January 17, 2015 – Weekly Review

Weekly Review

Apparently set off by the earthquake of an announcement by the Swiss central bank that it would end its peg against the Euro, the price of gold and silver jumped sharply this week; gold by $57 (4.7%) and silver by $1.25 (7.6%). As a result of silver's relative outperformance, the silver/gold price ratio tightened in by two full points to 72 to 1. While this is the strongest silver has been priced relative to gold in about a month, silver is still very close to its steepest relative undervaluation compared to gold in years.

Initially, silver hardly reacted at all to the surge in the Swiss Franc, ending trading on Thursday's announcement unchanged, while gold soared $30. Even into early Friday trading, silver remained unchanged in price from Wednesday, only jumping afterwards and on no real news. To me, the delayed reaction was just another confirmation that the price of silver is controlled and manipulated by COMEX trading and this will determine the future price of silver. I'll return to this after the usual weekly format.

For the second week running, the turnover or physical movement of metal into and out from the COMEX-approved silver warehouses remained at or above the torrid weekly average of the past year. Another 5.2 million oz came in or were taken out, as total COMEX silver inventories inched up 0.8 million oz to 174.4 million oz. This continues the unprecedented and highly unique inventory turnover pattern in silver that also continues to remain unmentionable in precious metal commentary for some reason (despite my best efforts to solicit attention).

Having caught my attention when it first began nearly four years ago, I remain convinced that the unusual movement of actual metal into and out from the COMEX silver warehouses represents a tightness in wholesale silver supply. As a result, I am now drawn to other indications that may support or refute my conclusion of tightness in the wholesale silver market (despite the low price) and that a large buyer (JPMorgan) may be responsible for the tightness.

It seems everywhere I look, signs of tightness or a big buyer appears. On Wednesday and Thursday, 3 million oz of silver were removed from the holdings of SLV, the big silver ETF, which is completely counterintuitive since there was a strong rally in price on Tuesday on the highest volume in months. A sharp price rally accompanied by heavy trading volume is the exact formula for a large deposit into a hard metal ETF, like SLV or GLD (in gold).

In fact, the sharp rally and high trading volume in gold this week did result in an exceptionally large deposit of 750,000 oz of gold into the GLD this week, precisely what should have occurred. Despite being the whipping boy for gold supporters, which continue to insist the ETF is a scam of some type, GLD has always performed as it should, namely, it experiences liquidation on price declines and deposits on price rises, just as it should. Of course, that's very different than the counterintuitive withdrawals and deposits in SLV.

If anyone has a different explanation for why there was a noted withdrawal from SLV this week, aside from my explanation that the large silver buyer is converting shares purchased into metal to avoid the SEC's 5% share ownership reporting requirement, please let me hear from you. And please remember, since JPMorgan is not only an Authorized Participant in SLV, but also the trust's metal custodian, no entity would be better suited for doing what I am suggesting is occurring.

I usually don't mention the holdings in other silver ETF's because there is generally not much movement in the form of deposits and withdrawals of metal, but recently there have been some impressive deposits into the SIVR or PHAG silver ETF in London. Although SIVR is the world's fifth largest holder of physical silver (after SLV, the COMEX warehouses, ZKB and the Central Fund of Canada), close to 10 million oz have come into the SIVR over the past month, increasing its holdings to 70 million oz. I'm not so much concerned about whether the holdings have increased or not, but more interested that there has been such a large physical movement (in keeping with my general tightness thesis).

I reported on sales of Silver Eagles on Wednesday and Â?onlyÂ? another 100,000 coins were sold in the past two days. In contrast, sales of Gold Eagles and Buffaloes have been very strong. In fact, sales of gold coins are relatively much stronger than sales of Silver Eagles in the nascent New Year. But not only is it too soon to make valid conclusions about sales of either silver or gold coins, one overriding fact seems to be overlooked when judging sales of Silver Eagles over the past few years.

Because the US Mint has frequently been unable to meet actual demand for Silver Eagles, it goes without saying that if the Mint had been able to satisfy actual demand for Silver Eagles when those coins were demanded, recorded sales would have been higher than reported. How much higher is anyone's guess and my guess is a heck of a lot higher, particularly if JPMorgan could have bought all it was capable of buying. Therefore, when judging sales of Silver Eagles, you should keep the Mint's inability to produce to actual demand in mind, especially in comparison to gold coin sales, where there has been no rationing. It's kind of like comparing who's faster in a footrace and ignoring that one racer is handicapped by a 50 pound weight on his back.
http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

The changes in this week's Commitment of Traders Report (COT) were largely expected in that because prices rose into the Tuesday cutoff (by 50 cents in silver and around $25 in gold), there would be an increase in the headline number of the total commercial net short position. After all, the basic rhythm of the market is that prices rise on speculative buying and the commercials sell when speculators buy. As always, however, there can be nuances under the hood. Most importantly, this report is sort of Â?oldÂ? news, considering the trading action on Thursday and Friday, which is not incorporated in this report.

In COMEX gold futures, there was an increase in the total commercial net short position of 15,000 contracts to 137,700 contracts, yet another new high since August. By commercial category, it was a group effort as all three commercial categories joined in the selling, including the big 4 which had recently shunned selling. The big 4 sold 4500 new shorts, the big 5 thru 8 added 1300 new shorts and the raptors sold 9200 contracts. This put the raptors net short (by 3800 contracts) for the first time since August. JPMorgan's net long position in COMEX gold has become so insignificant (less than 8000 contracts) that it no longer appears to be a market factor. It would be hard to call the resulting gold structure bullish on its face, so I won't try. However, there are some mitigating factors.

For one thing, even though the big 4 increased their net short position for the first time in a while and the total commercial short position is almost 88,000 contracts (8.8 million oz) higher from the gold price and total short position low of November 11, the big 4 still hold a net short position 10,000 contracts lower than they did back then. Of course, that could have changed dramatically with the trading after the cutoff, but all we can do is guess. At a minimum, the biggest COMEX gold shorts have been wise not to have sold aggressively on the $100 gold rally through this report.

The technical funds (in the managed money category) accounted for more than 7700 gold contracts on the buy side, including a further nearly 3900 contracts of short covering. Admittedly, we are getting close to the historical low in the number of managed money shorts remaining, particularly after further expected short covering since the cutoff, but the managed money longs are still not excessively large on a longer historical basis. It would take a significant increase in managed money longs and big 4 shorts in order to call the COT structure flat out bearish. Of course, we can get sell-offs without those extremes.

In COMEX silver futures, there was a significant further increase in the total commercial short position of 7200 contracts to 46,800 contracts. From the lows (price and structure) of November, the total commercial net short position has increased close to 35,000 contracts, the equivalent of 175 million oz of silver, a truly significant amount of silver. Normally such an increase would be historically bearish to the future price prospects of silver. That may turn out to be the case, but there are some extenuating circumstances.

By commercial category, this week's selling was mostly a raptor affair, as the smaller commercials sold another 6600 long positions, reducing their net long position to 12,500 contracts, the lowest since July. The big 5 thru 8 silver shorts added 600 new shorts, while the big 4 stood pat. It was the big 4 standing pat that caught my attention. Considering the strength in the price of silver during the reporting week, it may have unexpectedly confirmed a key premise of mine, namely, what JPMorgan does or doesn't do determines the price of silver.

You know the premise – if the crooks at JPMorgan add to silver shorts, the price likely gets capped; if not, away we go. It's too soon to know for sure what JPMorgan did after the cut-off, but if this crooked bank didn't add to silver shorts no one has to wonder about the jump in price yesterday. If JPMorgan's reluctance to add shorts indicates a real change in the bank's future silver strategy, I couldn't come up with a more bullish development.

If it turns out these crooks did sell, I may have to kick it up a big notch in working to expose just how crooked this bank is, as increasing numbers of you are imploring me to do. I can't imagine how any honest financial institution could tolerate the kinds of accusations I level without a rebuttal. Yet, mum's the word on the part of JPMorgan and the CME Group. We'll see how long that lasts.

On the buy side of silver, the technical funds in the managed money category accounted for 6300 contracts of the 7200 contracts sold by the commercials, including a further 3500 contracts of short covering. There can't be much more than 5000 contracts or so remaining to be covered, particularly after the trading action after the cutoff. As is the case in gold, the long side in the managed money category may not be historically large, once one adjusts for the presence of 15,000 to 20,000 contracts of non-technical fund longs in silver.

But while silver has more unique circumstances (like warehouse and ETF movements) than you can shake a stick at, the most unique factor of all is JPMorgan's stranglehold on the price by virtue of its concentrated short position on the COMEX. Yes, this concentrated short position is way less than at its past extremes (14,000 contracts now versus 40,000 contracts previously), but it, as well as the concentrated short position of the big eight, must not be allowed to increase. Quite simply, this is the defining price issue in silver and has always been so. The best way to illustrate this is by a comparison with gold.

Currently, the concentrated net short position of the eight largest traders in COMEX silver is just under 300 million ounces, while the concentrated net short position of the eight largest shorts in COMEX gold is just under 14 million ounces. There are a bit more than one billion ounces of silver bullion in the world, so the concentrated COMEX short position is close to 30% of all the silver bullion in existence. In gold, there are roughly 3.5 billion ounces (out of 5.5 billion total ounces) of gold bullion in existence, so the concentrated COMEX short position in gold is less than one-half of one percent (0.5%) of the amount of gold bullion in existence.

I'll stipulate that the big COMEX silver and gold shorts likely have little, if any actual metal backing their concentrated shorts, but how can it be legitimate for the size of the silver short position to be more than 60 times greater than the size of the gold short position in terms of the actual amount of bullion in the world? Doesn't that mean that not only is silver more manipulated than gold, it is 60 times more manipulated?

I hope no one takes what I write as a knock on gold, because I think gold is relatively cheap and destined to move higher in a world that gets crazier by the day and that leaves investors with fewer safe haven choices. But sometimes you can only bring out the true merits of something by comparing it to something else. I know of no better comparison for silver than gold and that has been true for thousands of years. Yes, I know we all get hung up with recent price performance and that many suggest gold will outperform silver simply because that's what recent performance suggests. But is that a deep enough analysis?

This week, the price of gold rose by $57. That means that the total value of all 5.5 billion ounces of gold in the world rose by more than $300 billion to more than $7 trillion (5.5 billion oz x $1280). After a bigger price percentage rise, the 2 billion oz of silver in the world (bullion plus coins and small bars) are now worth roughly $35 billion (2 billion oz x $17.75) or one half of one percent of what all the gold is worth. The value of all the gold in the world is 200 times greater than the value of all the silver (bullion, coins and bars) in the world and there is a concentrated short position on the COMEX in silver that is 200 times larger than the equivalent short position in gold.

These are numbers and facts that should not only make your head spin, but illustrate just how manipulated is the price of silver. I don't doubt for a moment that gold has been manipulated in price, but anyone not seeing how much more silver has been manipulated in price must not be looking.

When it comes to proving the gold manipulation, the targets are many (central and bullion banks in general) and the specific proof is somewhat slippery (a concentrated COMEX short position 0.5% of all the world's gold bullion). In silver, the targets are few (the 8 big COMEX shorts led by JPMorgan) and the specific proof is dead solid certain (a concentrated short position that is 30% of all the silver bullion in existence).

Once again, the key to the silver manipulation and the future price of silver is what JPMorgan and the other seven big COMEX shorts do, the same as it has always been. If these crooks sell short a sufficient number of additional COMEX silver contracts (and shares of SLV) they may succeed in capping the price and prolonging the manipulation; if they don't, the price should fly. Either way, we should able to observe the outcome in real time.

After such big increases in the headline number of the total commercial net short positions for both COMEX gold and silver, if one wasn't nervous on COT grounds alone, then he would never be nervous about anything. If we do go down in price, it will be at the hands of the COMEX commercials and not any real world factor. But as I hope I've conveyed, so many new factors have been introduced (the crude oil crash and stock and now currency turmoil) that COT considerations may not be the all-consuming force they once were. Particularly considering how low the price of silver has been driven and how obvious has been the role that JPMorgan and other CME crooks have played in that decline, it would seem only a matter of time before enough of the world's investors wake up to the investment bargain of a lifetime.

The one lesson that I take from the historic Swiss currency revaluation (not that I even contemplated it beforehand) is that major financial events can and do occur out of the blue when manipulation is involved. It is becoming increasingly obvious that many markets have some elevated level of interference that may be coming into sharper focus and that's reflected in increasing volatility. No market has been more manipulated than silver or easier to prove, even down to the identity of the main manipulator. Because it has been a downside manipulation of the longest duration, when it is broken it won't go quietly into the night and will reward holders beyond expectations.

Ted Butler

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Silver – $17.75

Gold – $1280

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