July 19, 2017 – Silver – Always Special

Iâ??ve long maintained that if you look closely (and objectively) enough, various signs emerge that point to silver being more manipulated in price than any other commodity. Signs ranging from silver having the most concentrated and largest short position in real world terms, the growing evidence of JPMorganâ??s dominant role in all things silver and the unmistakable effect of COMEX positioning on price to the complete exclusion of actual fundamentals.

Over the years, the various signs have grown so compelling to me that new signs pointing to silverâ??s very special manipulation seem to pop up regularly. Hereâ??s another anomaly Iâ??ve been thinking about recently. Iâ??ll let you decide if it points to silverâ??s special status, as I believe to be the case.

The very recent price action suggests prices may have bottomed in gold and silver following the most deliberate and intentional take down in history. I donâ??t use those words loosely, as more managed money contracts were sold and commercial contracts bought in COMEX silver futures since April 18 than any time in history. All told, the managed money traders sold more than 100,000 net silver contracts (500 million oz) on the price decline of nearly $3.50 into early July. The COMEX market structure in silver went from bearish to extremely bullish to super-duper extremely bullish in the process.

In gold, essentially the same managed money traders sold more than 140,000 net contracts (14 million oz) since June 6, on goldâ??s price decline of around $85 into early July. This was a very sizable positioning change gold, exclusively explaining the price drop and turning the market structure to extremely bullish, by my reckoning. As dramatic as was the extent of positioning in COMEX gold and the resultant bullish market structure, it wasnâ??t on a par with the extreme change and positioning in silver â?? which tends to confirm a uniqueness in silver.

If gold and silver prices have bottomed, as I believe, then all eyes shift to how the rally from the lows will look. Leaving aside my price explosion premise in silver for the moment brought about by the refusal of JPMorgan and other large COMEX silver short sellers to add to existing short positions, the price rally we may have just started will unfold largely along the same lines by which prices fell. Not that prices will rise in a mirror image of how they fell, but the market mechanics will mirror managed money/commercial positioning. In other words, we know prices will rise as managed money traders reverse positions and begin to buy and how fast and far the prices of gold and silver move higher will largely be determined by how aggressive the commercials sell into that managed money buying.

The buying and selling behavior of the managed money technical funds is guided mainly by moving average considerations. When prices are above the key moving averages, these traders get into buy mode and as prices move higher, the technical funds keep buying until they have exhausted their total buying power. On the sell side, as weâ??ve just witnessed, these managed money technical funds sell and sell short as prices penetrate the key moving averages to the downside, again continuing to sell until they hit the limit of their selling capacity (as I believe just occurred).

Therefore, the real sweet spot to timing price moves is to sell as the technical funds become fully positioned on the long side and begin to sell and to buy just after the technical funds have fully positioned themselves on the short side and begin to buy. Clearly thatâ??s the thinking behind my

extremely bullish take on gold and silver presently. But what has occurred to me recently is that the setup in silver is particularly special due to the very unique moving average circumstances over the past three months. (Again, I donâ??t place any importance on moving averages, away from the Pavlovian effect it has on the technical funds).

The main reason silver has experienced a record large positioning change over the past three months is because the price has been kept (I would argue deliberately) under the key moving averages (the 50 and 200 day) for all but a few days. There were just a handful of days into early June where the 50 day moving average in silver was slightly penetrated to the upside and maybe a single day or two around then when the 200 day moving average was also slightly penetrated to the upside; but the standout feature over the past three months has been how decisively silver has remained below its key moving averages. This is why and how the technical funds have sold in record amounts.

Contrasting the near-uniform pricing in silver below its key moving averages, over the past three months the price of gold spent roughly half of the time either above or below its key 50 and 200 day moving averages. This difference between gold and silver is striking and fully explains why the technical funds sold much more aggressively in silver than they did in gold. This difference can also be seen in the greater distance below the moving averages the price has been in silver relative to gold. Therefore, itâ??s no particular surprise that gold has now crossed above its 200 day moving average and threatens to upwardly penetrate its 50 day moving average, while silver remains below both its key moving averages.

But rather than bemoan silverâ??s failure to date to upwardly penetrate its key moving averages, as gold is in the process of accomplishing, I would focus more on the nature of what is likely to occur once silver upwardly penetrates its moving average. Nothing, in terms of buying power and price effect, is lost by the delay in the eventual upward penetration by silver. In human emotional terms, the delay may seem interminable, but in market mechanical terms, not only does the delay not matter a whit, it may actually add greater force to the certain buying power to come in silver. Thatâ??s because this is a highly mechanical proposition â?? the technical funds will buy (or attempt to buy) whenever silver prices decisively penetrate the key moving averages to the upside and this penetration must occur at some point.

I still believe in the silver price explosion premise Iâ??ve gone on record about since early May, mostly as a result of the then-extreme COMEX positioning at that time. The subsequent and even more extreme positioning into last week only strengthens the possibility of a silver price explosion. In the end, the explosion premise still rests upon whether JPMorgan and a few other large COMEX commercials add to short positions, same as it ever was. But there are other positioning changes likely to come that I would like to address.

As I indicated on Saturday, the traders I refer to as the raptors hold near-record net long positions in both COMEX silver and gold futures contracts. These smaller commercials (apart from the big 8) buy and sell in the same manner as JPMorgan and the bigger boys, namely, all the commercials, large and small, trick and induce the technical funds so that the commercials can take the other side of the technical fundsâ?? trades. Thatâ??s the game (and the manipulation).

Over the last few years, the raptors have shown a greater propensity to get net long on lower prices (such as now), rather than getting big net short on higher prices, as they had in years past. Therefore, it has to be expected that as prices rise and the technical funds move to buyback short positions and

add new longs, the raptors will most likely sell off the large gold and silver long positions they have acquired â?? all at large profits. For instance, of the more than 100,000 net silver contracts the managed money technical funds have sold since April 18, the silver raptors have purchased 60,000 of those net COMEX silver contracts.

JPMorgan may have been the largest single entity buying COMEX silver contracts over this time (more than 20,000 net contracts), but the raptors were the largest collective buyers. Moreover, JPMorgan is still net short in COMEX silver futures, while the raptors are decidedly net long â?? meaning the raptors will take profits by selling at higher prices, whereas JPMorgan, should it decide to sell, will be adding to short positions to control and manipulate prices, not to take profits. Thatâ??s an important distinction that has been lost on the regulators until now.

What this means in practical terms is that it must be expected that the raptors in both gold and silver will sell and take profits on their large net long positions as gold and silver prices rise â?? this is in their financial interest and is why they trade. Any such raptor sales will have somewhat of a price depressant effect as the contracts are sold, but these traders are also interested in maximum profits and they know how to make the technical funds reach up in price when they move to buy. The raptors, in my opinion, are less interested in capping gold and silver prices than they are in taking as much money as they can from the technical funds. It will be the additional short sales by JPMorgan (or lack thereof) that will determine whether silver prices get capped on this next go-around.

Therefore, I am expecting strong raptor selling in both gold and silver, as and when prices move higher. Based upon the amount of raptor long contracts added since April 18 in silver and from June 6 in gold, it would be reasonable to expect the raptors to sell at least 50,000 total contracts in silver and 100,000 contracts in gold on higher prices. Not to worry, these contracts will only be sold on higher prices as the technical funds come in to buy.

The problem, particularly in silver, is that raptor selling of 50,000 contracts on higher prices ahead wonâ??t come close to satisfying what I estimate to be as much as the 100,000 net contracts that the technical funds appear more than capable of buying on higher silver prices. Where am I getting the 100,000 contracts of technical fund buying from? Iâ??m getting from what the technical funds held three months ago as silver prices topped out at $18.50. It seems eminently reasonable to me that silver could easily rise to $18.50 or higher at some point and considering how the technical funds have operated over the decades, why wouldnâ??t they buy as they have always bought in the past? Remember, these traders are mechanical slaves to moving average penetrations.

That puts us back to square one â?? unless JPMorgan and a few other large commercials add aggressively to short positions in COMEX silver, the expected raptor selling of 50,000 contracts wonâ??t be near close enough to satisfying the potential 100,000 contracts of technical fund buying likely to occur. Iâ??ve heard countless manipulation deniers claim that no one ever complains about manipulation when prices rise, yet that is precisely what I am doing. I am spelling out in advance that should JPMorgan add to silver short positions on higher prices ahead, that is the very essence of the manipulation I have presented over the past 30 years.

I canâ??t know what the crooks at JPMorgan will or wonâ??t do; but I know that the act of short selling primarily to cap and contain prices is manipulative on its face. Iâ??m just hoping that the CFTCâ??s new Enforcement Director, James McDonald, is now aware of the relatively straightforward process employed by JPMorgan to manipulate silver prices and has the gumption to do something about it.

Even if McDonald fails to step up to the plate, I am further flabbergasted by the growing extent of COT commentary in silver and gold and imagine it canâ??t be that long before many recognize the scam and fraud pulled off by JPMorgan and other assorted CME vermin. (One of the advantages of understanding whatâ??s going on in silver is being able to call the crooks out).

As far as what to expect in this weekâ??s Commitments of Traders (COT) Report, it would be too much to hope for another large improvement in the market structure of COMEX gold and silver, since prices rallied in each, with gold up as much as $30 and silver by 50 cents over the reporting week through yesterdayâ??s cutoff. The more appropriate question is by how much the structure deteriorated, particularly in gold where the key 200 day moving average was slightly penetrated on Monday and more decisively yesterday. As already discussed, the price of silver has remained below its key moving averages and even the one dollar rally up off last Mondayâ??s price lows leaves silver close to a dollar below its 200 day moving average.

The important point here is that deterioration, namely, buying by the managed money technical funds and selling by the commercials is not to feared, but expected as prices rise. Considering the sharp improvement in market structure over the past three months in silver and five weeks in gold, it is a given that there will be managed moneyÂ buying and commercial selling on higher prices. But there appears to be much more such activity ahead before the structure becomes negative, so we must pace ourselves and not become overly concerned about the market structure deteriorating too quickly. Heck, in silver, the case can be made that we havenâ??t really even started a move higher in terms of counting contracts.

The key silver contracts to count, of course, are those added to the short side by JPMorgan. Should the amount of short contracts added by this crooked bank grow as silver prices rally, the prospects for a price explosion dim. Should the crooks at JPM not add to silver shorts, then strap in for a rocket ride higher. The existing COMEX market structure virtually guarantees higher gold and silver prices, but the lack of new short selling by JPMorgan in silver portends a rally of proportions few can visualize at this time.

In my discussion on Saturday of the 9.5 million oz added to the SLV and what that might mean for the short position in the next report, I mistakenly used the wrong date for the coming report. The correct date is July 25, next Tuesday. Hereâ??s a schedule calendar for reference (which I actually consulted, but then read wrong).

http://shortsqueeze.com/data-release.php

Once again, I am not necessarily predicting a sharp decline in the short position in SLV in that report, but should one occur it will be due to the otherwise inexplicably big influx of metal (which resulted in new shares being created). Should the short interest not decline sharply, I am still convinced that the big metal deposits were intended to close out short positions in SLV, but the new shares and the existing short positions were kept open and not crossed – a variety of shorting against the box.

Ted Butler

July 19, 2017

Silver – $16.30Â Â Â Â (200 day ma – $17.21, 50 day ma – $16.65)

Gold – $1242Â Â Â Â Â Â Â Â (200 day ma – $1233, 50 day ma – $1248)

Date Created
2017/07/19