July 28, 2018 – Weekly Review

Gold and silver prices declined for the seventh straight week and closed at fresh weekly full-year lows, with gold finishing down by $8 (0.7%) and silver ending down by 3 cents (0.2%). As a result of silverâ??s slight relative outperformance, the silver/gold price ratio tightened in by a fraction to just under 79 to 1.

About the only good thing to be said about this weekâ??s price performance in all the NY metals (gold, silver, copper, platinum and palladium) is that none made fresh full or multi-year intra-week lows for a change, a possible indicator that the highly deliberate futures positioning-induced price takedown might be close to exhaustion. Of course, Iâ??m not one to ever say prices can never go lower still, since I know how corrupt trading on the COMEX/NYMEX is, and particularly, how corrupt is the main price manipulator, JPMorgan. Besides, the whole idea is not to look at prices alone and infer market analysis from price change; the idea is to try to figure out what is causing prices to change.

It shouldnâ??t come as any surprise that what has caused metal prices to decline recently was futures contract positioning changes, particularly new short selling by the managed money traders motivated by price change alone (aka, the technical funds). To be sure, these technical fund managed money traders (there are other managed money traders which are not technical funds) are being played like a cheap violin by JPMorgan and other commercials, but thatâ??s beside the point â?? which is that technical fund selling is the sole reason metal prices have declined over the past seven weeks.

I provided a detailed accounting in last weekâ??s review about the amount managed money selling that had occurred in COMEX gold, silver and copper against an unchanged US dollar index and, suffice it to say, there has been even more managed money selling through the reporting week ended Tuesday. There seems to be no end to alternative explanations offered to justify price action, the latest being some type of connection to the Chinese yuan, but that connection escapes me completely. About the only good thing is that the former crackpot explanation, something to do with EFPs (exchange for physical transactions) seems to be fading. However, I suppose there will always be some attempt to deny the obvious, in this case that metal prices are set by futures positioning between the technical funds and others, mostly the commercials and JPM.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained well-below the weekly average of the last seven and a half years for the third straight week, as â??onlyâ?• 1.7 million oz. were moved. The bulk of that was of the â??inâ?• variety, as total warehouse stocks rose by 1.4 million oz. to 281.9 million oz, yet another 25-year high and now only 3 million oz from setting an all-time record. There was little movement in the JPM COMEX warehouse (3,000 oz), not enough to change the total of 143.5 million oz.

As has been the case in just about every weekly review since April 2011, my focus has been on the physical movement and not so much the total level of COMEX silver inventories, although itâ??s difficult not to notice that all the net increase in inventories has come as a result of inflows into the JPM warehouse (which were zero in 2011). Remaining consistent, the sharp falloff in physical movement over the past three weeks has also caught my attention, since I am hard pressed to recall such a low (less than 6 million oz) three week total turnover over the past seven and a half years.

Recognizing that I may be premature in thinking that the recent slowdown in weekly movement represents a signal that the historic and unprecedented turnover in the COMEX silver warehouses may be coming to an end; let me explain (again) why I am so sensitive to this issue. My primary reason for why I believe the unprecedented turnover began in the first place was as a means for JPMorgan to skim off physical silver without anybody noticing. In this manner, JPM skimmed off 200 to 250 million oz (or more) of physical silver over the past 7.5 years. If JPM feels adequately â??loaded upâ?• in its physical silver holdings and is prepared to let prices rip higher soon, then there is little reason to continue skimming off from the physical warehouse movement. As always, time will tell, but this is not the only sign I see that JPM may be good to go as far as higher silver prices are concerned.

There is much to discuss in the new Commitments of Traders (COT) report released yesterday. While I refrained from making specific predictions in terms of numbers of contracts, I did fully expect notable managed money selling and commercial buying on the fresh price lows during the reporting week and was not in the least surprised by the number of new record extremes of managed money selling across the NY metal spectrum.

I fully understand the financial pain and emotional distress that the pronounced metal price decline has created; but I also know that this was a fully-arranged and orchestrated affair whose ultimate resolution will not be creating distress for precious metals investors before long. Admittedly, the clichÃ© â??no pain, no gainâ?• sounds trite when account balances have melted down, but itâ??s important to remember that the goal of the price riggers is to induce the managed money technical funds to sell short as much as possible, not to wreck punishment on anyone else. JPMorgan is in it for the money and the suffering of precious metals investors is a by-product of the COMEX scam it is running.

In COMEX gold futures, the commercials reduced their total net short position by 8000 contracts to 65,700 contracts, yet another bullish extreme extending back, not just a year, but two and a half years, to Jan 2016, as gold was embarking on its $350 upward journey into the summer of that year. And as bullish as that may be, there are even more signs that point to market conditions being more bullish than the â??headlineâ?• number may indicate (starting with, but not limited to the reciprocal managed money headline number).

By commercial categories in gold, the big 4 bought back a remarkable 11,700 short contracts, almost double the 6100 contracts that the raptors (the smaller commercials apart from the big 8) added to a net long position now amounting to 94,200 contracts. In contrast, the big 5 thru 8 added 9800 short contracts, but there is little doubt that the selling was due to a managed money short busting into the big 5 thru 8 category, almost always reserved for commercial traders. Most always, the big 8 traders are exclusively commercials, but this is one of those rare times that a managed money trader (or two) has gotten big enough on the short side to qualify as a big 8 shorter (itâ??s been very common in silver this year). Iâ??ll come back to JPMorganâ??s special role in this in a bit.

On the sell side ofÂ gold (and as indicated in the increase in big 5 thru 8 shorting), it was exclusively a managed money affair, as these traders sold just under 10,000 net contracts, including new longs of 2474 contracts and a very impressive addition of 12,447 new shorts. The addition of new longs in a reporting week of fresh full-year gold price lows strongly suggests that the resultant 110,249 contracts of managed money longs qualify as being strong hands and not of the technical fund persuasion.

As has been the case recently, the big story was the managed money traders adding so heavily to shorts, which now total a record 146,671 contracts, thus setting new historic levels on both a gross and net basis. Let me repeat that â?? never in history have the managed money traders been this heavily short in gold on both a net and gross basis. What possessed these brain dead technical funds to get duped into plowing onto the short side of gold (and silver, copper and platinum) to the extent they have will likely remain one of lifeâ??s great mysteries, but all that matters is that they have. It also matters that there is probably no single group of traders less qualified to make physical delivery and, therefore, which must buy back these short positions at some point as the only means of closing out legal contracts that must be closed out. Iâ??ll come back to this in a moment.

In COMEX silver futures, the commercials reduced their total net short position by 5000 contracts to 20,000 contracts, the lowest and most bullish reading since May 15. By commercial category (commercial is not really the correct term), the big 4 bought back 700 short contracts, the big 5 thru 8 bought back 2800 short contracts and the raptors added 1500 new longs to a net long position amounting to 72,700 contracts, perhaps the third or so largest long position in history. For a simple explanation for the category changes this week, my sense is that a managed money trader â??graduatedâ?• from the big 5 thru 8 category to big 4 status.

I would peg JPMorgan silver short position to be 20,000 contracts, down 3000 contracts for the week and possibly less. It is somewhat interesting that JPMâ??s net short position is equal to the total commercial net short position, but there are other more important points to make. For starters, JPMorgan has now bought back completely the 20,000 net short contracts it added from May 1 to June 12 (on silverâ??s rally to $17.25), on silverâ??s decline to $15.20.

Obviously, JPMorgan made a bundle, yet again, on its patented and exclusive manipulative technique of adding to silver short positions to cap price rallies and then buying back those shorts on lower prices after it has satiated technical fund buying. This makes it JPMâ??s fifth successful completed manipulation in the year and a quarter that CFTC Enforcement Director James McDonald has been on the job. Since itâ??s not like I didnâ??t privately and publicly warn him of JPMorganâ??s repetitive scam and perfect trading record dating back to when this crooked bank took over another crooked investment bank, Bear Stearns, it canâ??t be that he and the agency doesnâ??t see this. After all, Iâ??m getting it from the agencyâ??s published data. I hope McDonald is getting more than a Christmas card and a promise of future employment, for looking the other way, because if he isnâ??t, JPM is getting off cheap.

On the sell side of silver, just as was the case in gold and copper, it was a managed money affair, as these traders sold 3824 net silver contracts, including new longs of 2103 contracts and the new sale of 5927 short contracts. As was the case in gold, the addition of new managed money longs (now totaling 64,542) suggests these are strongly-held longs, not likely to be sold off on further price lows. As always, time will tell. Also as was the case in gold and copper, the real story was in the record level of managed money shorts in silver.

Silver managed money shorts were 77,176 contracts as of Tuesday, the highest level since the CFTC has been publishing the disaggregated COT report since 2009. Thatâ??s the equivalent of more than 385 million oz of silver and the 46 technical funds which hold this obscenely large amount of silvershort have as much chance of delivering physical metal to close out these short contracts as my 4 year-old grandson, meaning there is that much buying power dynamite waiting only for the match of higher prices to be lit.

Iâ??d like to touch briefly on two of my recent discoveries, the emergence and partial liquidation of the largest concentrated long position in the history of the COMEX silver market and the status of the ongoing double cross by JPMorgan in the gold market. After two successive reporting weeks which featured a total of 8300 contracts being sold off (at a large loss) of the 30,000 silver contracts that a few large managed money traders bought starting in April and ending in June, I was gritting my teeth for further significant liquidation in this weekâ??s report. However, there was no liquidation to speak of in the just released COT Report, save for 100 contracts.

Iâ??m not sure if the danger of liquidation from the newly-created managed money (definitely not of the technical fund variety) concentrated long position has passed, just that no liquidation was indicated through Tuesday, a week which did include price slices to new full year lows. As to who the large traders which now hold 22,000 of the 30,000 contracts originally purchased, I still donâ??t have a clue, nor can I know the ultimate outcome of the position or JPMorganâ??s role, if any, in it. I do know that both the closed out and remaining open position is $150 million underwater, but know little of the holdersâ?? financial ability to weather the downdraft. My fear was that it would be blown out to the downside and that JPM would have feasted in buying its sale, but with no liquidation in the just released reporting week, I suppose my fears are somewhat lessened. I do know that the concentrated long (and short) position can be easily calculated to the contract and that it must mean something, so Iâ??ll continue to monitor and report on it accordingly. From the campy horror movie of the same name, my discovery of the concentrated long position in COMEX silver can be summed up as â?? itâ??s alive.

My other recent discovery, JPMorganâ??s double cross of other commercials in COMEX gold futures is more than alive, it continues to astound. Including this week, JPMorgan has bought back so many gold short positions that it is very likely no longer one of the big 4 shorts and maybe not even in the big 8. The producer/merchant category (which is devoid of actual producers, by the way) has seen a net reduction in short positions of more than 100,000 contracts over the past few months and the net position of the 4 largest shorts has been reduced by nearly as much. While the net short position of the commercials as a whole has dropped impressively (as reported above), the amount of short covering by JPMorgan is disproportionately more pronounced.

There can be little question that the standout features of the past two or three months have been the sharp reduction in the commercial short position in gold and silver, particularly on the part of JPMorgan, and the sharp increase in the managed money technical fund short position in each. Stated somewhat differently, at the same time that JPMorgan and the commercials are less exposed to loss from a sharp price move to the upside than they have been in years, the technical fund component of the managed money traders has never been more potentially adversely exposed to such an upside move.

Of course, Iâ??m leaving out JPMorganâ??s massive accumulation of physical silver and gold over the past seven years, which automatically means that â?? forget potential adverse exposure â?? it will be the single biggest beneficiary of a big upside move in the metals.

Returning to the question of what in the world prompted the managed money technical funds traders to choose this particular time and price and circumstance to be more heavily short in gold and silver than at any other time in history, let me attempt an answer for why these traders would put themselves in what I see as extreme potential harm. The simple answer is that they donâ??t see big potential harm based upon their own experience. By that I mean that whenever the technical funds have loaded up to the short side (or on the long side, for that matter), they have always been able to liquidate such positions without catastrophic loss.

Sure, the technical funds may have given away billions of dollars of open profits, as they did with long positions in the summer of 2016 when those positions were finally sold into the fall of that year; but as far as taking billions of dollars of pure losses (not just giving back open profits), Iâ??m not aware of when that ever occurred, at least in COMEX gold and silver. To be sure, the commercials have abused and tormented the technical funds all along, but along the lines of treating the funds as more like the goose that laid golden eggs and not as a candidate for a final Christmas dinner.

Therefore, the technical funds have become accustomed to always having been able to exit positions collectively in the past and they have built those prior experiences into their working knowledge. While extrapolation comes naturally at times, in this case the technical funds donâ??t seem to recognize that their accumulated experience is based upon the continued kindness of strangers, in this case the kindness of the commercials and most particularly the kindness of JPMorgan. Yes, the commercials and JPMorgan have always accommodated the technical funds in the past when those traders sought to exit existing positions en masse, but that was mostly contingent on taking a little slice of flesh from the funds in order to keep them in the game. I think itâ??s different now.

Never has it been more potentially advantageous for JPMorgan to let it rip to the upside because its net long exposure in silver and gold has never been larger. Should JPMorgan do whatâ??s best for it profit wise, and refuses to add, admittedly for the very first time, to its COMEX short positions it will allow the price of silver and gold to soar, catching the technical funds at their most vulnerable position ever. Can I guarantee this is about to unfold? Of course not. Is it a distinct possibility and maybe even a probability? Count on it.

Ted Butler

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Silver – $15.52Â Â Â Â Â Â (200 day ma – $16.58, 50 day ma – $16.23)

Gold – $1223Â Â Â Â Â Â Â Â (200 day ma – $1300, 50 day ma – $1269)

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