July 25, 2020 – Weekly Review

Gold and silver prices surged this week, with gold ending higher by a stunning $88 (4.9%) and silver by an even more stunning $3.20 (16.2%). For all purposes, it was the highest weekly close in history for gold, although the truth is I forget what the weekly close in gold was in 2011 that marked the previous record (does it really matter?). For silver, it was the highest weekly close in 7 years.

Despite silver trailing off on Thursday and yesterday, while gold surged, the silver/gold price ratio tightened in by a whopping near 9 full points to just under 83 to 1. This past week erased all of silverâ??s relative underperformance to gold since yearend. In little more than 4 months, silver went from being the cheapest it had been in 5000 years relative to gold (125 to 1) to being more fully valued in a quicker period of time than well, ever. We are, after all, more than 40 points tighter in the silver/gold price ratio in just 4 months, something that never occurred previously.

Iâ??m going to resist any temptation to remind anyone how ridiculously undervalued silver had become relative to gold back in mid-March, because I still believe silver is almost just as ridiculously undervalued today. No, that doesnâ??t necessarily mean silver continues to regain all of its relative valuation in a straight line from here, but it could. Itâ??s important to remember that while the silver/gold price ratio is a significant objective measurement of relative valuation between the two metals, too often too much is read into its true meaning.

First and foremost, the silver/gold price ratio is a simple mathematical calculation derived at by dividing the price of gold by the price of silver â?? no more, no less. It doesnâ??t mean that investors are buying one to sell the other, as hardly any of that goes on (despite my entreaties for investors to do so). For one thing, there is simply too much gold in the world and too little silver, in dollar terms, for there to be any genuine switching from one to the other to make a difference in the ratio â?? something like $10 trillion worth of gold ($5 trillion in bullion form) compared to no more than $50 billion in silver bullion. To think that meaningful investor flows from one to the other is causing changes in in the silver/gold price ratio isâ?¦wellâ?¦silly.

So if itâ??s not actual investor flows from one to the other metal causing the profound changes in the silver/gold price ratio, then what is it? The answer is the effect of the price manipulation, particularly in silver. The price of silver went from the most oversold it had been in history in mid-March, causing the ratio to record its most undervalued reading in history, to its current overbought condition, causing the largest swing in the price ratio ever. No other market, not gold, not the stock market, ever went from the most oversold it had ever been to the most overbought it had ever been in four months. Where we go from here we will know in the fullness of time, but itâ??s also important to know where weâ??ve been.

Why and how did we go into the most oversold silver has been to the most overbought (all in strictly technical terms â?? MACD, RSI and all that jazz) in the shortest time ever? Stated as simply as possible, because of JPMorgan. The worldâ??s most crooked bank rigged the price of silver to ten year lows, did its dirty business (buy) and then allowed the price to run to seven year highs. The proof would seem to be beyond question.

This week, the 8 largest shorts in COMEX gold and silver had one of their worst weeks ever, adding another $3.2 billion in additional losses to a total loss now measuring $13.5 billion. Thatâ??s up $4 billion from the June 30 quarter end and nearly $10 billion higher than the yearend and March 31 quarter end. How has JPMorgan fared?

For years, I have been reporting that JPMorgan has been on a massive physical gold and silver acquisition spree (in addition to raking in billions of dollars in its continuous paper COMEX shorting and covering). I have calculated that JPMorgan had accumulated 25 million oz of physical gold and one billion oz of physical silver, the gold at an average price of $1200 and the silver at an average price of $18. Regular readers should be quite familiar with these quantities and average prices. At the depths of the rigged gold and silver price plunges into mid-March, with gold at $1460 and silver sub-$12, JPM was barely above water on its combined metal holdings, still up about $6.5 billion on gold, but down about $6 billion in silver.

At yesterdayâ??s close ($1900 in gold and $22.95 in silver), JPMorgan is now ahead $17.5 billion on its gold holdings and has swung from a $6 billion loss on silver to perhaps being $5 billion ahead (minus any silver sold) and on a combined basis is now ahead at least $22 billion from where it was at the lows in mid-March. The 8 big COMEX short crooks are in the hole for $13.5 billion, while the crooks at JPMorgan are in the black by more than $20 billion. This already qualifies as the biggest double cross in history and, in my opinion, has a long way to run.

As I have mentioned in the past, it is highly improper â?? no scratch that â?? it is wrong beyond description for me to castigate JPMorgan for being the crook I allege it to be, particularly since so many others have now taken up the accusation. No one reading this has ever witnessed such continuous and specific allegations of wrongdoing against a financial institution with no vigorous rebuttal or denial by that institution, to say nothing of legal reprisals, as I have alleged against JPMorgan. Yet, despite sending the bank (and the regulators) all my articles (including this one), there is no denial forthcoming, either from JPMorgan or the regulators. Therefore, there is little else to conclude that no denial is possible.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged this week to one of the highest, if not highest weekly physical turnovers in history, as 14.05 million oz were moved. Total COMEX silver inventories rose by a sharp and not unexpected 5.1 million oz to 329.5 million oz, a new record total. For the benefit of newer subscribers, I have highlighted every week for the past 9+ years the highly unusual and unprecedented turnover of physical silver being moved in and out from the COMEX warehouses and this phenomenon not occurring in any other commodity. The movement coincides, almost to the day that JPMorgan opened its COMEX warehouse in April 2011 and which has grown to be the largest warehouse in the COMEX system, this week adding 1.4 million oz to a new record total of 163.1 million oz.

I allege that the unprecedented physical silver movement was originated and continued as a means for JPMorgan to skim off metal to add to its massive holdings on the sly. The regulators, the CFTC and the self-regulator, the CME Group, to say nothing of JPMorgan itself, could verify or dispute my allegations in a heartbeat, but like the more serious allegations of price manipulation, none have chosen to acknowledge the unprecedented COMEX silver warehouse movements â?? along with any silver analyst or commentator.

Itâ??s important to keep things in proper perspective and the increase in COMEX silver warehouse totals, at this point, is one such thing. While at new highs, weâ??re only about 5 million oz above the peak of the 305 to 324 million oz range of the past year. Itâ??s much different in gold, where the COMEX warehouse holdings rose, yet again, to a new record of 35 million oz, up 900,000 oz for the week and up 26.5 million oz from March, more than a four-fold increase. JPMorgan, as has been the case all along, accounted for much of this weekâ??s increase in the COMEX gold warehouses as its warehouses added half of the total increase or 450,000 oz, increasing JPMâ??s share of total gold COMEX holdings to 13.6 million oz or nearly 39% of total COMEX holdings.

There have been a number of explanations offered for why so much gold has come into the COMEX warehouses and deliveries against futures contracts have also soared. I say itâ??s a result of regulatory pressure for the big shorts to show they have the metal to back up their big concentrated short position and some continuing attempts to deliver gold to close out some of those short positions. An important distinction is that the physical inflows into the COMEX gold warehouses has far outpaced, by 26.5 million oz to 15 million oz, the inflow into the worldâ??s gold ETFs over the past 4 months or so.

In silver, it has been much different, in that maybe 15 million oz have come into the COMEX warehouses over the past four months, while close to 300 million oz have flowed into the worldâ??s silver ETFs, with the largest, SLV, picking up an incredible 200 million oz. Just this week, close to 40 million oz flowed into the worldâ??s silver ETFs (excluding inflows into the COMEX warehouses), significantly more than the 28 or 20 million oz of recent weeks. Simple math tells us that, annualized, 40 million oz weekly comes to more than 2 billion oz, an amount close to all the silver in 1000 oz bar form in the world.

How is it possible for such massive amounts of physical silver to be deposited into the worldâ??s silver ETFs? Again, there is only one answer â?? JPMorgan, as it is the only entity capable of providing such amounts of physical silver. As I postulated last week, in â??The Perfect Solution,â?• I believe the physical silver from JPMorgan is flowing due to a negotiated agreement with the regulators. The only thing I would change is my guess that JPM had agreed to give up 250 million oz from its 1 billion oz physical stash. Now, it appears that 300 million oz have been released and I suppose weâ??ll only know the actual final total in hindsight. The good news is, contrary to previous fears, the release of physical silver hasnâ??t seemed to have a particularly deleterious effect on price.

There was an increase in the short position on SLV, but less than I expected, also good news. The short position increased by 3.5 million shares to just under 21 million shares (ounces), as of July 15. Over the past 4 months, the short position in SLV has increased by about 10 million oz, compared to the 300 million oz inflow into the worldâ??s silver ETFs. Iâ??m happy (I think) to see some increase in the SLV short position because it may represent a growing physical tightness (sell short when you canâ??t get physical silver).

https://www.wsj.com/market-data/quotes/etf/SLV

Turning to yesterdayâ??s new Commitments of Traders (COT) report, nearly all the expected and hoped for boxes seemed to have been checked. On a reporting week that featured a gain of more than $35 in gold to new multi-year highs and an even more explosive move of $2 in silver, also to multi-year price highs, the level of commercial selling, particularly of the concentrated kind and by JPMorgan fell well-within hoped for levels.

In COMEX gold futures, the commercials increased their total net short position by a rather scant 1800 contracts to 303,900 contracts. This is the highest level of commercial net shorting in months, but by such marginal amounts, relative to price change, that it sure felt good to me. The total commercial net short position in gold is still more than 80,000 contracts less than it was in February, just before the big price plunge and when gold prices were $250 less than they are today. If you told me in February that gold prices would be substantially higher today and the total commercial short position would be this much less, I doubt I would have believed you (unless I knew of the price plunge in between).

As expected and hoped for, nearly all of the commercial selling was by the smaller raptors, which added 4200 new shorts, while the 8 big shorts actually bought back around 2300 shorts, even better than hoped for. JPMorgan still looks to be flat, so allâ??s well in gold Crooksville.

The managed money traders did buy 5296 net gold contracts, consisting of 3856 new longs and the buyback and covering of 1440 short contracts, but considering total gold open interest had increased by 23,000 contracts over a reporting week where gold moved to new highs, there could have easily been a lot more managed money buying. As far as the difference between the managed money buying and commercial selling, the other large traders and smaller non-reporting traders made up the difference, as was mathematically required.

In COMEX silver futures, the commercials increased their total net short position by the same coincidental 1800 contracts of commercial selling in gold, to 62,000 contracts, also the highest level in months. But as was the case in gold, the total commercial net short position is still close to 40,000 contracts less than it was in February, before JPMorgan lowered the boom on prices and bought back every one of its 18,000 silver short contracts (and 44,000 gold short contracts). About the only surprise was that the smaller raptors only sold around 600 contracts of existing longs and that the big 8 increased their concentrated short position by 1200 contracts to 75,000 contracts. JPMorgan still looks to be flat to short maybe two or three thousand silver contracts.

The managed money traders in silver, as was the case in gold, bought more net contracts than the commercials sold, as these traders bought 6029 net contracts, consisting of new longs in the amount of 5881 contracts and the buyback and covering of 148 short contracts. Also as was the case in gold, the other large reporting traders and smaller non-reporting traders accounted for the mismatch between managed money buying and commercial selling.

One big difference I would point out between gold and silver in COT terms, as I have on recent occasions, is the marked difference between the other large reporting traders in each market. In gold, the other large reporting traders hold close to what is a near record long position, while in silver the other large reporting traders hold a record or near record net and gross short position, although the actual amounts in silver are not particularly large. To be sure, it will be interesting to see how this turns out.

Which brings me to the key question of the day, namely, which way now in gold and silver prices? On the one hand, there is no doubt that gold and, particularly silver are overbought in purely technical terms and how far each are now trading above their key moving averages. And yes, itâ??s true that I have never seen a past case of a similar setup that a sharp price decline has not been soon forthcoming. Further, just about every commentator I have read recently is calling for some type of immediate correction. And itâ??s quite true that there is now enough fruit on the tree, in the form of a sufficient number of managed money longs to be shaken off by a sharp selloff. Truth be told, Iâ??m even prepared for such a selloff, if only for the reason to try to take advantage of any near term selloff in trading positions.

But thereâ??s always an on-the-other-hand counter argument to the pending selloff and in this case, I donâ??t ever recall such a near unanimity of opinion in the current calls for a pending sharp selloff, making one wonder where the selling will come from (aside from managed money selling), if everyone has already sold and are now looking to buy the selloff? But quite apart from the near unanimous opinion calling for a selloff and the technical indicators pointing to the same, there are some important differences never seen at past overbought extremes.

For one thing, at least for the last 12 years, there has never been an overbought peak in gold and silver prices where JPMorgan has not been short up the ying yang â?? this is the very first time the crooked bank is not heavily short at a prospective top. Maybe this turns out to be a case of false price signals and JPMorgan can point to a big selloff where it wasnâ??t the largest short seller as some type of weak defense that it is not the crook I allege it to be, but the fact remains that it is not heavily short at a price peak for the first time since it took over Bear Stearns in 2008.

Moreover, at every price peak over the past three and a half decades, there were always extremely large concentrated commercial short and managed money long positions, where the commercials were always able to rig prices low enough to generate enough managed money selling to get out of their short positions whole. I canâ??t see how that is possible now.

Therefore, while no one should fall down in shock if we do get a sharp setback in price dead ahead, neither should anyone fall down in shock if we explode instead, particularly in silver. However it plays out, the most important consideration should be not to lose positions on any potential selloff due to over-leveraging or holding positions on margin. This isnâ??t about looking to cover oneâ??s butt and looking correct no matter what happens to price short term – this is about holding positions no matter what the crooks at JPMorgan may have up their sleeves.

Ted Butler

July 25, 2020

Silver – $22.95Â Â Â Â Â Â (200 day ma – $17.18, 50 day ma – $18.55)

Gold – $1900Â Â Â Â Â Â Â Â (200 day ma – $1621, 50 day ma – $1769)

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