

## December 28, 2020 – COT Report Comments

In a twist I don't recall seeing in my many years of analyzing Commitments of Trader (COT) reports, this week's report was cutoff on Monday, December 21, instead of the usual Tuesday, given the holiday schedule. While unusual, it doesn't really matter in the long run, as the data will continue to get reported in the normal fashion (but perhaps with an earlier cutoff date in next Monday's release).

Where it does matter this week, is because there was a pretty sharp selloff on Tuesday, December 22, I was factoring in managed money selling and commercial buying on that day in COMEX gold and silver futures (which wasn't included). Therefore, the data reported today likely reflects a bit more deterioration than I was expecting, but not excessively so and had I known the report would exclude the trading on Tuesday, I would have expected close to the deterioration actually reported. (No this is not a cheap weasel-like excuse, as I didn't post any contract predictions).

In COMEX gold futures, the commercials increased their total net short position by 8800 contracts to 315,100 contracts. This is the largest (most bearish) commercial net short position since March 10. By commercial category, it was mostly a big 4 and 8 affair, as the concentrated short position of the 8 largest traders increased by more than 8400 contracts to 274,777 net contracts. This is the largest concentrated short position since March 24, with the important footnote that back then JPMorgan held close to 25,000 gold short contracts, as opposed to maybe a thousand or so as of last Monday.

On the buy side of gold, the managed money traders bought 6245 net contracts, consisting of the new purchase of 6293 long contracts and the sale of 48 new short contracts. While up a bit from the recent low, the managed money net long position of 108,124 contracts is still historically low and bullish.

Of particular interest in this report was the behavior of the other large reporting traders and short answer is that they didn't do much on a net basis in buying just 367 net contracts, but that included the new purchase of 2967 longs and the new sale of 2600 short contracts. So while these other guys continued to hold near record net long positions, they actually established new record gross long positions. If the other large reporting traders are intending to fold and sell, then they are not flashing any signs of that by what they have done to date.

In COMEX silver futures, the commercial added a rather hefty 8200 new net shorts to a total net short position now amounting to 77,200 contracts. This is the largest (usually considered bearish) commercial net short position since Feb 25. Back then, JPMorgan was still short fairly heavily (around 20,000 contracts) and today is maybe 3 to 4000 contracts short – similar to the setup in gold.

By commercial category, the 8 big shorts added around 3200 new shorts and the raptors (the smaller commercials) liquidated 5000 longs. The 8 largest shorts in COMEX silver held 81,243 contracts (406.2 million oz) short as of last Monday or more than 50% of total annual world production, and there's not a hint any mining companies are responsible for any of this shorting. The 4 largest shorts added just over 2000 new shorts and as of last Monday held 63,074 contracts net short (315.2 million oz) or nearly 79 million oz each on average.

On the buy side of silver, the managed money traders bought 4064 net contracts, consisting of the new purchase of 4869 longs and the short sale of 805 contracts. The other big buyers were the traders in the other large traders's category, which bought 3713 net contracts, comprised of new longs in the amount of 4915 contracts and new shorts of 1202 contracts. While still overshadowed by the other large traders in gold, all of a sudden, the silver version of these other guys now hold their largest net long position (10,000 contracts) since late June and a far cry from their record net short position of 7000 contracts in July. In percentage terms, that's quite a turnabout. Hey, maybe they finally got the office memo.

As I reported on Saturday, in addition to public data that indicates a very tight retail and wholesale situation in physical silver, private reports suggest things may even be tighter than the public data indicate. When one uses the term "tight" to describe the physical condition of a commodity that's the same as saying "pre-shortage". So here we have bona fide public data strongly pointing to tight physical conditions in silver on both a retail and wholesale basis concurrent with the largest concentrated short position in nearly 10 months.

It's hard to think of an act more foolish (or desperate) than to go aggressively short on a commodity indicating many signs that it might be on the verge of a physical shortage. It would take some stronger words than foolish or desperate to describe the holding of a near-record concentrated short position (a very large short position held by just a few traders) in such pre-shortage conditions. Words like manipulation by a few crooked banks and financial institutions come to mind. The fact that these crooked shorts are deeply underwater makes them both desperate to rig selloffs and susceptible to panicking and rushing to cover to the upside.

Thus, the new COT report indicates the betting pot has increased to ever more dangerous levels and throughout it all the regulators at the CFTC, DOJ and CME Group are doing their best to look away or explain why there is nothing wrong with what I just described. That's just marvelous.

Here's an article just posted on Zero hedge contain this year's top surprise predictions by Doug Kass, a well-known market pundit. In prediction number 7, he expects sharp gains for gold and Bitcoin in 2021, but says silver will outperform, hitting \$50 (I'm not sure how another price prediction of \$50 for silver can be considered surprising at this point). Mr. Kass correctly cites silver's highly inelastic by product profile as key to his expectation. However, I get the feeling he is not aware of the extremely concentrated short position in COMEX silver because if he was, he wouldn't settle for \$50.

<https://www.zerohedge.com/markets/doug-kass-15-surprises-2021>

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Silver – \$26.42

Gold – \$1877

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