January 26, 2019 – Weekly Review

A sharp rally on Friday erased what would have been a flat to down week in gold and silver through Thursdayâ??s close and instead put gold and silver prices sharply higher for the week. When the dust settled late Friday afternoon (around 5 PM NY Time), gold closed up $20 (1.6%) and at a fresh 7 month high, while silver ended up 39 cents (2.5%), just shy of a multi-month weekly closing high, but enough to tighten the silver/gold price ratio by more than half a point to 82.7 to 1.

Fridayâ??s rally, across the board in all precious metals and copper, was unexpected by me in that most recent daily price fluctuations have been largely unexpected â?? falling when I would expect rallies and rallying when I would have expected price declines â?? thatâ??s why I try my best to avoid short term predictions. Of course, Fridayâ??s sharp metals rally across the board was expected in the sense I have been expecting such a rally for quite some time.

Was Fridayâ??s unexpected rally the start of the big move higher? Could be, but short term predictions still donâ??t matter much. What matters is how one is positioned in the event it is the long overdue start to the big one. As punishing as it has been for being positioned for the rally that never comes, I still believe that not being positioned for the big move up when it arrives in earnest, is a punishment that I refuse to subject myself to. Besides, thereâ??s too much in the background, in terms of the ongoing investigation by the Justice Department, not to have maximum exposure to the long side.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained remarkably strong considering the holiday shortened four-day reporting week, as 6.7 million oz were physically moved. Total COMEX silver inventories nudged up by 0.7 million oz to 296.1 million oz, less than 2 million oz shy of the all-time record set a month or two ago. No movement this week in the JPMorgan COMEX silver warehouse, which remained at 149.8 million oz.

I know I beat this to death, but please bear with me. This weekâ??s physical movement, annualized, is 350 million oz and represents more than a 100% yearly turnover of the total COMEX silver warehouse inventory, the second largest visible silver stockpile in the world (just behind the physical holdings in SLV of 307 million oz). Now, if there were similar physical turnover movements occurring in other commodities, including other metals, I suppose the COMEX silver warehouse turnover wouldnâ??t stand out. But there are no other such physical inventory turnovers in any other commodity. Therefore, isnâ??t it reasonable to ask why the extraordinary turnover exists only in COMEX silver warehouse inventories?

Moreover, looking closer, this extraordinary and unprecedented physical silver turnover inventory appeared suddenly out of the blue, starting nearly 8 years ago, at precisely the same time JPMorgan opened its own COMEX warehouse and as the price of silver topped out at near $50 in late April 2011. The unprecedented silver turnover has continued unabated to this day. There is no doubt in my mind that JPMorganâ??s massive physical silver accumulation is inextricably tied to the sudden start and continuation of the COMEX inventory turnover and is why I included it as one of the key questions that the Justice Department should ask in its investigation. The real wonder is why everyone writing about silver is not asking questions about the unprecedented and verifiable physical COMEX inventory turnover.

The new short report on securities indicated an increase in the short position on SLV, the big silver ETF, of about 1.5 million shares to 10.9 million shares (10.9 million ounces), somewhat less than I would have expected. The increase in the short position of GLD, the big gold ETF, was larger at 3.4 million shares to 16.6 million shares (1.6 million oz), but not unexpected. In terms of equivalent COMEX contracts, the total short position in SLV is less than 2200 COMEX contracts, while the total short position in GLD is the equivalent of 16,000 COMEX contracts. Therefore, the short position in either ETF wouldnâ??t appear to be significant at this time (assuming the short positions are fully reported).

http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2

Now that the US government shutdown appears to be over, at least temporarily, I would hope that next week will bring a resumption of the publication of the Commitments of Traders (COT) report. If it is not possible for the CFTC to update all (five) weekly reports missing through yesterday by next Friday, I hope it knows enough to at least publish the data for the most current week about to end this coming Tuesday (hint, hint). Itâ??s important for the government to replace back pay to furloughed workers as quickly as possible; but itâ??s more important for the CFTC to update the most current data first, than providing past data â?? although all missing reports would be most welcome.

Since there is no alternative to continuing to estimate the actual positioning changes in the face of limited verifiable data, letâ??s get on with it. In trying to calibrate the market structures in COMEX gold and silver futures since the last date, Dec 18, for which COT positioning data were provided, the standout guideposts are price action, volume and changes in total open interest. In terms of price action, until yesterday in gold, the highest price for the rally since Nov 13 was on Friday, January 4, when Feb gold touched $1300.40, before closing lower that day. March silver hit the high for the move that day at $15.955 before closing lower.

On Jan 4, total open interest in COMEX gold was 456,364 contracts, up around 44,000 contracts from Dec 18, although I believe actual managed money buying/commercial selling was double that amount. Through yesterdayâ??s preliminary data, total gold open interest is 538,653 contracts, up more than 15,000 contracts for the day and up 126,000 contracts since Dec 18. I think yesterdayâ??s sharp increase in total gold open interest represented managed money buying and commercial selling, but I am less sure if the entire increase from Jan 4 represented pure outright position taking or spread trading.

Sorry to be so technical, but let me pick as a rough and simple estimate the 126,000 contract increase in total gold open interest since Dec 18 as the net increase in the managed money net long position and commercial net short position. That would put, as of yesterdayâ??s close, the managed money net long position to be around 140,000 contracts and the commercial net short position (the traditional headline number) to be around 220,000 contracts (please allow for a wide variance when the official data is published). All things being equal, I would still consider the market structure in gold to be more neutral than anything, but starting to approach bearish territory.

In silver, on Jan 4, the total open interest was just over 179,000 contracts, up only a little more than 6000 contracts since Dec 18 and reflecting only a few days above the 200 day moving average at that time. Yesterday, on a near 5000 contract increase for the day, total silver open interest is now 12,000 contracts higher than it was on Jan 4 and up around 19,000 contracts since Dec 18. Price action in silver, as Iâ??m sure youâ??re aware, has been punk since Jan 4, suggesting no great managed money buying/commercial selling until yesterday. Therefore, Iâ??d still stick with net managed money buying/commercial selling of somewhere around 15,000 to 20,000 contracts or so since Dec 18. In strict COMEX market terms, whereas godâ??s structure appears to be neutral leaning towards bearish, Iâ??d consider silverâ??s market structure to be bullish to neutral.

While I continue to view the market through the prism of COMEX futures contract positioning, let me be quick to add that I believe there are factors that may render past positioning analysis to be out of step with what may develop ahead. Of course, here I am referring to the Justice Departmentâ??s ongoing investigation and how it may impact JPMorganâ??s behavior. Make no mistake, any change in JPMâ??s activities will have a magnifying effect on silver and gold.

Specifically, if JPMorgan abandons its previous controlling death grip on silver and gold prices, then there will be a new day ahead, unlike the depressing price pattern weâ??ve all become accustomed to for the past nearly eight years. And if anything could force JPMorgan to radically alter its past controlling behavior, I am hard-pressed to conceive of a more dominant force than the US Department of Justice. Thatâ??s why I have remained locked in an obsession of contemplation since the completely unexpected announcement of Nov 6 by the DOJ. I donâ??t care that this development is hardly commented on at all; to me, it is the ultimate game changer.

Perhaps Iâ??m ignoring my own self-learned (the hard way) experiences over the decades and am reading way too much into recent price action, particularly since we are flying somewhat blind by the loss of the instrumentation of hard COT data, but one has to call them as he sees them. And the way I see it is that in the week after the Nov 6 announcement, JPMorgan, caught completely off guard, rushed to buy back as many COMEX silver and gold shorts as possible by rigging one last manipulative price jam-job to the downside to clear its decks and to avoid heavy exposure on the short side. Thatâ??s why silver and gold prices have rallied since Nov 13. Certainly, this will be confirmed if the eventual release of the COT data indicates that JPMorgan has sold short more lightly than it has on previous silver and gold rallies over the past decade.

But even in the unlikely event that JPMorgan has sold short as aggressively as it has in the past, it remains to be seen whether this most corrupt bank rigs prices back down as it always has in the past. I have this nagging suspicion that JPMorgan, unable to answer how it could legitimately avoid ever taking a loss since taking over Bear Stearns nearly eleven years ago, may try to answer by actually taking a loss for the first time. That would preclude slamming prices lower to buy back shorts at a profit. I wouldnâ??t put anything past these crooks.

If JPMorgan has altered its previous wicked ways, recent price action may be reflective of that, particularly yesterdayâ??s sudden across the board metals rally. Take JPMorgan out of the pricing equation and there will be a new day indeed. I commented on Wednesday how, despite nearly three weeks of flat to down price action and a few days back below the key 200 day moving average, there didnâ??t appear to be excessive managed money selling in silver and how this was the key to any downside flush out. That there didnâ??t appear to be excessive managed money buying on the rally from Nov 13 was also a big plus in silver.

In any case, the price action since the Nov 6 announcement appears to be different in both silver and gold (although Iâ??ve admitted that I may be reading too much into it). Considering that the usual price action has been all too depressing over the past nearly 8 years, different seems to be very promising. Letâ??s face it, while I strongly suspected that silver (and gold) would move decisively to the upside at some point, I was careful to avoid any suggestion that the timing could be precisely pinpointed and predicted in advance. I was always much more convinced prices would get up and go when least expected (although I personally expected silver to get up and go almost every day â?? hence my kamikaze call option addiction).

But now there may be good reason to believe the time for liftoff may be at hand or that it soon may arrive. It goes without saying that I have always looked for that special signal suggesting that the time had arrived and in this sense I imagine that I am no different than anyone else. I was never sure what the signal would be, as Iâ??m not a soothsayer or physic, but hoped to recognize it should it appear. From everything I think I know, I believe the Justice Departmentâ??s announcement is the special signal or the closest thing to the special signal to date.

With the caveat that it may not unfold with the precise immediacy as I imagine, given no one knowing the precise timetable under which the Justice Department operates, let me try to explain why I am obsessed with the Nov 6 announcement as being the best signal to date for a silver price liftoff and what it means if Iâ??m correct. First, itâ??s no secret that I have honed in on JPMorgan as being the big silver and gold crook and price controller since shortly after discovering this in 2008. In fact, Iâ??ve never once veered from this conviction. This discovery followed and preceded other discoveries, starting with silver being manipulated on the COMEX more than 30 years ago to uncovering the criminal genius of JPMorgan using its control of price to accumulate massive amounts of physical silver and gold over the past nearly 8 years.

All during this time, 33 years in all, I have consistently petitioned (and Iâ??m sure they would say pestered) the federal commodities regulator, the Commodity Futures Trading Commission, to end the silver manipulation as this was its main mission; all to no avail. Sure, I succeeded in forcing the CFTC to investigate and report multiple times, but each and every time the agency denied the manipulation. Finally, for the last ten years, the CFTC stopped responding or pretending to look at all, despite the fact that more observers than ever believe that there exists a manipulation of silver and gold prices.

Then, completely out of the blue, the Department of Justice announces a criminal guilty plea by a former trader of JPMorgan for manipulating precious metals prices on the COMEX, specifically citing silver futures. While I canâ??t confirm that my petition to the FBI five months before the sealed guilty plea was secured had anything to do with the Nov 6 announcement, neither can that possibility be denied. My clear intent was certainly that the DOJ investigate. While all this has very personal significance for everything Iâ??ve tried to do over the past three decades, what does it mean to you, in pure investment terms?

Looking at this, not from my highly personal perspective of what it may mean to my lifeâ??s work, but from purely objective investment terms, this is still a highly unusual circumstance. If silver (and gold) has been manipulated and depressed in price over the long term, the last eleven years by JPMorgan, the involvement by the Justice Department is likely to change the situation radically. The Justice Departmentâ??s investigation is more likely to upend the manipulation than any CFTC investigation before it. Since silver has been manipulated to the downside and is dirt cheap as a result, it stands to reason that any disruption to the manipulation is bound to send prices higher.

But itâ??s much more than just sending silver prices higher. What we have here is an asymmetrical equation, perhaps the most extremely lopsided set up in investment history. In other words, because silver has already been manipulated and beaten down in price for so many years, should the Justice Department fail miserably in ending the manipulation, the resultant price fall should be the equivalent of falling off the edge of the curb to the street, as the current price is already at gutter levels. The price fall from here is only enough for a non-leveraged investor to suffer a twisted ankle in the worst case, while awaiting the inevitable price rise later.

But should the Justice Department do the right thing and that in which it is more than capable, the resultant silver price rise should be one for the record books; literally, the stuff of investment legends. It is the question of what the Justice Department will or wonâ??t do that sets up what looks to me to be the most extremely favorable risk/reward investment equation in history. Thatâ??s because the price of silver is already in the gutter because of JPMorgan and should climb to the heavens should it be forced to stop manipulating the price. That the CFTC should have forced JPMorgan to stop long ago and didnâ??t is water under the bridge; itâ??s up to the DOJ now, as it announced on Nov 6. It goes without saying that should the price of silver suddenly explode, only those already positioned stand to benefit the most.

Ted Butler

January 26, 2019

Silver – $15.75Â Â Â Â Â Â Â Â (200 day ma – $15.37, 50 day ma – $14.93)

Gold – $1302Â Â Â Â Â Â Â Â Â Â (200 day ma – $1252, 50 day ma – $1257)

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