December 2, 2019 – COT Comments

At first blush, I was somewhat disappointed in todayâ??s holiday-delayed release of the new Commitments of Traders (COT) report for positions as of Nov 26, more so in silver than in gold. I had expected a reversal of sorts of the prior weekâ??s report and that the new report would feature managed money selling and commercial buying. That was definitely not the case in silver, where there was significant managed money buying (mostly of the short-covering variety) and even in gold, where there was commercial buying, although it was not the managed money traders doing the selling, but the other large reporting speculators instead.

All that said, the one glaring feature that came through in this weekâ??s report is the same glaring feature of the past couple of months, namely, the continued lack of managed money selling since the September price highs. And, obviously, if the managed money traders havenâ??t sold as much as they have on past price declines, their commercial counterparts havenâ??t been able to buy as much either. Thus, the unresolved stalemate continues and it is this lack of a resolution that overrides future gold and silver prices.

Other features that have stood out also remained in force. This reporting week, JPMorgan appears to have added 2,000 to 3,000 new silver shorts, but also appears to have bought back around 5000 gold shorts. Iâ??d peg JPM as being short 7,000 to 8,000 COMEX silver contracts (35 to 40 million oz) and 25,000 gold contracts (2.5 million oz). Of course, JPM also holds 900 million oz of physical silver and 25 million oz of physical gold, so its paper shorts are little more than a footnote. This Friday, weâ??ll get a new Bank Participation Report to hopefully help drill down on what JPM holds in COMEX futures.

Importantly, while there has been relatively little managed money selling and commercial buying over the past two months, the amount of commercial buying by JPMorgan is more than relatively large compared to the buying by other commercials. From the respective price highs, there has been around an 11,000 contract reduction in the total commercial net short position in silverÂ (since Sep 10), while JPMorgan has bought back 15,000 to 20,000 Â contracts of its shorts. Â In gold, since Sep 24, the total commercial short position has been reduced by 40,000 contracts, with JPMorgan accounting for around 30,000 contracts on its own. This is the stuff of monumental double crosses.

In this weekâ??s gold COT report, the commercials reduced their total net short position by 13,600 contracts to 305,500 contracts, not that much different than the number of contracts (17,600) they added in the prior week. (That was as close as I got in my expectations).

The twist in gold was that the managed money traders hardly sold at all, selling only 912 net contracts, consisting of the sale and liquidation of 3071 long contracts and the buyback and covering of 2159 short contracts. This week, the other large reporting speculators sold, essentially, all the contracts that the commercials bought.

In COMEX silver futures, the commercials increased their total net short position by 7300 contracts, to 73,900 contracts. (And here I was looking for a reduction of a similar amount). I would remind you that prices traded mostly lower over the reporting week and well-below a host of moving averages, so the increase in commercial shorting came as a surprise to me. Then again, the past couple of months have been a surprise, since silver prices fell as much as $3, accompanied by a series of moving average penetrations and the commercial (once you factor in JPMâ??s buying) total net short position has actually increased.

On the managed money side in silver, these traders bought about 1000 more net contracts than the commercials sold, in buying 8294 net contracts, consisting of the new purchase of 2065 longs and the buyback and covering of a hefty 6229 short contracts. The resultant managed money net long position of 48,139 contracts (75,942 longs versus 27,803 shorts) is only about 12,000 less contracts than the net long position at $19.50 in September â?? not something I would have predicted in a million years.

There was some slight selling of about 800 contracts in the concentrated long position of the 4 largest traders in silver, reducing that position to 52,610 net longs and about 3000 contracts were sold by the 4 big concentrated gold longs, reducing that position to 129,838 contracts. While both concentrated long positions are large by historical standards and preserves the possibility of some big buyer having entered on the long side, this is not a front-burner issue at this time.

In summary, the main issues remain the lack of managed money selling and commercial buying over the past couple of months, superimposed by the tremendous relative buying by JPMorgan. No one knows for sure how the still-extreme market structures in COMEX gold and silver will get resolved, but thatâ??s the main feature. This reporting week did nothing to answer the question except intensify it.

Ted Butler

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Silver – $16.98Â Â Â Â Â Â (200 day ma – $16.21, 50 day ma – $17.48)

Gold – $1468Â Â Â Â Â Â Â Â (200 day ma – $1404, 50 day ma – $1489)

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