June 18, 2022 – Weekly Review

After a rather brutal (and somewhat embarrassing to me) start to the week, in which gold fell as much as $70 and silver by more than a dollar, prices stabilized and ended the week â??onlyâ?• down by $35 (1.9%) in gold and 30 cents (1.4%) in silver. As a result, the silver/gold price ratio tightened in by nearly a half-point to just over 85 to 1 â?? somewhat of an outlier in that overall price weakness most generally features greater relative weakness in silver (according to the observed rules of the ongoing COMEX price manipulation).

I donâ??t wish to make too big of a deal of silverâ??s relative outperformance in the face of overall price weakness, but generally, when gold drops by $35 in a week, silver drops by much more than 30 cents. Of course, these arenâ??t normal times by any stretch of the imagination or reasonable measure. Against a backdrop of great upheaval in most markets, including stocks, bonds, real estate and cryptocurrencies this week, the price volatility in gold and silver looked somewhat muted.

The price declines in cryptocurrencies were particularly noteworthy and somewhat ironic. Noteworthy, because unlike previous sharp price declines, this decline seems to involve real stress on those companies involved in the infrastructure of the crypto universe. Somewhat ironic, in that the meltdown comes at a time of notable in-fighting on the future direction of crypto regulation, for example, as to which existing regulator, the CFTC or the SEC, becomes the main crypto regulator. Wouldnâ??t it be ironic if the current meltdown gets so extreme, that future regulation becomes moot in that there is not much to regulate in the end?

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained white hot this week as 10.2 million oz were moved. Total COMEX holdings fell 0.8 million oz to 336.8 million oz, so this week, the actual motion was more than 12 times the change in the ocean (total inventories), but youâ??d never know it from the continued breathless commentary about category changes between registered and eligible. Holdings in the JPMorgan COMEX silver warehouse fell by 1.9 million oz to 169.6 million oz, the lowest level since August 2020.

Actual total COMEX silver holdings have varied little over the past few months, while the physical movement in and out from the COMEX silver warehouses has been so active so as to make one contemplate that perhaps much of the supply line difficulties we face in just about everything might be due to all the trucks and warehousemen devoted to moving wholesale quantities of silver in and out of the COMEX warehouses.

As a reminder, the concept that the frantic COMEX silver warehouse inventory movement, now in progress for 11 years and accelerating, is not directly related to unprecedented physical demand is beyond crazy. That silver prices havenâ??t reflected the documented movement and demand can only be attributed to price manipulation.

Gold holdings in the COMEX-approved warehouses continue to decline this week, amid increased turnover, as total gold holdings fell another 0.8 million oz to 33.8 million oz, the lowest level in 3 months. Gold holdings in the JPMorgan warehouse fell just over 0.3 million oz to 13.89 million oz, also the lowest level in 3 months.

With deliveries winding down in the June COMEX delivery period, the key feature continues to be the dominance of both sides of the delivery process by customers of JPMorgan. Of the 23,741 gold deliveries (2.37 million oz) made, customers of JPM have issued 15,271 contracts (64%) and stopped 13,921 contracts (58%), with similar dominance in silver deliveries. That one bank is allowed to dominate a world commodity isnâ??t exactly a glowing commentary on the regulators at the CFTC or in the Antitrust Division of the Justice Department, in my opinion. As to what it means to gold prices, other than another obvious form of control by JPMorgan, Iâ??m not sure.

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

In ETF flows, inflows of more than 800,000 oz of gold (offsetting the declines in COMEX holdings) came into the gold ETFs, principally GLD, but it was the opposite in silver, as more than 10 million oz were redeemed in the silver ETFs, principally SIVR and not SLV. I continue to believe the redemptions in the silver ETFs are nor plain-vanilla investor selling, but deliberate conversions of metal needed more urgently elsewhere or in preparation for greater ETF buying ahead without having to report large purchases.

Turning to yesterdayâ??s Commitments of Traders (COT) report, my first reaction is in noting the increased attention and commentary this data series continues to attract (and for very good reason). I canâ??t help but be impressed that all the commentary appears to be spot on, in that by now everyone seems to know that increased managed money selling and commercial buying is downright bullish for future prices.

This increased commentary is in stark contrast to what was always the most popular criticism I received years ago from readers who urged me to give up my emphasis on COT report considerations and focus instead on other (more interesting) topics. I know those offering such advice meant well, but there was never the slightest doubt in my mind that the COT report was invaluable in that it not only provided the only data source for who was buying and selling, but also that the report was the essential proof of the ongoing silver price manipulation.

Think of it â?? here we have an official (US Government) and free published weekly report, with only a three-day real-time delay that accurately presents invaluable and fully-documented data, more-timely than any other data series â?? that once you get used to it, you canâ??t help but become addicted to, due to its accuracy and timeliness. If anyone chooses to take this as a compliment to the CFTC for providing such a report, then please do so because that would be accurate. Despite the accuracy and timeliness of the COT report, Iâ??ve heard every conceivable nit-picking complaint possible under the sun â?? exclusively from those who couldnâ??t comprehend or appreciate the gift that the report represented.

It is for this reason that I welcome and applaud the increasing attention and commentary that the COT report attracts, but one thing still rubs me the wrong way, both on the part of those providing the increased public commentary and on the part of the CFTC which publishes the report. That â??thingâ?• is the obvious disregard of the blatant manipulative effect of the positioning between the commercials and their counterparties, the manage money traders. I donâ??t quite comprehend how one could see the commercial buying and managed money selling as bullish without recognizing there is nothing innocent about it.

There is a complete disconnect between the commentators waxing bullish about the just-released COT report because the managed money traders heavily shorted silver and gold (as well as copper, platinum and palladium), while the commercials were heavy net buyers and not seeing that this is the sole means by which prices have been manipulated. Itâ??s downright frustrating that so many see the positioning in the COT report as now being ultra-bullish because the managed money traders plowed onto the short side, but not seeing (or refusing to see) that this positioning is, in and of itself, the very essence of manipulation and not some function of the free market process. OK, rant over for now, but not forever. On to the new report.

Thanks to the deliberate price smash on Monday and Tuesday, it was expected that there would be managed money selling and commercial buying in both gold and silver, since this is how the price manipulation works. The commercials, operating collusively, always rig prices lower by a variety of means to lure the managed money technical funds into selling. Always.

In fact, this week, I anticipated on Wednesday that I was hopeful that as many managed money shorts in silver that covered in the previous reporting week and perhaps more would re-enter the short side in yesterdayâ??s report and that is exactly what happened. This was much more of a reasoned analysis based upon years of close observation than a lucky guess on my part and I say this not to pat myself on the back, but to test myself. I did anticipate a meaningful improvement in the gold market structure and the results there were even better than I expected.

In COMEX gold futures, the commercials bought and reduced their total net short position by a hefty 21,300 contracts to 178,600 contracts. This is the lowest (most bullish) reading in three years, going back to June 2019, to when I began calculating my running scoreboard of big 8 losses in COMEX gold and silver. While the 8 big shorts are still out many billions of dollars three years later (although well-down from the largest loss points over this time), I would point out that gold was around $1300 to $1350 back then and is now at least $500 higher.

In other words, it has taken the collusive COMEX commercials three years to get back to their lowest levels of shorting in gold and the price of gold I still $500 higher today than it was back then. From June 2019 to August 2020, gold surged by more than $700, including the epic price smash into March 2020 (when JPMorgan bid goodbye to its short position). The current COMEX market structure supports a similar price rally in gold as was experienced from June 2019 to August 2020.

By commercial categories, while it was more of a Three Musketeers-type effort than was seen over the past month, the 4 big shorts bought back aggressively yet again, as these traders bought back 8000 short contracts, reducing their concentrated short position to 122,872 contracts (12.3 million oz). According to my notes, this is the lowest big 4 short position in three years and must be considered unabashedly bullish. Since April 14, on the gold price decline of more than $150, the total commercial short position has been reduced by 110,000 contracts â?? of which the 4 big shorts accounted for 60,000 contracts of that short covering. Who says big isnâ??t better (or more crooked)?

The next 5 thru 8 largest gold shorts bought back another 1500 short contracts and the big 8 short position is now (as of Tuesday) 206,942 contracts (20.7 million oz), the lowest level in two years. The raptors (the smaller commercials apart from the big 8) were finally included on the office memo circulation list and joined in on the commercial rig-job buying to the tune of 11,800 contracts, increasing their net long position to 28,300 contracts. This reporting week, all was copacetic in the world of the collusive COMEX gold commercials.

On the sell side of gold, it was almost an exclusive managed money affair, as these traders sold

20,626 net contracts (nearly matching the commercial buying) and consisting of the sale and liquidation of 6104 long contracts, as well as the new sale of 14,522 short contracts. Based upon recent behavior by the managed money traders, I was expecting the mix being the opposite (more long liquidation than new shorting), but the actual mix reported is more bullish than what I expected.

In COMEX silver futures, the commercials reduced their total net short position by a hefty 5900 contracts to 22,000 contracts. As was the case in gold, this is the lowest (most bullish) total commercial silver short position in 3 years, back to June 2019. Not even in the epic price smash in March 2020, when silver fell below $12, has the total commercial short position been as low as it was this week. A reasonable person might wonder, in the face of all that is going on in the world, how it would be possible for a select group of mostly banks (not real producers or legitimate hedgers) to have arranged to hold their lowest short position in years in the two commodities that would normally be thought to be in the highest demand in such times? Oh, observe the power of manipulation when the side being manipulated (the managed money technical traders) is strictly governed by false price signals.

Unfortunately, whereas the breakdown in gold was simple in that there were no managed money traders in the ranks of the 4 and 8 largest gold traders, that is not the case in silver. â??Unfortunateâ?• in this case is strictly in the sense that it is easier to compile the holdings of the various categories of traders when the big 4 and big 8 are exclusively commercials, as was the case in gold, but it is infinitely more bullish, but also more confusing when managed money traders enter into the ranks of the big 4 and 8, as was the case this reporting week in silver.

This reporting week, the managed money silver traders added 5285 new shorts (I was hoping for 4000 contracts or more), vaulting one such trader into the ranks of the big 4 silver shorts and another managed money trader into the ranks of the big 5 thru 8 short traders. While even better than I expected, it does mess up my normal calculations. So, let me not dance around and just give you where I see the positions.

The big 4 silver short position is up this week by 1500 contracts to 49,393 contracts, but at least 8000 contracts of that is held by a managed money trader, reducing the true commercial component to around 41,000 contracts, close to lowest pure commercial concentrated short position in years. Likewise, since there is another managed money trader in the big 5 thru 8 category, the true commercial component of the big 8 short position is around 60,000 net contract (and not the reported level of 71,430 contracts).

In turn, this would bring the raptorsâ?? (smaller commercials) net long position back up to 38,000 to 40,000 contracts, one of the largest on record. And I would be remiss if I didnâ??t mention that the two separate commercial categories in silver (Producer/Merchant and Swap Dealers categories) are also at their lowest levels of net shorts in more than three years. Ditto, the net managed money long position is sitting on three-year lows and the smaller non-reporting traders have their lowest net long position in five-years â?? both bullish beyond question.

Essentially, all that remains is the timing, manner and scope of the silver and gold (and platinum and copper) rallies to come. I still sense it will be a rally, particularly in silver, like none before it. Â Silver does have a history of sudden and explosive rallies going back half a century, but weâ??ve not had a set up more potentially explosive than exists currently. While I insist and can demonstrate that COMEX positioning has been the sole price determinant for as long as I can recall, its days are numbered. As soon as the price control of COMEX positioning breaks, a whole host of important supply/demand factors are waiting in the wings to take over the pricing function.

One thing I may have been somewhat negligent about in explaining recently, as I write incessantly about the collusive commercial control of price on the COMEX, is how the current positioning will be very hard, if not impossible to replicate should the commercials decide to let the managed money silver shorts off the hook and also allow them to buy as many long contracts as the managed money traders wish to put on in the next silver rally. Iâ??m fully aware that the essence of the ongoing manipulation is the continuous wash, rinse and repeat cycle of the commercials selling into the mandatory managed money and other speculative buying that comes on every silver rally for decades, so I donâ??t need to be reminded about what has transpired to this point.

At the same time, as I remarked previously, more observers than ever are commenting on unquestioned validity of COT reportâ??s influence on price and the gap between influence and actual manipulation is remarkably small, even if that gap has yet to be widely bridged to this point. No one can really gripe about the raptors selling out long positions at the big profits higher silver prices would bring, but new shorting by the big legacy shorts to cap and contain prices is another matter. And, it may be a mistake to assume the new commissioners at the CFTC will continue to function as the potted-plant versions of the past and allow new and illegitimate silver shorting in the future without question.

More than that, Iâ??m not so sure that at least some of the collusive COMEX commercials are so brain-dead not to read the handwriting on the wall and question how long the silver manipulation can continue in the face of all thatâ??s going on in the world and the world of silver. I guess what Iâ??m saying is that the collusive COMEX commercials are far from dumb and some of them should recognize that the highly successful and illegal game they have been running for decades is not without end and if some of them are even half as smart as I think they are, then they have likely thought out the ending thatâ??s best for them. I canâ??t see how that wouldnâ??t include quitting when they are well ahead â?? like now. Quitting means not selling and certainly not selling short aggressively from this point forward.

The decline in gold and silver prices this week reduced the 8 big COMEX gold and silver shorts total loss by around $800 million from last Friday to $7.7 billion.

Ted Butler

June 18, 2022

Silver – $21.63Â Â Â Â (200 day ma – $23.45, 50 day ma – $22.74, 100 day ma – $23.59)

Gold – $1840Â Â Â Â Â Â Â (200 day ma – $1843, 50 day ma – $1877, 100 day ma – $1890)

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