 million oz.

Turning to deliveries on the big December COMEX gold and silver traditional futures months, no big

changes to report as deliveries wind down into month's end. Gold and silver deliveries are still quite large on an historic basis, but with a marked slowdown from the peak delivery high-water marks set this summer. The standouts to me are that JPMorgan's customers are the overwhelming net stoppers in gold (along with a bit of house stopping) and fairly big net customer stoppers in silver, along with very light issuances in JPM's house account. Yeah, I'm really only interested in what the crooks at JPM are up to.

[https://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

There were substantial deposits into the big silver ETF, SLV, this week of close to 9.5 million oz, which looked fully expected given the very large trading volume on the price surge on Wednesday and Thursday. I was a bit surprised the physical metal came in as quickly as it did, but perhaps that's not truly surprising considering there was some slight offtakes in prior months. Unlike what occurs in the COMEX warehouses, I don't think the silver flowing into or out from the SLV isn't being physically moved - it's already there. Gold hasn't clearly broken out as clearly as silver has yet (until it clears its 100 day moving average at \$1813) and the lack of large inflows into gold ETFs, also doesn't look surprising to this point.

Turning to yesterday's Commitments of Traders (COT) report, since I refrained from specific predictions because I was unsure of what to expect in the price bifurcated reporting week, I can't say the modest deterioration was surprising. Price had been lower over the first four trading days, only to rally sharply on Tuesday. I'm pretty sure the commercials were buyers over the first four days and then sold on the closing one-day rally. Overall, it was a decidedly non-event of a report.

In COMEX gold futures, the commercials increased their total net short position by 5600 contracts to 306,300 contracts. This is another new high in commercial shorts extending back to late March and must be considered bearish on historical metrics. Then again, the level of commercial shorts is remarkably level for the past few months. By commercial category, the 8 big shorts did cover around 1800 contracts, lowering their concentrated short position by a bit to 266,327 contracts (26.6 million oz), as the raptors (the smaller commercials) increased their short position by 7400 contracts. I'd still peg JPM as flat, having done nothing this reporting week (and hope that continues).

On the buy side of gold, the managed money traders were modest buyers of 3068 net contracts, consisting of the new purchase of 4057 long contracts and the new short sale of 989 contracts. While slightly increased over the past couple of weeks, the managed money net long position of 101,879 contracts is still quite low on an historic basis and that's bullish. Nothing was particularly revealing this week by the other large reporting traders, which were net sellers of 704 contracts, consisting of the sale and liquidation on 1718 longs and the covering of 1014 short contracts. Of course, what is most relevant at this point is what positioning changes have occurred since the cutoff, but due to the upcoming holidays, we won't know until a week from Monday, as next week's COT report will be delayed.

In COMEX silver futures, the commercials increased their total net short position by 2000 contracts to 69,000 contracts, the largest such level since late February. By commercial category, the 8 big shorts increased their concentrated short position by 1200 contracts to 78,026 contracts (390.1 million oz), the largest level since June, while the raptors sold nearly 900 contracts. Of special note is that the 4 largest silver shorts increased their more concentrated (and manipulative) short position by more than 800 contracts to 60,933 contracts (304.7 million oz), the highest super-concentrated short position

since mid-March.

On the buy side of silver, the managed money traders were net buyers of less than 400 contracts, consisting of new longs in the amount of 622 contracts and the new short sale of 224 contracts. The other large reporting traders bought 738 net long contracts and by a very slight margin hold about their largest net long position (6341 contracts) since June — not that these traders are as notably long silver as their counterparts in gold.

One observation I will make is that the managed money net long position in silver, now at 43,180 contracts (as of Tuesday), has been as close to unchanged since late August for as long as any time I can recall. Of course, silver prices have been in a congestive price pattern for as long, so seeing prices and managed money net positions stagnate should be no real surprise. And the same thing has occurred in gold in regards to managed money net positioning. The only thing different is that the other large reporting traders have been standout buyers in gold, but to less of an extent in silver.

I guess what I'm getting at is more or less a reconfirmation of a point I recently made, namely, in gold the other large reporting traders seem to have taken a larger non-technical long position, whereas in silver some members of the managed money category appear more to have done so. The bottom line conclusion is that the reason the total commercial and concentrated short positions in each are as high as they currently are, is not because of heavy technical fund (managed money) buying on higher prices, but due to buying by non-technically oriented traders.

This begs the question of what the heck happens when clear cut technical buy signals are flashed, like has occurred in silver and is on the verge of occurring in gold (as and when the 100 day moving average is penetrated). Specifically, with the concentrated short positions in both COMEX silver and gold already egregiously excessive and beyond capable of any legitimate defense, should we get significant new technical fund type buying as typically occurs on price breakouts, are these clearly manipulative big shorts going to increase their short positions yet again? Corollary questions include will JPMorgan join in the new short selling on higher prices and what, if anything, the regulators may do about it?

This brings us to the heart of today's message — the ongoing financial drama surrounding the 4 and 8 largest shorts in COMEX silver and gold. It does look like some new technical fund buying has emerged on the price breakout following the close of the reporting week on Tuesday. Very early indications (in the form of increasing total open interest) suggest the big shorts are adding to shorts, although the role of JPMorgan and the regulators are unknown at this point. The only sure way that I know of (short of sharp declines in total open interest) to determine what the big shorts are doing is by studying future COT reports, with the next one not available until a week from Monday.

Easier to ascertain, of course, are the financial results to the big 8 and JPMorgan and these results paint a very dramatic picture. After all, calculating the results are a matter of simple mathematics – multiplying the per contract price change by the number of contracts held (you didn't think I was a numbers savant straight out of "Rain Man", did you?). As of yesterday's close, the rally this week in gold and silver has added \$1.9 billion to a total big 8 loss, now amounting to \$13.4 billion. As recently as Nov 30 (less than 3 weeks ago), the big shorts succeeded in rigging prices lower to minimize their total open loss to \$9.8 billion and a number of subscribers asked if the big shorts were capable of inducing further price selloffs that would completely eliminate their total losses. I didn't think so, based upon a number of factors, but I am neither about to declare the big shorts are doomed.

Let's stick with the number crunching. On the flip side of the big 8's massive losses are the even larger profits accruing to JPMorgan as a result of its physical holdings of 25 million oz in gold and 1 billion oz in silver. These are amounts of physical holdings that I attributed to JPMorgan before the start of this year. As of yesterday's close, based upon my long-held average prices paid by JPM to accumulate each (\$1200 in gold and \$18 in silver), JPM is now ahead by more than \$25 billion. As already stated, the 8 big shorts are out \$13.4 billion. What word, aside from double cross, would best describe this circumstance with the overarching qualifier being the results to both sides are still very much open and dependent on future price movement?

More numbers – back in mid-March (with gold prices at \$1460 and silver at sub \$12), the results on both sides of the equation were roughly even, with no losses to the 8 big shorts and no profits to JPM – meaning the current results have accrued over the past 9 months. Even more astounding than the sharp contrast in results is the speed by which they occurred.

As most of you are aware, I've been tallying for years the running financial scoreboard for the commercials versus the managed money traders, with increasing emphasis on the big 8 among the commercials. I did this out of my natural conviction that the interplay between the commercials and managed money traders was, by far, the most dominant price influence in gold and silver. The previous most extreme the 8 big shorts had gotten underwater was in the summer of 2016, when their total open losses hit close to \$4 billion. The big shorts were able to eliminate those losses into Election Day (Nov 2016).

As I just indicated, the big shorts saw their total losses drop to near zero this past mid-March, but that only proved fleeting for a number of reasons having to do with JPMorgan. Both in 2016 and at year end 2019, when the 8 big shorts were, coincidentally in the hole for roughly the same amount (\$3.8 billion), the standout composition of the big 8 was essentially the same, namely, JPMorgan was the or one of the leading shorts in gold and silver.

According to my notes, last Dec 31, JPMorgan was short close to 17,000 silver contracts and 36,000 gold contracts, whereas at this time (and for months), JPM has largely been flat on the short side. Therefore, as was the case in 2016, it was very much in JPMorgan's interest to see gold and silver prices decline into mid-March and for it to buy back its short positions. That is no longer the case.

Last year at this time (with JPMorgan a big short in gold and silver), gold rallied quite unexpectedly by \$50 and silver by a dollar over the past two weeks of the year. This surprising price surge added \$2 billion to what turned out to be a \$3.8 billion mark to market loss for the big 8 in gold and silver, the largest such yearend loss ever. I don't think there's any way to precisely predict prices over the

next or any two week period, but would note a price rally similar to or greater than last year's rally at this point would be particularly troublesome for the big 8. Heck, prices staying flat until yearend is not exactly a picnic for the 8 big shorts. Conversely, it would also make them much more motivated to see prices smashed lower.

No one can predict what JPMorgan will do and the question of whether it will re-enter aggressively on the short side to cap and contain gold and silver prices is unknowable. Also unknowable is if the remaining 8 big shorts can hold back the higher price tide by adding enough new shorts on their own and whether the regulators at the CFTC and Justice Department will be able to look away if the big shorts do add aggressively to short positions.

Thanks in advance, but I don't need to be reminded how it has always turned out in the past (mainly because this has been my original line of thought for decades). Instead, I would point out that should JPMorgan choose to make many tens of additional billions of dollars by doing nothing (not adding shorts), or the 8 big shorts finally throw in the manipulative towel and not add aggressively to gold and silver shorts, or if in some miracle of the Christmas season, the ghosts of the failed regulatory past visit the regulators and they decide on a new leaf, we could be about to embark on a price path, particularly in silver, that none of us have ever witnessed.

Would I be so presumptuous as to declare that such a price path lies in the immediate future? Not as long as truly criminal institutions like JPMorgan and the 8 big shorts exist or that truly negligent regulators like the CFTC and DOJ and CME Group exist. But neither would I approach the current set up with less than an all in opposition. It's not just that hope springs eternal; it's more that the lines of demarcation have never been clearer - either the 8 big shorts will succeed in turning back prices (with or without JPM's help) and with the regulators' tacit approval or the big shorts will fail.

Yes, we've been here countless times before, but never exactly like this. And if the crooks and their corrupt overseers win one more time, it will be one less time before the genuine liftoff. Having always bet on all past liftoffs, this is not the time to quit.

Ted Butler

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Silver – \$26.00 (200 day ma – \$21.13, 50 day ma – \$24.36)

Gold – \$1886 (200 day ma – \$1818, 50 day ma – \$1875)

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