

January 4, 2021 – COT Report Comments

This week, the new Commitments of Traders (COT) report was cutoff as of Tuesday, Dec 29, not that it would have made much difference if the cutoff was on the day before. It did make a difference in the prior report, but we're back to the regular schedule, with the next report due Friday, for positions held as of tomorrow's trading.

There was really nothing special in the headline numbers of this report and we got the generally expected improvement in market structures in both gold and silver, at least in terms of commercial buying. The commercial buying in gold nearly erased the prior week's commercial selling, but silver did indicate more net commercial selling over the past two weeks combined.

In COMEX gold futures, the commercials bought back and reduced their total net short position by 7800 contracts to 307,300 contracts. In terms of commercial categories, the 8 big gold shorts bought back a little over 3200 contracts (but that was all big 4 covering) and now hold a concentrated net short position of 271,530 contracts (27.15 million oz). The raptors bought back 4500 short contracts. JPMorgan bought back the thousand short contracts I pegged them at last week and are now flat.

On the non-commercial side of gold, the managed money traders actually bought 871 net contracts, comprised of new longs in the amount of 1479 contracts and new shorts of 608 contracts. One standout (I'd call it a surprise, but never know what to expect to begin with) was net selling by the other large reporting traders, which sold 10,195 net contracts, consisting of the sale and liquidation of 9537 long contracts and the new sale of 658 short contracts. These other guys are hard to predict and one week is insufficient to conclude they are abandoning the long side. Plus, the traders in this other large reporting category are not homogenous and act in unison. More time is needed to speak definitively about what they may be up to.

In COMEX silver futures, the commercials reduced their total net short position by 1300 contracts to 75,800 contracts. By commercial category, the big 4 bought back just over the 300 short contracts and as of last Tuesday hold 62,751 contracts (313.7 million oz) net short. Combined with the 5 thru 8 largest traders, the big 8 net short position is 80,947 contracts (404.7 million oz), well over 50% of total annual mine production or over 25% of all the 1000 oz bars in the world's silver ETFs and COMEX warehouses (1.5 billion oz) combined. In the good news department, JPMorgan appears to have bought back as many as 2000 of the 3000 to 4000 contracts I had it pegged net short last week, making its silver short position now 1000 to 2000 contracts

The managed money traders sold 1238 net silver contracts (just about offsetting the commercial buying), with the slightly unusual mix of buying 596 new longs and selling 1834 new shorts. The other large reporting traders, as was the case in gold, also sold close to 1300 net contracts. Not much to dig into here.

Since the new COT report wasn't astounding in any way, there's no sense in me dwelling on it. However, the first day of the new trading year, today, certainly started off with a bang and I can't help attributing it to the solid penetration of the 100 day moving average in gold (\$1902), at which we closed 2020. Gold prices blasted above that last remaining moving average of significance and didn't look back – creating a pronounced gap, both on a daily and weekly basis, quite rare. Actually, I was more impressed that silver opened with a gap, but filled it during today's trading, before climbing after some intraday price softness.

Don't worry, I'm not about to start spouting technical jargon, as the key factors to future gold and silver prices remain the plight of the big shorts and whether JPMorgan will come to their rescue. After ending the year \$14 billion in the hole, their worst quarterly showing ever, the first day added another \$1.5 billion in losses to the 8 big gold and silver shorts. Couldn't happen to nicer guys.

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January 4, 2021

Silver – \$27.36

Gold – \$1946

Date Created

2021/01/04