

January 29, 2020 – Weekly Review

Ouch! The COMEX commercial crooks settled any question about who is (still) in control of silver and gold prices with this week's virtuoso performance – their best (and our worst) in sometime. Gold ended the week lower by \$44 (2.4%), while silver got tagged for \$1.85 (7.6%). As a result of this week's sharp relative underperformance by silver, the silver/gold price ratio widened out by 4 full points to 79.65 to 1.

The bloodbath of red ink in silver and gold was ostensibly due to whatever the heck the Fed said late Wednesday, although whatever it did say, obviously, only affected gold and silver, as most other markets shrugged off the Fed's influence by week's end. Of course, I'm joshing – nothing in any Fed statement or the monthly employment report or any of the bandied-about events that seem to lead to sharp moves in silver and gold prices, ever have anything to do with these metals – all are just some type of thin cover story for the commercials (banks) on the COMEX to get their main victims (the managed money traders) to do what the commercials want them to do.

It also goes without saying that absolutely nothing transpired in the real world of actual supply and demand in gold and silver to account for the price carnage. No big increase in metal supply and no big falloff in physical demand – just crooked paper games on the COMEX.

I hope there aren't too many paying attention to gold and silver prices that don't recognize how prices are set – by paper positioning on the COMEX – but the growing numbers of those aware, obviously, have not been sufficient to end the manipulation – at least to this point. Still, the fog of how prices are set on the COMEX has to be lifting and with the growing recognition of just what a scam and cesspool is the COMEX (and the CME Group, the CFTC and the crooked banks running the scam, I, for one, choose to look on the bright side (albeit, with bleeding eyes and shrinking account balances).

Normally, few of us would concern ourselves with the goings-on and backroom drama of a few well-to-do large paper speculators on some private New York bucket shop (exchange) where one side constantly cheated the other. But the problem is that the New York bucket shop in this case is the COMEX, the world's leading precious metals exchange that just happens to dictate gold and silver prices to everyone in the world – metal investors, mining companies and mining countries – and that means the private game of the banks cheating the managed money traders also affects those not playing the crooked private betting game.

Congress has authorized and structured regulated commodity futures trading to guard against excessive speculation dictating and setting prices and what has transpired on the COMEX is close to the opposite of what US commodity law ever intended. Gold and silver prices got smashed over the past few days for one purpose and one purpose only – so that the crooked commercials on the crooked COMEX could trick and hoodwink the managed money traders and others to sell, so that the commercials could buy. Period. We'll see this in next week's COT report.

In the meantime, how anyone pretending to work at the CFTC, particularly those who took an oath to uphold the law, could go through life looking the other way is dumbfounding to me. How hard is it to get a job where you didn't have to see multitudes of people and companies constantly getting screwed and cheated and pretend that wasn't happening? No thanks to the criminal elements on the

COMEX or the regulatory imposters, the massive selloff these past few days is quite bullish to gold and silver prices, as I hope to present.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off from last week's extreme turnover (10.5 million oz) to a slightly below average 3.6 million oz this week. Still, a slightly below average in silver is still miles ahead of the average movement in any other commodity. Total COMEX silver inventories fell by 1.7 million oz to 354.3 million oz, with holdings in the JPMorgan COMEX silver warehouse inching up (by 0.2 million oz) to 185.2 million oz.

Nothing special to report in the gold holdings in the COMEX warehouses, which remained unchanged at 33.4 million oz. Ditto for the JPMorgan COMEX gold warehouse, which remained unchanged at 12.77 million oz.

First day deliveries on the traditionally-big February COMEX gold contract were decidedly lighter than I would have expected, as less than 3800 contracts were issued. Bank of America did stop 1102 contracts and would appear likely to stop more as the month progresses, but it better get cracking if it is short the equivalent of 300,000 contracts (30 million oz) I allege in the OTC market.

Only 1.2 million oz were redeemed in the big silver ETF, SLV, last night after three days of price declines, but it's wise to wait a bit to see how much metal can be shaken out. As it stands, for the week, there were nearly 10 million oz added to the big silver ETF, including last night's redemption a pointing to continued intense physical demand a just the opposite of what the silver price smash would infer and, once again, shining the light on prices being set by crooked COMEX paper dealings.

The new short report on stocks released mid-week for positions held as of the close of business on Jan 14, indicated another increase in the short position on SLV, of 1.5 million shares to just over 30 million shares (ounces). I still hold that the short position is as high as it is due the short sellers not being able to secure physical silver to deposit due to physical tightness a yet another clue pointing to manipulation.

<https://www.wsj.com/market-data/quotes/etf/SLV>

Turning to yesterday's Commitments of Traders (COT) report, the numbers were extremely close (unfortunately) to what I was expecting in gold and a bit more than what I was hoping for silver, but very much in keeping with price performance over the reporting week. As disappointing as the price selloff was these past few days (and not what I was expecting), it is important that the basis for me alleging that crooked COMEX paper positioning sets prices is evident on both price rallies and price smashes.

This reporting week (ended Tuesday) featured a price rise in gold of more than \$40 to multi-month highs. Therefore, it was expected that there would be significant deterioration or managed money buying and commercial selling, with the sharp rise in total open interest of nearly 33,000 contracts suggesting to me that the net position change would be close to that. Sure enough, the net position change was quite close to that, both on the managed money and commercial sides of the ledger.

In silver, the price action was more bifurcated than the action in gold, with silver prices surging up to, but not penetrating the 200-day moving average the first two days of the reporting week, before falling

back the next three days and ending the week up, but down from the price highs of Thursday, Jan 20. Therefore, I wasn't sure what to expect in silver and the numbers did come in a bit higher than I was hoping, but not excessively so.

I will say this, before yesterday's report was published and knowing what happened positioning wise over the past three days since the cutoff for the reporting week, I knew that whatever yesterday's report indicated that it would be the high-water mark in commercial selling in both gold and silver. In other words, I knew yesterday's report would indicate the maximum amount of commercial short selling.

Why I think this is important is that Tuesday's peak in commercial short selling in both gold and silver is substantially less than it was at the prior peak on Nov 16. In gold, the total commercial short position on Tuesday was 38,000 contracts less than it was on Nov 16, while in silver the total commercial short position is more than 18,000 contracts less than it was on Nov 16. My conclusion is that the commercials are looking to quit this crooked game and that accounts for the gradual stepping away from adding short positions as they had in the past. It's particularly noticeable to me in silver, given the focus on the concentrated short position I raised with the CFTC.

In COMEX gold futures, the commercials increased their total net short position by 28,700 contracts to 249,7000 contracts. By commercial categories, it was a big 4 and raptor affair. The 4 big commercial shorts added a hefty 16,800 contracts to a concentrated short position now amounting to 151,029 contracts (15.1 million oz). I was particularly disappointing with the big 4 increase as I had hoped their recent extremely low readings suggested they might stand aside on a gold rally, but that was, obviously not the case.

The big 5 thru 8 gold shorts actually bought back 3000 short contracts, and the big 8 short position grew to 237,984 contracts (23.8 million oz). The raptors (the smaller commercials) sold 14,900 gold contracts, turning their 3200 net long position of the prior week into a 11,700-contract net short position. To be sure, this is all as of Tuesday, and it appears obvious to me that this week's deterioration is a thing of the past and all the commercial selling has been reversed as of yesterday's close.

On the buy side of gold, it was almost exclusively a managed money affair, as these traders bought 29,582 net contracts, consisting of 20,833 new longs and the buyback and covering of 8749 short contracts. I'm fairly confident all that net managed money buying has now been reversed on the price plunge of the last three days. There was a further increase in the short position of the other large reporting trades of nearly 5700 contracts, adding to the 7800 new shorts added in this category the two prior weeks, that I believe I commented on previously. I thought the additions to the short side of this category looked odd, but now I sense these traders knew what was coming and profited mightily on the price smash. Let's see if they bought back shorts in next week's new COT report, as I expect.

The short selling in the other large reporting category is separate from the long side and the big gold whale still appears to be holding onto his 40,000-contract long position, content to ride up and down \$50 moves in gold that amount to \$200 million swings on a 40,000-contract position.

In COMEX silver futures, the commercials increased their total net short position by 6100 contracts to 47,700 contracts. This is the largest (most bearish) short position since Nov 30, but still as mentioned above, is substantially less than the 66,100 contracts held short on Nov 16, the last time silver prices

failed to penetrate the 200-day moving average. I just can't shake the feeling that the commercials have kept a lid on silver prices out of the necessity of having to sell even more contracts should prices decisively penetrate that key moving average.

It's almost as if they are afraid to let silver get too high in price out of the fear of how many new short contracts the big 4 would have to add. It's not a fear the commercials appear to hold in gold - witness the fact that gold has traded above all its key moving averages, including the 200-day, on a regular basis for more than a year. Yes, the commercials short regularly into gold's penetrations above its moving averages, but the new short selling this time is much less than back on Nov 16. But it's substantially different in silver, where the commercials seem highly reluctant to wade aggressively onto the short side for what is now approaching a year.

Yes, perhaps I'm not being entirely objective, since I took the effort to write to the CFTC last March about the concentrated short position in silver and from its response in May, the concentrated short position, even though it rose a bit this week, is still markedly lower than it had been on a progressive basis. In a strange sense, it's somewhat annoying that while silver is still manipulated, the concentrated short position of the 4 largest traders has been progressively shrinking, preventing me from raising the issue with the CFTC and my Congressman. For this reason, among others, I still have the strong sense that the silver manipulation is not long for this world.

By commercial categories in silver, the 4 big shorts did increase their concentrated short position by around 1300 contracts to 49,632 contracts (248 million oz) and since I get the sense that there is no longer a managed money trader in the big 4 category (but still in the big 5 thru 8 category), the big 4 position appears back to the pure commercial make up it usually is. Then again, that's as of Tuesday and I'm sure the managed money traders plowed back onto the short side since then. Still, the big 4 short position of 49,632 is considerably less than it was on Feb 2 (65,262 contracts) or on May 25 (59,855 contracts).

The big 5 thru 8 traders added 500 new shorts and the big 8 short position rose to 67,390 contracts (337 million oz), and although there still may be a managed money trader in this category, like the big 4 position, the big 8 position is now much less than it was on Feb 2 (84,499 contracts) or on May 25 (79,565 contracts) - again preventing me from rattling the regulators' cages. The raptors were the biggest sellers this reporting week in peeling off 4300 long contracts. All, of course, as of Tuesday and not now.

On the buy side of silver, the managed money traders didn't buy as many contracts as the commercials sold (which is good), as these traders bought - only - 3703 net contracts, consisting of the (surprising) sale and liquidation of 1521 long contracts and the buyback and covering of 5224 short contracts. Even after the buyback of shorts, the remaining managed money short position of 24,203 contracts still looked rather large and is, undoubtedly, much larger after the past three days. Making up for the low amount of net managed money buying was the identical amount (3703 contracts) of net buying by the small non-reporting traders - which are likely flushed out by now.

Perhaps it's no big thing and may be an indication I follow things too closely, but I've noticed since Dec 28, a buildup of sorts in the concentrated long position of the 4 largest traders in COMEX silver. I would hardly term the apparent new long as the whale who appeared in gold back last September and who has held steady since then, as the concentrated long position in silver has grown by just under 6000 contracts over the last four reporting weeks, nowhere near the 40,000-contract

position of the gold whale – but 30 million oz of silver is not exactly chump change, either. For comparison's sake, the 6000-contract in question is the equivalent of the entire short position in SLV.

Even more strange, however, is in trying to place the new silver –mini-whale– by categories of traders in the disaggregated COT report, it appears to me that the new long has to be in the commercial swap dealer category, as opposed to the managed money category. In the past, we've had much larger concentrated long positions by the 4 largest traders in silver, but without fail, it was held by managed money traders. This is the first time I've detected a significant and growing silver long position by a commercial trader. It will be interesting to see what this trader did on the selloff since the cutoff and I'll be sure to follow up next week when the new COT report is published.

As painful and damaging as the sharp selloff has been over the past three days, in terms of market structure and what that portends for future prices, the selloff is nothing but good news, (Yes, I know, any more good news will kill us all). But to everything under the sun, there is a reason and the reason silver and gold prices got blasted lower over the past three days was so that the commercials on the COMEX could buy as many gold and silver contracts as they were able to scare and persuade the managed money and other non-commercial traders to sell. Nothing more, nothing less.

Is there more such commercial buying and managed money selling and lower prices to come? Maybe, but not much if past parameters hold. The commercials, of course, will buy an infinite amount of gold and silver contracts if they are able, but it all depends on how many managed money and other non-commercial contracts remain to be sold. You can't get blood out of a stone and neither can the commercials extract more selling than the non-commercials are capable of selling. After the last three days and based upon historical guidelines, we are much closer, if not already at what I would perceive as maximum non-commercial selling.

The important point is what happens next – what happens when the last commercial contract that could be bought is bought? Specifically, will the crooked COMEX commercials run the ongoing scam as always, namely, selling into the next rally just enough to rig another selloff? Or will the commercials choose to then stand aside and let prices liftoff? I'm sure the vast majority of observers would conclude this repetitive scam will go on forever, since it has been decades since this manipulative scheme has been in play. I guess there is something wrong with me because I see it differently, namely, the next time is the best time for the liftoff.

The selloff this week certainly aided the 8 big shorts to the tune of \$1.6 billion and reduced their total losses to \$8.3 billion. Invariably, when the commercials succeed in smashing prices sharply lower, I get questions about how much more do they need to smash prices to get out even? Also invariably, my answer is always the same – it's not just a function of smashing prices lower, the big shorts have to buy back and close out their shorts to truly get out even. The problem for the big shorts is as prices move lower, the supply of those willing to sell (so that the big shorts can buy back) shrinks rapidly – as discussed above.

Therefore, I think we're well past the point when the 8 big shorts can hope to buy back all their shorts to get out even. Instead, I think it's more of a case of the 8 big shorts buying as much as they can (and already have) and then scrambling to the upside to minimize losses when prices turn higher for good.

Ted Butler

January 29, 2022

Silver – \$22.50 (200 day ma – \$24.63, 50 day ma – \$23.03, 100 day ma – \$23.27)

Gold – \$1792 (200 day ma – \$1806, 50 day ma – \$1806, 100 day ma – \$1796)

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