July 10, 2021 – Weekly Review

Gold and silver prices diverged this week, with gold finishing $20 (1.1%) higher and with silver down by 42 cents (1.6%). I have no trouble understanding goldâ??s rise, given its bullish market structure and just about everything else going on in the world, but silverâ??s price weakness is a bit of a head-scratcher â?? that is, if you were unaware of its decades-old manipulation on the COMEX.

As a result of the price divergence, the silver/gold price ratio widened out by nearly two full points to just over 69 to 1, but still within the five-point trading range that has existed since January. If there were any (legitimate) fundamental factors accounting for the price divergence this week, I am unaware of what they might be. While I remain clueless as to the short-term path of the price ratio (as I am unable to read the minds and intentions of the COMEX manipulators), I am still convinced we will look back at the current ratio and marvel at how undervalued silver has been.

A few tidbits related to Wednesdayâ??s article before I go through the usual weekly format and get to yesterdayâ??s COT report. My comments about the US Mint intentionally withholding production and sales of Silver Eagles so as not to exacerbate the developing physical silver shortage elicited a few reactions from subscribers, including one asking my advice on how to present the matter to his elected officials which I was in the process of offering, until the surprise announcement late Wednesday that the Mint had reported a big sale (2.8 million coins) for June.

The timing was more than curious to me and I am persuaded the Treasury Dept knew it could not defend its clear violation of the law by withholding production and sales of Silver Eagles and was prepared to cave on the matter at the first sign of serious push back. Maybe Iâ??m reading too much into the issue, but I am convinced the Treasury Dept was alerted to the developing crisis in silver back on Feb 1 when the Acting Chairman of the CFTC said as much in his public statement of interacting with senior officials to deal with the silver market. That interaction is what led to the Mint withholding Silver Eagles under the guise of a series of explanations that made no sense. The jig was up when I sent (as I always do) Wednesdayâ??s article to the various official at the CFTC on my â??mailing listâ?•. The one big thing I would draw from all this is the US Government does realize just how serious the issues in silver really are.

The main feature of Wednesdayâ??s article was to point out how incredibly over-invested and over-leveraged were most investment assets and how incredibly under-invested and under-leveraged was silver in comparison. In browsing the Internet, I ran across a very well-written article (meaning I agreed with it) by a fund manager from Palm Valley Capital Management (from Jacksonville, Florida).

https://www.palmvalleycapital.com/fundletter

As I suggested, I agreed with the authorâ??s take, but what shocked me was that after reading the piece, in which silver wasnâ??t mentioned once, when I reviewed the fundâ??s current holdings, I discovered the largest single holding in the fund was the Sprott Silver ETF, PSLV, with the Sprott Gold ETF also featured as a large holding. I wrote to the fund manager and he explained the holdings were an overall hedge to protect the portfolio and hadnâ??t been aware of my allegations of a silver manipulation (I had sent him Wednesdayâ??s article since it was so closely aligned with his thoughts).

The final tidbit is an article in todayâ??s Wall Street Journal titled, â??Buy, Borrow and Die: How Rich

Americans Live Off Their Paper Wealthâ?•. It describes how the wealthy have collectively borrowed hundreds of billions of dollars in lieu of having to sell stocks and pay capital gains taxes â?? intended to pass along the assets to their heirs at more favorable tax rates. This is in keeping with the tremendous over-leverage that exists in stocks and other markets (and not in silver). If there ever is a major stock market decline, this built-in over-leverage is bound to make it one for the history books. And if that selloff never materializes, some portion of that borrowed money is bound to find itself moving into silver â?? a win/win, as it were.

The turnover or movement of physical metal either brought into or removed from the COMEX-approved silver warehouses slowed to just under 3.4 million oz this week, as total COMEX silver holdings increased by a slight 0.2 million oz to 350.9 million oz, only slightly above last weekâ??s level, the lowest in 10 months and down close to 50 million oz since January. No change in the holdings in the JPMorgan COMEX silver warehouse, stuck at 187.5 million oz for the fourth week running.

There was higher than typical turnover in the COMEX gold warehouses, but at weekâ??s end the total amount of gold there was unchanged at 35.4 million oz. There was, however, a further increase in the JPMorgan gold warehouses, of 160,000 oz to 13.11 million oz.

Deliveries against the COMEX July contracts continue to wind down, with the main feature being no big fireworks in silver, where total deliveries are likely to be the lowest of the year in traditional delivery months. Less than 6000 total silver contracts have been posted for delivery, with JPMorgan both the biggest issuer (1954 contracts) and stopper (3984 contracts), all for customers and with no dealings in its house account. I canâ??t help but feel better when JPM is not a big net issuer, particularly from its house account.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Physical silver holdings in the worldâ??s silver ETFs, remain mostly unchanged overall, with redemptions in SLV and additions in other silver ETFs, so nothing new to report. I still believe physical silver has come out of the COMEX warehouses, as well as SLV, because they are the biggest, most liquid and logical sources of physical silver. In addition, there is the matter of conversions of shares to metal in the SLV.

What is most noteworthy is that total visible inventories of physical silver have grown by a remarkable 500 million oz or more than 45%, to 1.6 billion oz over the past 16 months, with more than 200 million oz flowing into SLV and more than 90 million oz into the PSLV, and smaller but significant quantities into other silver ETFs. Hard as it is to conceive, close to 80% of the worldâ??s supply of 1000 oz bars (2 billion oz) is held in the silver ETFs and in the COMEX warehouses and, largely, appears destined to remain there, if not increase.

All of this silver, of course, is owned by someone and in the case of the ETFs, by public shareholders and it will be these owners that determine when and at what price the silver will be sold. The amount of the gold bullion in the world (3 billion oz) that is held on the COMEX and in the worldâ??s gold ETFs, is 150 million oz, or 5% of the total vs 80% in silver. To my mind, this makes silver more tightly-held and if you doubt that, spend some time at reddit/WallStreetSilver to get a sense of how likely these 120,000+ recent converts to silver are to sell it any time soon. And to my knowledge no such body of enthusiasts exists in gold or any other commodity away from silver.

https://www.reuters.com/technology/can-reddits-silver-apes-beat-market-2021-07-09/

Whatâ??s most remarkable is how else could one explain the near spontaneous combustion-like bursting into flames of silver interest by the reddit enthusiasts as there having to be some type of oily rags and heat in a closet existing before the bursting into flames. And what possible combination could explain the sudden bursting of interest to buy and hold silver away from the intuitive knowledge that something was causing the price to be artificially depressed? Itâ??s unreasonable to expect such a new group of silver enthusiasts to fully grasp the intricacies of the decades-old COMEX silver scam overnight, but clearly, they do recognize the price of silver is priced too low for some reason. And thatâ??s no knock on the r/wallstreetsilver crowd, as they probably know as much or more than I knew at my six-month mark. Plus, the body of accumulated knowledge that exists today is much greater than it was when I was at the six-month mark more than 35 years ago. Try to imagine what they will come to know six months or six years from now.

Turning to yesterdayâ??s new Commitments of Traders (COT) report, Iâ??d be lying if I didnâ??t say I was somewhat disappointed upon first glance. Both gold and silver prices were higher over the reporting week, so the odds-on bet was to expect deterioration, or non-commercial buying and commercial selling, but I wasnâ??t expecting as much deterioration as was reported. But even though this weekâ??s positioning changes were more than I wanted to see, they did not radically alter the extremely bullish overall market structures in each, also as expected. Do this weekâ??s changes allow for some degree of price rigs to the downside? Yes, but isnâ??t that always the case? Besides, I was extremely encouraged by last weekâ??s changes in silver and its price performance this week stunk â?? so whoâ??s to say for sure what this coming week will bring?

In COMEX gold futures, the commercials increased their total net short position by 19,600 contracts to 214,700 contracts, which is still very much on the lower (bullish) end of the recent and historical range. Even if this gold move turns out to be a typical garden variety upside move and not a run to new highs, itâ??s way too soon to tell from COT-readings. Â By commercial categories, the 4 big shorts added around 4700 new shorts and now hold 142,072 contracts net short (14.2 million oz). The next 5 thru 8 largest shorts added 1500 new shorts and the big 8 concentrated short position is 211,478 contracts (21.1 million oz) as of Tuesday.

Once again, the smaller commercials away from the big 8, the raptors, were the big commercial sellers in selling 13,400 gold contracts and flipping back to being net short by 3200 contracts from last weekâ??s 10,200 net long position. Â With gold prices strong since the Tuesday cutoff and total open interest up by 14,000 contracts since then, the reasonable bet is for additional commercial selling (my expected spread creation has yet to materialize).

On the buy side of gold, it was largely by the managed money traders who bought 16,578 net contracts, comprised of new longs of 15,780 contracts, as well as 798 contracts of short covering. The resulting net managed money long position of 78,000 contracts is still quite low and bullish. There was net buying by the other large reporting traders of close to 4000 contracts, with most of that due to short covering. Iâ??m still not sure how to predict or handicap what these traders are likely to do, certainly compared to the managed money traders.

In COMEX silver futures, the commercials increased their total net short position by a hefty 6000 contracts to 63,100 contracts. The biggest surprise was that completely opposite to what occurred in the prior week, the 4 big shorts added 4000 new shorts to a concentrated short position of 52,353 contracts (261.8 million oz) as of Tuesday. I want to stop here to consider the changes in the big 4 category over the past three reporting weeks.

First, there was the 3700-contract reduction in the report as of June 22 which was slightly less (by a few hundred contracts) than what I had expected â?? but pretty close. But the next week showed a 5000-contract reduction which was not only the largest actual short covering by the big 4 in memory, it was completely unexpected by me. In fact, I did briefly raise the possibility it was a reporting error, but quickly dismissed the idea. However, this weekâ??s equally surprising 4000-contract increase (I was prepared for a thousand contract increase or so) convinces me a reporting error (last week) was responsible (not that there would ever be an acknowledgement by the CFTC â?? I canâ??t imagine that ever happening).

Maybe the 4 big silver shorts did go hog-wild in both buying back 5000 shorts in the prior week and adding 4000 new shorts this reporting week, but it seems much more reasonable to blend the two weeks as if the prior weekâ??s record 5000 contract was a reporting error corrected this week. Further convincing me is that this weekâ??s 52,353-contract big 4 short position is still the lowest it has been in a year and in the same below 53,000 contract position I had predicted (and hoped for) a few weeks back.

The point of all this is that the 4 big shorts, most likely, did not unexpectedly buy back 5000 short contracts only to, also unexpectedly, resell 4000 new short contracts this week â?? they bought back 1000 short contracts over the past two reporting weeks â?? which was what I was hoping for. Further, I canâ??t imagine the CFTC intentionally misreporting and then correcting the error, as an aid to any trading side. And I still think the Commission had â??wordsâ?• with the big shorts to close out their manipulative silver short position, although the jury is still out on that until we get the next silver rally.

One final point on the remarkable changes in the big 4 short position over the past two reporting weeks. If the changes were reported accurately and not in error as I suggest, then it presents a level of market dominance on both a short-term basis, as well as the long-term manipulation Iâ??ve always alleged. What possible legitimate explanation could be offered to explain how 4 traders could position such large equivalents amounts of silver – 20 to 25 million oz â?? other than to control prices. Certainly no one would dare suggest there could be any possible legitimate hedging explanation â?? not even the most die-hard manipulation denier.

Continuing with the commercial categories in silver this reporting week, the 5 thru 8 big shorts, quite surprisingly, bought back around 2000 short contracts, meaning that while the big 8 short position did increase due the reported big 4 shorting, it â??onlyâ?• increased to 68,232 contracts (341 million oz). Without taking the time to research this closely, the 5 thru 8 short position of 15,879 contracts, strikes me as being the lowest in years, less than 4000 contracts per trader on average. I remember times, years ago, when the 5 thru 8 short position was close to double what it is today.

The reason I feel this is important is because it suggests a further abandoning of the short side by the largest traders on the COMEX â?? which is how it should be in a rational world as who the heck would want to be short big on silver at this time and in these circumstances? Let someone â?? anyone â?? step forward and declare why silver prices should be expected to decline significantly enough to justify a giant concentrated short position; greater than in any other commodity in real world terms. Just donâ??t hold your breath in the interim.

Finishing up on the commercial side of silver, the raptors (the smaller commercials apart from the big 8) sold 3900 longs, reducing their net long position to 5100 contracts. This is close to (give or take one or two thousand contracts) about the lowest raptor net long position of the last year or longer and is bullish on its face because the raptors wouldnâ??t appear likely to get big net short in silver, based upon the historical record (and common sense). What also makes it bullish is that it implies little raptor potential selling on higher silver prices and additional buying on lower prices. Â Coupled with the reduction in the big 5 thru 8 short position it also further underscores the criticality of whether the 4 big shorts add or donâ??t add to short positions on higher silver prices.

On the buy side of silver (apart from the big 5 thru 8 buying), the managed money traders â??onlyâ?• bought 2145 net silver contracts, consisting of new longs in the amount of 3852 contracts and new shorts of 1707 contracts. The largest non-commercial buyers this week were the smaller non-reporting traders which bought nearly 3000 net silver contracts.

Because silver prices were rather stinky since the cutoff (as opposed to continued gold price strength), it is most reasonable to expect commercial buying and non-commercial selling since Tuesday, thus improving the market structure in silver, as opposed to expected deterioration in gold. Thatâ??s just the way it is, namely, crummy price action denotes improvements in the market structure, whereas price strength denotes deterioration in the market structure. Thatâ??s because the crooked COMEX commercials have perfected their cheating ways over the decades.

Despite their decades-long experience in besting the managed money traders, the remaining big commercial shorts are still in a world of real and potential hurt, already out billions of dollars more than they ever made over the span of the manipulation and having been completely out-foxed and double crossed by JPMorgan. Sure, one canâ??t relax for a moment with the COMEX market crooks, but then again, over the last year or two, the big crooksâ?? world has come apart and they find themselves in greater jeopardy than any time previously.

A few words on copper. Iâ??m still quite bullish on copper for the long term, based upon supply/demand fundamentals and on what still appears to be a bullish market structure on the COMEX. The managed money traders have whittled down their net and gross long positions and while there is a chance they could build up big short positions on lower prices, at this point that doesnâ??t look to be in the cards. If these traders donâ??t add big numbers of new shorts on lower prices (always possible), then itâ??s hard for me to see how prices can move much lower.

What prompts these comments is the recent move by the Chinese government to release and sell some stockpiles of copper and other industrial metals for the stated purpose of causing prices to fall. Generally speaking, when governments overtly seek to depress prices, the efforts can work in the short term, but rarely in the long term. In some ways, announcements or intentions of governments to artificially depress prices usually has the opposite effect eventually. The US Treasury Deptâ??s intentional withholding of production of Silver Eagles comes to mind.

Back to China and copper, the first of several planned auctions of copper took place and met with significant demand. There was an initial selloff in copper prices when the announcement was first made, but copper prices soon stabilized.

https://www.mining.com/copper-price-rises-despite-chinas-move-to-release-more-reserves/

One point I donâ??t recall reading about in the initial announcement or afterwards was how much copper was being proposed for sale compared to world production. Of course, like many commodities, China is the worldâ??s largest copper consumer, so it is in its interest for price to be as low as possible. That said, the amount of the first copper auction was 20,000 tons against a world copper production that runs 20 million tons annually. Therefore, the amount of copper auctioned was one-tenth of one percent (0.1%) of annual copper production or put differently, about a third of one dayâ??s world production.

Markets, of course, are often psychological and Chinaâ??s announcement did add to price weakness in copper and other base metals quite a bit more than the 0.1% of annual production it represented, but then again, Iâ??m sure that was Chinaâ??s intent.Â In the long run, however, it will take more than that to keep copper prices from climbing.

This weekâ??s price gains in gold offset the losses in silver as far as increasing slightly the total losses to the 8 big shorts in COMEX gold and silver. For the week, the 8 big shortsâ?? total losses increased by nearly $300 million to $10.9 billion.

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Silver – $26.18Â Â Â (200 day ma – $25.80, 50 day ma – $27.13, 100 day ma – $26.55)

Gold – $1808Â Â Â Â Â Â (200 day ma – $1830, 50 day ma – $1834, 100 day ma – $1790)

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