# June 17, 2017 – Weekly Review

Gold and silver prices fell for a second week; with gold finishing down by $13 (1%) and with silver down a much sharper 55 cents (3.2%). As a result of silverâ??s relative underperformance, the silver/gold ratio widened out by a large 1.7 points to 75.4 to 1, putting the ratio at the more recent extreme boundaries of silver undervaluation, but still within the trading range of two years and longer.

I doubt there were any meaningful quantities of physical metal actually switched this week on a ratio basis; as always, the ratio is a slave to paper positioning changes on the COMEX. As and when the manipulation dissolves, silver will rise sharply relative to gold; until then, silver remains on sale relative to gold.

As was the case of the silver/gold price ratio being a slave to positioning changes on the COMEX, so too was that the key feature of the flat or absolute price change this week. This was fully reflected in the new Commitments of Traders (COT) report which came in fairly close to my expectations in gold, but embarrassingly wide of my expectations in silver. Iâ??ll explain myself in a moment, after a quick run through the usual weekly mutterings. The truth is, however, everything pales in comparison as a price influence compared to COMEX paper dealings.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses increased from last weekâ??s pace, but at 3.8 million oz was slightly below the average weekly movement of the past six years. Total COMEX silver inventories rose by 0.9 million oz to 205.4 million, another new 20 year high. There was both a withdrawal and deposit in the JPMorgan COMEX silver warehouse with a net addition of 250,000 oz, which put that warehouse total also up to a new high of 110.3 million oz.

If I saw anything I thought I could legitimately comment on as far as the ongoing June COMEX deliveries in gold or silver, I would do so; but all that matters to me is that JPMorgan is still AWOL (absent without official leave) from any delivery involvement in its house or proprietary trading account. Why these guys are away from the front lines is anyoneâ??s guess and mine is still that they are laying low to distance themselves from whatâ??s about to occur in silver

On a different front, there were notable withdrawals from the two big precious metals ETFs, GLD, in gold (350,000 oz) and in SLV (3.5 million oz) following Wednesdayâ??s very high volume price jump and subsequent collapse. It could have been plain vanilla investor liquidation on the lower prices, but my sense is that JPM ended up with the lionâ??s share of the metal redeemed, especially in silver. Yes, JPMorgan is the automatic default setting for all things of significance in the physical world of silver.

With the month half over, Silver and Gold Eagle sales are right back to scraping bottom, with Juneâ??s pace mirroring the lowest monthly rate of the year and even longer. The only logical explanation I can come with to explain the dramatic fall off in sales, particularly in Silver Eagles this year, is that you-know-who is still AWOL in this physical silver venue as well, after absolutely gorging on Silver Eagles and Canadian Maple Leafs for six years running and to the tune of 150 million oz. Thatâ??s my story and Iâ??m sticking to it unless and until more compelling evidence surfaces.

https://www.usmint.gov/bullion-sales

The changes in this weekâ??s COT report were decently close in gold in terms of horseshoes and hand grenades, where I estimated a net position change of 20,000 contracts and where the actual headline commercial number came in at 12,700 and the managed money alternative headline number was 18,500 contacts. In silver, however, I missed badly, in estimating a 20,000 net contract positioning change (or more) and where the actual commercial headline number was 3,700 net contracts and the managed money alternative headline number wasnâ??t much better at less than 6,300 contracts. How could I be so far off?

Having some time to think about it and sticking to the horseshoe and hand grenade tossing theme, I could say I pulled a muscle as I was tossing, or the sun got in my eyes and I couldnâ??t see where I was tossing or that itâ??s all a conspiracy and the data were fixed. Actually, itâ??s none of those things and the explanation for my wide silver miss is straightforward and even somewhat encouraging.

In COMEX gold futures, the commercials reduced their total net short position by 12,700 contracts to 203,600 contracts. As a reminder, the price of gold was lower every trading day and ended the reporting week down $30, so there had to be commercial buying and managed money selling â?? otherwise the earth would have surely fallen out of orbit of the sun. However, since goldâ??s key moving averages were not penetrated to the downside, the positioning changes werenâ??t expected to be unusually large and that proved to be the case.

By commercial category, the big 4 bought back 6200 short contracts and the raptors (the smaller commercials away from the 8 largest traders) added 11,100 new longs, putting them at 22,500 contracts net long (the largest gold raptor net long position since mid-March). The big 5 thru 8 gold traders added 4600 new shorts, but it looks clear that was due to managed money, as opposed to commercial selling. The simple proof of this is that of the five trader short categories in the disaggregated COT report, only the managed money short position increased. That, plus the collusive COMEX commercials usually always operate from the same cheat sheet.

On the sell side of gold, the managed money traders sold 18,553 net contracts, including the long liquidation of 14,521 contracts and the new short sale of 4032 contracts. Not to get too deep into the detail-weeds, I sense the true technical fund-type shorting this week in gold was larger than reported. The prior weekâ??s COT report indicated an even larger increase in managed money shorting on the rising gold prices of that reporting week. Iâ??m convinced the prior weekâ??s increase in managed money shorting was due to other non-technical fund managed money traders selling short as gold prices rose on technical fund buying, putting them in competition with commercial selling in the prior week.

The non-technical fund managed money traders which sold short in the prior week likely bought back in the just reported COT report, which had the effect of reducing the increase in total managed money gold short selling this week. Please donâ??t get hung upon this, as I know it is way too complicated for normal purposes. My only point is that the signs that other traders, apart from the commercials, are looking to feed on the technical funds continue to strengthen.

The bottom line for the COMEX gold market structure is that it is still neutral, about mid-range going back to the extremes of last summer, but is still on the bearish side when the trading range is limited to the last November to present time span. Undoubtedly, there has been decent improvement in trading since the Tuesday cutoff, as gold finally penetrated one of its key moving averages.

In COMEX silver futures, the commercials reduced their total net short position by a skimpy 3700 contracts to 71,900 contracts. The total commercial net short position is clearly on the bullish side, being less than 15,000 contracts away from its most bullish reading of May 16 and 45,000 contracts away from the most bearish readings in history of April 18. As was the case in gold, there has undoubtedly been further improvement, or commercial buying since the Tuesday cutoff. Thatâ??s always the only reason silver prices move lower â?? so that the commercials can buy.

There was some very good news in silver in terms of commercial category change. Iâ??ll get into why I was so far off in my headline guesses in a moment, but included in my Wednesday predictions was my hope and expectation that JPMorgan may have bought back at least 3000 short contracts. When I first viewed the new report, I assumed that hope was out the window, as the total commercial net short position only declined by 3700 contracts. But as it turned out under the hood, the big 4 did buy back 3000 short contracts, while the raptors added 1600 new longs and meaning the big 5 thru 8 added 900 new shorts. But just like case in gold, a managed money trader or two accounted for the increase in big 5 thru 8 shorting, not commercial traders.

The standout feature of the silver COT report was that the big 4 bought back such a large percentage of the total commercial contracts bought. Iâ??d peg JPMorganâ??s silver short position to be 25,000 contracts, down 3000 for the reporting week and, if my thinking is correct, means that the one dollar silver price decline was a near-exclusive JPM orchestration. Certainly, as Iâ??ll explain later, this is the key feature to silver prices ahead.

On the sell side of COMEX silver futures, the managed money traders sold a paltry 6296 net contracts, including the sale and liquidation of 1086 long contracts and the new short sale of 5210 short contracts. I was surprised both numbers werenâ??t larger and therein lies the reason for my wide miss. Let me address each specifically.

First, the small reduction in managed money longs to 77,308 contracts after last weekâ??s increase of more than 7600 contracts was surprising since itâ??s hard to imagine pure technical funds not liquidating on the pronounced price decline during the reporting week. This raises the distinct possibility that the pure technical funds did liquidate and were replaced by the other managed money silver traders that are core long silver for non-technical reasons, thus raising the core long total to near-77,000 contracts from my previous estimate of 68,000 contracts. Weâ??ll need some more time to determine if this is the case, but thatâ??s my most plausible explanation for why more managed money longs werenâ??t liquidated.

It was the much smaller increase in managed money technical fund short selling that was the real culprit for my wide miss. I had been expecting, at a minimum, an increase of a 15,000 to 20,000 contract increase in managed money shorting, not the 5210 reported. I had based my expectations upon the large and record amount of managed money silver shorts added on the epic 17 consecutive day price drop in silver into early May and assumed the technical funds would short aggressively again.

In my defense, I had long identified managed money shorting (or lack thereof) as a very big key in silver. Youâ??ll remember the managed money traders didnâ??t add to silver short positions aggressively in the fall and then turned around and did add aggressively into May 16. I guessed (so far incorrectly) that they would add again aggressively, but at least through this COT report they have not done so. The managed money technical funds could still do so, I suppose, in the immediate future, but Iâ??m not inclined to guess further.

I will say that I can almost guarantee that any technical fund short contracts that do get added in COMEX silver at this point will end up with those contracts being bought back at a loss, as shorting silver in a price hole is consistently unprofitable for the technical funds. In this sense, we all should be rooting for heavy additional short selling by the technical funds, although that canâ??t be accomplished without the temporary pain of lower prices. Hey, thatâ??s just the way it is.

Iâ??m still more convinced, considering the large percentage of short contracts I believe were bought back by JPMorgan relative to total commercial buying, that the lack of more aggressive technical fund selling prevented JPM from buying back more shorts than it did. For me, the lack of aggressive technical fund short selling caused me to miss badly on my predictions this week; for JPMorgan, the stakes were far more significant. Thatâ??s because unless others sell, JPMorgan canâ??t buy back more short positions.

Iâ??m sure youâ??ve noticed by now that I focus on JPMorgan to the point of near obsession. As complicated as these matters surely are, Iâ??ve tried to make it as simple as I can, particularly as far as the CFTCâ??s new Enforcement Director, James McDonald, is concerned. The fact that JPMorgan has never taken a loss, only profits on any of the cumulative hundreds of thousands of COMEX silver short positions it has placed over the past nine years should be simple enough, as should my claim that the silver manipulation will end as soon as JPMorgan doesnâ??t add short positions on subsequent silver rallies.

A new thought occurs to me that I would like to share with you. For the longest time, I have been tempted to write an article titled, â??Why Wonâ??t JPMorgan Sue Me?â?• (for all the rotten things I say about them). For sure, itâ??s something that I have thought about frequently and I suppose the reason I havenâ??t done so to date is that it strikes me as pretty reckless on my part should I do so and end up getting sued. For what itâ??s worth, my hesitation is based upon the aggravation that would cause my wife. That thought and the likely legal expense getting sued by JPMorgan would entail makes the prospect of such a suit as appealing as sticking a power drill into my ear.

Still, the thought of why JPMorgan hasnâ??t gone after me in some way is somewhat perplexing. I understand theyâ??d have to prove specific monetary damage as a result of anything I wrote and that the libel laws generally donâ??t apply to corporate entities, especially when the allegations are true. Iâ??ve read some comment that Iâ??m not even a flea on JPMâ??s elephant-like butt and I can agree with that, as well as suggestions as what do they care as long as they can pull off the scam of the century â?? never a loss and the accumulation of 600 million physical ounces at artificially depressed prices. But that only goes so far.

My new thought is that if any business in the world, from one employing a single employee to a business employing hundreds of thousands, were openly accused of criminal activity of the highest order, would not such a business react, particularly if the complaint were also lodged with an organization that regulated the accused business? Take it one step further and try to imagine any professional, say a medical doctor or accountant or attorney, being accused by a patient/client or outsider of any sort of complaint about serious wrongdoing and the accuser taking that complaint to the appropriate medical board or bar or licensing overseer. Can you see the complaint or accusation being ignored by the business or professional it was lodged against? Sure, itâ??s possible that a client or patient may be completely off base and is making a complaint or allegation not founded by the facts, but even in that case, wouldnâ??t the accused party do everything under its power to resolve the allegation?

Specifically, how can it be that JPMorgan can stick its head in the sand and leave allegations of the most serious kind unanswered? The smallest business would do whatever it could to resolve even a single complaint to the Better Business Bureau. Itâ??s hard to imagine a more serious complaint than one about a bank being accused of serious wrongdoing where a prime regulator is being openly petitioned to crack down on the offending bank and having that bank ignore the allegation. Letâ??s face it, it seems my main effort is the try to explain to the CFTC and its new Enforcement Director why their own data prove JPMorgan guilty of silver price manipulation, not whether JPM is, indeed, guilty as sin. Heck, JPMorganâ??s guilt is a given.

So try to come up with a good reason why JPMorgan (and the CME, et al) would not rush to quash or somehow resolve allegations that it is manipulating the price of silver. If JPM has a good explanation for why it dominates the short side of COMEX silver, never took a loss on any silver short sale and always adds to short positions on silver price rallies, the simplest solution would be to give those explanations and end what must be considered a serious risk to its reputation.

Likewise, if the CFTC can explain all these things away, it should do so forthwith. Every important financial regulator in the US, from the Federal Reserve to the Treasury Department to any state regulators, would respond quickly to allegations of such serious allegations as price manipulation. My feeling is that none of these allegations in silver can be easily answered. Back in the 2004 and 2008 public letters and even after the sham five year silver investigation ended in 2013, the allegations werenâ??t as specific about JPMorgan as they are today. That makes legitimate answers harder to come by.

But I still sense this thing is headed for a climax. One way or another, there will come a time when JPMorgan wonâ??t add to short positions on a coming silver rally and that rally will be like no other. I just canâ??t know if it will be McDonald taking the high road and ordering JPMorgan to no longer add manipulative silver shorts or if the most crooked bank in the US will do so on its own.

Ted Butler

June 17, 2017

Silver – $16.65Â Â Â Â Â Â  (200 day ma – $17.54, 50 day ma – $17.25)

Gold – $1255Â Â Â Â Â Â Â Â  (200 day ma – $1243, 50 day ma – $1262)

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