July 23, 2022 – Weekly Review

Following five consecutive weekly closes at new price lows, gold managed to end the week higher, by $19 (1.1%), despite making fresh intra-week lows on Thursday morning. Silver wasnâ??t as fortunate, ending lower by 15 cents (0.8%) and notching its sixth straight weekly close, despite failing to make new intra-week lows. Silverâ??s weekly close was the lowest in two years.

As a result of silverâ??s continued relative underperformance, the silver/gold price ratio widened out by nearly two full points to 93.25 to 1. This is also the cheapest silver has been relative to gold in two years and truth be told, I donâ??t know if Iâ??m more insulted intellectually, outraged at the audacity of the collusive COMEX commercials and the passivity of the regulators at the CFTC and the CME Group or excited by the prospects of how this deliberate price smash will most likely turn out.

Despite the lack of commentary pointing to the clear intent of the COMEX commercials in deliberately rigging the price smash over the past four months so that they could buy every contract that the managed money traders could be hoodwinked into selling in silver, gold, copper, platinum and palladium, at least the record of the commercialsâ?? success is widely recognized in the continuing flow of Commitments of Traders (COT) report data. Yesterdayâ??s COT report included yet another stunning result in gold, with silver not that far behind.

In COT report terms, which measures by far the most important, if not sole driver of metals prices â?? positioning changes on the COMEX â?? the record couldnâ??t be clearer, namely, that the commercials, including the most important concentrated commercial short sellers, have been hellbent on buying as many metals contracts as possible, including short-covering and new buying. Since the only practical way the commercials (mostly banks) could possibly buy significant quantities of COMEX metals contracts and avoid massive losses is by orchestrating a contrived selloff intended to dupe the managed money traders into selling aggressively, this explains the selloff in a nutshell.

Unfortunately, the COMEX commercialsâ?? success necessitates the extremely low prices that cause great pain to those not directly engaged in the private bucket shop that defines the COMEX, including, essentially, everyone in the world, since the COMEX has risen to the level that its prices are the worldâ??s prices â?? like it or not. It would be one thing if the commercial/managed money tango was confined to the relatively few traders directly involved in the COMEX paper scam, but thatâ??s not the case because the COMEX is the metals price maker to the rest of the world; a world that includes mining companies and investors not desiring to deal on the COMEX cesspool. Like it or not, we are all tied to the COMEX paper game run by a relative handful of large speculative traders.

The very good news involves what comes after the collusive COMEX commercials have succeeded in getting the managed money traders into selling every contract these traders could possibly sell and sell short. To be sure, there is a finite number of contracts that the managed money traders are capable of selling and selling short and when those last contracts are sold â?? thatâ??s it, we then move higher, as the pendulum starts to swing the other way. While the maximum number of contracts that the managed money traders are capable of selling is only known on a retrospective basis, all indications suggest we may be there, or at least very close.

Yes, there have been times in the past when the managed money traders have sold and sold short

more silver, gold, platinum and copper contracts then they are currently short, so where do I get off suggesting we are at or are quite close to the point of maximum managed money selling? Basically, it has to do with the amount of actual risk the managed money traders are willing to assume. In times past (say late 2018 and early 2019), when the managed money traders held significantly more short contracts than they do now, gold and silver prices were moving in very tight trading ranges, which had the result of very narrow moving averages.

The managed money traders are quite risk-sensitive, meaning that the smaller the risk of an adverse moving average penetration which would cause them to liquidate an existing position, the more contracts they may be willing to put on in the expectations of profit. Back in 2018-2019, the very tight moving average bands allowed the managed money traders to put on very large positions (both long and short), knowing that their stop loss orders were quite close and would help contain losses on any individual position. But that is not the case now, as the moving averages are great distances from current prices, some $2 to $4 in silver and more than $100 in gold. Thatâ??s a far cry from the 30 cents or so in silver or $20 in gold back in 2018-2019.

In fact, considering how far away the moving averages are currently in silver, gold, platinum and copper, itâ??s a wonder that the managed money traders have put on as many short positions as they have. Of course, the existing shorts held by the managed money traders are quite profitable and this buildup in open profits has enabled them to be more aggressive than otherwise. The bottom line is that never have the managed money traders taken on and assumed as much potential risk as they have currently, thanks in large part to their large open profits.

But the unmistakable fact is that the managed money short positions must be bought back at some point, as actual delivery (the only other method of closing out an open short position) is not available to the managed money shorts. Therefore, the managed money traders which are heavily short know full-well where they will buy back and close out their short positions on higher prices. The potential problem for them is that this is also known by the collusive COMEX commercials which will be required to sell on higher prices so that the managed money shorts can buy back and close out their large short positions.

I donâ??t believe the collusive COMEX commercials will be anywhere near as accommodative as the managed money traders may assume and therein lies the formula for a price explosion, the likes of which none of us has ever seen. Maybe the smaller commercials, the raptors, will sell out long positions at profits (say above $22 in silver), but the real question is whether the former big commercial concentrated shorts agree to add enough new shorts to accommodate the managed money traders looking to buy on higher prices. I say no, that the former big commercial shorts wonâ??t be quick to add new shorts aggressively and that, as a result, prices will explode shortly. The passage of time, price and future COT reports will tell the tale. Let me return to this line of thought after running though the usual weekly format.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off from last weekâ??s record movement of near-15 million oz, to this weekâ??s 5 million oz movement. While only a third of the prior weekâ??s physical turnover, 5 million oz is the average weekly movement for the past 11 years and is quite extraordinary since no other commodity is close to being in the same league as silver when it comes to physical movement. Over the past 11 years, between 2.5 to 3 billion oz of silver have been physically shuffled in and out from the

COMEX warehouses, more than all the silver in 1000 oz bar form in the world. But shush, this must be kept secret (for some reason).

Total COMEX silver warehouse holdings changed little this week, down 0.3 million oz, to 341.9 million oz, upholding the â??itâ??s the motion, not the oceanâ?• premise of mine pointing to extreme physical tightness. Holdings in the JPMorgan COMEX silver warehouse increased by a slight 0.2 million oz to 177.1 million oz.

Total COMEX gold warehouse holdings continued to fall, down by another 0.7 million oz to 31.2 million oz, yet another two-year low. Holdings in the JPMorgan COMEX gold warehouse fell by 0.35 million oz to 12.94 million oz.

COMEX gold deliveries in the non-traditional month of July continued strong, far-outpacing deliveries in the traditional silver delivery month. As has been the case, customers of JPMorgan have been both the biggest issuers and stoppers of gold deliveries, completely dominating the delivery process, by issuing nearly 3000 deliveries and stopping more than 7200 deliveries of the total of more than 9500 contracts.

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

I have to laugh a bit (itâ??s better than crying) at the sentiment being displayed about JPMorgan dominating the world of precious metals in light of the widespread reports on the progress of the trial of its former traders for spoofing. Most of the sentiment is about how JPMorgan shouldnâ??t be allowed to dominate precious metals, given the dirt being revealed in the trial. While I agree with that sentiment, I would remind you that JPMorgan isnâ??t on trial, only some of its former traders. JPM settled with the DOJ and CFTC long ago, wisely I believe, and it matters little to the bank how the jury decides the fate of its former traders. Thatâ??s just the way it is.

Enormous quantities of metal continue to be redeemed in the worldâ??s gold and silver ETFs, principally GLD and SLV; this week more than a million oz in GLD and more than 10 million oz in SLV. In fact, the redemptions in SLV have been so large over the past few months, close to 70 million oz and so little redemptions have occurred in other silver ETFs, that I am now convinced there is very heavy accumulation in silver, via SLV, by very large entities.

The metal that was redeemed from SLV wasnâ??t just dumped on the streets of London, un-owned and unloved. That metal is still owned (and presumably, loved) by someone and considering the overall low trading volume in SLV, and the lack of any similar redemptions in other silver ETFs, it adds up to stealth accumulation by large entities. In other words, just like the massive commercial buying on the COMEX, similar activities are occurring in SLV.

Turning to yesterdayâ??s COT report, the â??formulaâ?• suggesting continued commercial buying and managed money selling on lower prices â?? about the most reliable formula in the financial world â?? held true yet again. It wasnâ??t that prices were down sharply over the reporting week ended Tuesday, but there was a fairly sharp selloff on the Thursday of the reporting week, when gold fell more than $40 and silver by more than a dollar from the previous dayâ??s close. Iâ??d call it classic salami slicing to new lows designed to suck in more managed money selling, except it was more like a chunk than a slice.

In COMEX gold futures, the commercials bought and reduced their total net short position by a rather

hefty 25,500 contracts to 112,300 contracts. This is another new and extremely bullish low extending back three years. Iâ??d also add that the concentrated short position also hit lows going back to that time, but in reality, is so much better than reported, thanks to there now being at least two managed money traders in the big 8 category.

Whereas the straight calculation of the 4 biggest gold shorts came to 105,482 contracts (10.5 million oz), down 9500 contracts for the week, the commercial-only component is down to 75,000 contracts (7.5 million oz). Likewise, the big 8 gold short position calculated without reference to who may be short came to 176,328 contracts (17.6 million oz), down 13,000 contracts, while the true commercial-only amount would be around 136,000 contracts (13.6 million oz). The gold raptors are now net long around 24,000 contracts.

I never thought the big gold commercial shorts could achieve such a low true net short position, despite me ranting and raving for decades about their collusive behavior. And while the former big commercial shorts may collude to get their short position lower still, we would appear to be running out of road in terms of the additional managed money selling required to allow for much more commercial buying.

The managed money traders sold 12,605 net gold contracts, consisting of the sale and liquidation of 613 long contracts and the new sale of 11,992 short contracts. The net managed money short position now (as of Tuesday) stands at 18,738 contracts (91,056 longs vs 109,794 shorts), the most the managed money traders have been net short since 2019. Explaining the difference between what the commercials bought and the managed money traders sold was heavy net selling by the other large reporting traders, which sold 10,561 net contracts, including 9509 contracts of long liquidation.

Due to a sharp drop of close to 10,000 contracts in the concentrated long position of the 4 largest gold longs, we have now come full circle in the position of the big gold whale (who Iâ??ve speculated might be John Paulson). We are now back to a concentrated long position for the 4 largest gold longs of just under 84,000 contracts, which is where we started when I first began tracking the gold whale last August. Youâ??ll recall the concentrated long position reached nearly 123,000 contracts at its peak, suggesting a gold whale position of 40,000 contracts (4 million oz). Now there is no 40,000-contract gold whale long position in COMEX futures.

However, I canâ??t determine how the gold whale position was liquidated. It was either a straight long liquidation or the futures contract position was eliminated due to the whale taking delivery. Admittedly, it would seem to make a very big difference as to which it was, but I would just be speculating in venturing which it might be. I will say that Paulson was once a very large holder of GLD, in fact the largest, and in trying to put myself into his (very large) shoes, I would much prefer holding 4 million oz of physical gold in the COMEX warehouses than in shares of GLD or in futures contracts, for a variety of reasons, including avoiding share reporting requirements.

In COMEX silver futures, the commercials reduced their total net short position by 1400 contracts to 8200 contracts, another 3+year bullish low. As has been the case, the presence of at least two managed money traders in the ranks of the big 8 silver shorts requires the same calculations I justwent through in gold. By straight calculation, the 4 largest silver shorts hold a concentrated shortposition of 45,317 contracts (226 million oz), up 1200 contracts for the reporting week. But adjusting fora managed money trader holding around 16,000 contracts short, the true commercial-only portion ofthe big 4 short position drops to 29,000 contracts (145 million oz), much lower than I ever would have imagined.

Likewise, the big 8 short position calculated conventionally came to 66,378 contracts (332 million oz), up about 1500 contracts for the week. But adjusting for two managed money shorts in the big 8 holding close to 20,000 contracts, the commercial-only component of the big 8 concentrated short position is now no more than 47,000 contracts (235 million oz). This would put the raptor net long position at around 39,000 contracts.

The managed money traders sold quite a bit more than the commercials bought, in selling 3593 net contracts, consisting of the sale and liquidation of 684 long contracts and the new short sale of 2909 contracts, The resultant net managed money short position of 14,041 contracts (36,411 longs vs 50,452 shorts) is the largest and most bullish net short position in more than three years. Explaining the difference between what the commercials bought and the managed money traders sold was net buying of more than 1700 contracts by the other large reporting traders.

As was the case in gold, I never imagined that the collusive COMEX commercials could succeed in getting the managed money traders to sell as many contracts as they have and as many contracts as the commercials have bought, but thanks to the COT report, this can be seen. Let me now return to the line of thought I cut off earlier.

There can be little doubt that the COMEX commercials have succeeded spectacularly in getting the managed money traders to sell enormous quantities of contracts in silver, gold, platinum, palladium and copper, having achieved such low levels of remaining commercial shorts and such high levels of managed money shorts so as to be astounding and fully verified in the COT reports. Regardless of how many, if any additional managed money contracts the commercials can trick into being sold on lower prices, the numbers now are large enough to contemplate how such already extreme positions get resolved. All futures contracts are open positions that must be closed out in some manner someday, particularly open short positions held by the managed money traders who have zero chance of being able to deliver the physical metal to close out short positions.

So, the question for the managed money traders now heavily short across the board in the COMEX metals is how much of an up move will be tolerated before they rush to buy back and cover once the short covering commences in earnest? Normally, the â??drop-deadâ?• final price barrier is an upward penetration of the 200-day moving average, but if the managed money shorts wait for that barrier to be upwardly penetrated before they seriously rush to cover, the current sizable open profits will have completely evaporated by then. Therefore, it seems quite likely that the managed money shorts will begin to cover their shorts long before the 200-day moving averages are penetrated and even perhaps before the 50-day moving averages are upwardly penetrated.

Of course, it is also a fact that all derivatives contracts have a long side as well as a short side and the

COMEX metals contracts are no exception this fact. As such, it takes two to tango and the dance partner to the managed money shortsâ?? ingrained desire and need to buy back short positions at some undetermined higher price are the commercial traders which just spent months buying more COMEX metals contracts than in recent memory. As an extreme understatement, the desires, needs and expectations of the managed money shorts are separate and distinct from the goals and aspirations of the commercials upon which the managed money shorts are dependent.

Obviously, the COMEX commercials wouldnâ??t seem to be particularly concerned in what the managed money shorts may expect the commercials to do when the managed money traders rush to buy back short positions. I think it can be stated fairly that the commercials have different motivations than do the managed money shorts, perhaps more than ever presently. Whereas the managed money shorts will be looking to buy back aggressively at some undetermined higher price (just, to them, not too high of a price), the commercials would seem determined to get the highest prices possible before they sell. Plus, the possibility does exist that the former big commercial concentrated shorts might not be interested in selling short at all, given the experience of the LME nickel default.

This is the potential buy/sell mismatch I referenced on Wednesday. Look, if you or I were in the shoes of a commercial who was long or not particularly interested in going heavily short, would you have any interest in selling at where the managed money traders expected you to sell or would you hold out for the highest prices possible and the heck with what the managed money shorts desired? Should enough commercials think this way and donâ??t rush to sell at prices the managed money shorts expect, a price explosion of epic proportions will result. In fact, I have trouble seeing how a price explosion can be avoided.

As a result of higher gold prices this week, the losses to the remaining commercials in the big 8 short position for gold and silver grew by more than $200 million to $4.8 billion, the first such increase in six weeks.

Ted Butler

July 23, 2022

Silver – $18.50Â Â Â (200 day ma – $23.06, 50 day ma – $20.78, 100 day ma – $22.73)

Gold – $1725Â Â Â Â Â Â (200 day ma – $1842, 50 day ma – $1806, 100 day ma – $1870)

Date Created
2022/07/23