July 13, 2019 – Weekly Review

Gold and silver prices ended higher for the week, with the rarity being that silver slightly outpaced the gain in gold for a change. Gold ended $18 (1.3%) higher, while silver added 25 cents (1.7%) for the week. This caused the silver/gold price ratio to tighten ever so slightly to still a mind-numbingly wide 93 to 1. While I admit to thinking that silver was grossly undervalued to gold at 60, 70 and 80 to 1, I still believe we will look back in amazement that silver got as undervalued as it has.

To be sure, there is nothing in the real world of supply and demand that accounts for silverâ??s mispricing, the only possible explanation is the same one more seem to see every day, namely, manipulative positioning on the COMEX. The positioning indicated in yesterdayâ??s Commitments of Traders (COT) report was as close as reasonably possible to my prior estimates and Iâ??ll cover those changes in a moment.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouse slowed to a trickle this week, as only 1.1 million oz were moved and total inventories remained unchanged at 306.6 million oz. Also unchanged were the holdings in the JPMorgan COMEX warehouse, at 153.8 million oz.

On these pages over the past 8 years or so, I have documented that roughly 2 billion oz of silver were physically moved in and out of the COMEX silver warehouses. Thatâ??s roughly equal to all the silver in the world and I remain astonished that so few even mention it, particularly seeing as the data is available daily. My own sense is that this unprecedented movement was created by JPMorgan in April 2011as a means of skimming off at least 250 million oz of silver (not held in the COMEX warehouses, but part of its 850 million oz holdings).

Of course, from the moment silver hit its price high at the end of April 2011 to today, the price of silver has been pressured lower as the turnover in the COMEX warehouses raged. Call me crazy, but I can easily see silver rising in price when the physical turnover comes to a halt, as this week may indicate, meaning that JPMorgan may have finally acquired as much silver as it desires. Is that time at hand? Could be.

While price action has been disappointing to say the least in silver, a remarkable amount of physical silver has flowed into the worldâ??s leading ETFs, some 30 million oz over the past month. The most plausible explanation for the sharp growth in ETF physical flows is net investment demand. Who the investors may be is up for question, but it sure doesnâ??t look bearish to me.

Since I seem to be coming down with an intestinal bug, courtesy of a visit to Florida to see my grandkids, please forgive me if this missive ends up shorter than usual.

Yesterdayâ??s COT report was definitely in the highly expected category. I was expecting 5000 contracts or, hopefully more of managed money selling and commercial buying in silver and a less proportionate amount in gold, since gold is 3 to 5 times larger than silver in COMEX futures terms. In Mondayâ??s COT comments, I further specified that I was expecting both pronounced short covering by JPMorgan and long liquidation from the 4 big concentrated longs, most of which were managed money traders. (Iâ??ll get to the new â??Silver Whaleâ?• article in a bit). Yesterdayâ??s data conformed JPM silver short covering and managed money long liquidation by the 4 big concentrated longs.

In COMEX gold futures, the commercials reduced their total net short position by 8400 contracts to 278,400 contracts. This still must be considered a bearish market structure and I note that many commentators seem to be picking up on the bearish theme in gold. As for me, while I concur that the COMEX market structure is historically bearish, it is the only bearish indicator I can find in gold. Potentially overriding the COMEX bearish structure is the position that JPMorgan is in to double cross the other commercial shorts. Yes. JPM is net short maybe 45,000 COMEX gold contracts (having covered a chunk this week), but it is holding perhaps 25 million oz of physical gold, leaving it in a true net long position of more than 20 million oz and in perfect position to screw the other COMEX shorts.

The managed money traders sold 11,476 net gold contracts, consisting of the long liquidation of 5885 contracts and the new short sale of 5591 contracts. The resultant net long position of the managed money traders, at 182,611 contracts (208,301 longs versus 25,690 shorts) must still be considered bearish, but if a double cross of the other commercials by JPM occurs, the usual brain dead technical funds could end up looking like geniuses.

In COMEX silver futures, the commercials reduced their total net short position by 6800 contracts to 45,300 contracts. Of particular note was that JPMorgan appeared to cover nearly 5000 silver shorts and I would now estimate that JPM is net short anywhere from zero to 5000 contracts net short. At this stage of the game, this is one of the lowest net short positions held by these crooks and considering that JPM holds 850 million oz of physical silver, its potential profits are the stuff of legend.

The managed money traders sold 6396 net silver contracts, comprised of the sale of 4909 long contracts and the new sale of 1487 short contracts. The resultant net long position of the managed money traders of 15,527 (76,472 longs versus 60,945 shorts) must still be considered bullish, especially when compared to gold.

The 4 big concentrated silver longs, which I have been writing about for nearly a month, further reduced their net long position by 3882 contracts to 62,707 contracts. The only reporting category to have liquidated enough (or any real) number of contracts in the reporting week were managed money traders, proving conclusively that managed money traders held a significant percentage of the very strange concentrated net long position in COMEX silver. How else could I have expected managed money long liquidation by the 4 concentrated longs on Monday?

This is in direct conflict with the new article by Alasdair Macleod, of which many of you asked my opinion. As I think most of you know, it is not my custom to critique othersâ?? work, as that strikes me as unprofessional. Let everyone present what they wish to present. But there is enough factually incorrect in Macleodâ??s article that it would be a disservice not to address those very serious errors.

https://www.goldmoney.com/research/goldmoney-insights/a-whale-is-accumulating-silver-futures

Since Iâ??ve been writing about the highly unusual and unprecedented concentrated long position in COMEX silver futures for weeks, I thought at first Alasdair picked it up from me (certainly, I didnâ??t pick it up from him). Macleod holds, among other things, that the concentrated long position is mostly (or exclusively held) by commercials and not managed money traders. Thatâ??s false on its face.

Since May 28 (all COT dates) the concentrated silver long position grew by nearly 18,000 contracts from 49,614 contracts to 67,328 contracts on June 25 (to coincide with Macleodâ??s article). Over that time the managed money traders bought a total of 59,930 net silver contracts. Over that same period, the commercials SOLD 53,678 net silver contracts. Unless thereâ??s a new math being deployed here, the sharp increase in the concentrated long position was very unlikely to have been caused by commercials.

I have stipulated all along that there might be a commercial trader in the ranks of the concentrated long, but clearly at least two and most likely three of the four big silver longs are managed money traders. Plus this weekâ??s exclusive long liquidation by the managed money traders and the concurrent reduction in the concentrated long position (nearly matching contract for contract) further confirms that Macleodâ??s basic premise is fundamentally incorrect. In addition, the concentrated long position grew the most when silver penetrated its moving averages to the upside and shrank when the moving averages were penetrated to the downside.

Even after the liquidation by the managed money traders and the big concentrated longs, over the past two reporting week, the managed money category is still slightly more long (on a gross basis) than the combined commercial gross long position (Producer/Merchant and Swap Dealers combined). Thatâ??s not evidence that the commercials are holding the concentrated long position â?? just the opposite.

Since the basic math in the article as to who holds the unusual concentrated long position in silver is so flawed, the speculation that follows is just as flawed. I found that all the speculation about a commercial trader (a user nonetheless) being the big long and further that it was China to be off the rails. Ditto with the convoluted discussion that the commercial sellers on the COMEX were largely mining companies. There are no mining companies hedging on the COMEX, otherwise they would have to publicly report such hedging according to the Financial Accounting Standard Board (FASB).

And I had to laugh at the explanation that mining companies hedged doreâ?? and that accounted for big swings in COMEX short positions. First, there is no reporting by public companies of COMEX hedging and even if there was, the same amount of ore is taken out of the ground and converted into metal every single day. Mining is not like growing crops when the harvest comes in at once, itâ??s a 24/7, 365 day operation, meaning if Doreâ?? was being hedged the hedges would be lifted when metal was produced, which takes weeks

And Iâ??m sick and tired about hearing how JPMorgan is acting on Chinaâ??s behalf, a favorite of the whack- job tin-foil hat conspiracists. For one thing, would make the manipulation run by JPMorgan any less illegal? Even if JPMorgan was manipulating prices in its role as the big silver and gold COMEX short for the benefit of a large client, how would that make the manipulation kosher? All it would add are charges of treason against JPM for benefitting a foreign nation over the US. But the real proof that JPMorgan is in it for its own benefit is because thatâ??s how these boyz roll. Â JPMorgan putting the interests of its clients (any client) above its own has to be a joke. When has that ever occurred?

Finally, I would have preferred Macleod use a different term than â??whaleâ?• because the last time that was used in connection with JPM was in the case of the London Whale, which as I recall didnâ??t end so peachy for JPMorgan. About the only redeeming feature of the article is that it correctly portrayed JPMorgan as the big silver kingpin (but for all the wrong reasons). You asked, I answered. The purpose here was not to flame anyone, but to set the record straight.

In closing off, the key factor for silver and gold is, hands down, what the crooks at JPMorgan do in terms of double crossing the other commercial. Should the dirty deed go down, get ready for prices fireworks to the upside. Also, I should mention that the managed money traders established a record net short position in COMEX copper as of Tuesday, a condition that has proven to bullish in the past.

The $18 rally in gold this week added nearly $470 million to the 8 big gold shorts open losses in my running money scoreboard. Rounding it up to $500 million for the week to include silver that puts the 8 big shorts in the hole to the tune of $1.7 billion. Therefore, a double cross by JPM could catch the big shorts in a disadvantaged position even before any big rally.

Ted Butler

July 13, 2019

Silver – $15.25Â Â Â Â (200 day ma – $15.00, 50 day ma – $14.89)

Gold – $1418Â Â Â Â Â Â Â Â (200 day ma – $1286, 50 day ma – $1339)

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