March 11, 2017 – Weekly Review

Weekly Review

Gold and silver prices fell sharply for a second week running, with the total year-to-date rise in each roughly halved over the past fortnight. Gold fell $30 (2.4%) for the week, while silver ended a steep 84 cents (4.7%) lower. As a result of silver's relative underperformance, the silver/gold price ratio widened out by a hefty two full points to 70.7 to 1. This is the most undervalued silver has been relative to gold in nearly two months, but overall, there has been little dramatic change in the relative pricing between silver and gold for a couple of years.

I say that is artificial and manipulative on its face, as these are two different commodities, solely connected by the same artificial price mechanism Â? COMEX positioning. I also say that when the COMEX's manipulative and death-like grip on pricing gets disrupted, the ramifications on price will be much more severe in silver than in gold. And that's one thing that makes silver the better relative performer ahead Â? its manipulation has been much stronger and has lasted for much longer than it has been for gold or any other commodity. In the meantime, however, until the manipulation is broken, you just have to live through weeks like these last two. The good news is that there continues to be additional signs that the COMEX silver manipulation may soon be ended.

It wasn't just gold and silver prices that got hammered this week, as decisive multi-month price lows were established in two commodities I recently mentioned, copper and crude oil. The only common denominator in all the price smashes were that they were connected to positioning changes in futures contracts held by managed money traders and the commercials on the COMEX and NYMEX. I'll come back to this after reviewing the week in the usual format.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses remained high this past week, as 5.7 million oz were shuffled either in or out, as total inventories fell by 1.6 million oz to 186.7 million oz. This is still the highest level of COMEX inventories in 20 years, save for the previous week. A new high was established this week in the JPMorgan silver warehouse, as holdings there rose by 840,000 oz to 192.3 million oz.

It's possible that the silver coming into the JPM warehouse is related to the bank's stopping of deliveries against the March futures contract, but if that's the case then it's somewhat out of step with the usual pattern taken by JPMorgan. In the past, there was usually a delay of some weeks between the time JPM first stopped (took) COMEX silver deliveries and when the metal was moved to its own warehouse. After all, we are talking about physical silver movement here, not just electronic trading.

Since JPM has taken the lion's share of the March COMEX deliveries over the past week or two, I would have expected that metal to have been moved in later. If the 1.6 million oz that JPM took into its warehouse over the past two weeks is not related to the current March deliveries, past patterns suggest another 10 million oz may be destined to be shipped into the JPM warehouse over the next few weeks. Is there still anyone in the world of precious metals not aware that JPMorgan is accumulating massive amounts of physical silver?

Other COMEX silver inventory highlights this week include an additional 2.1 million oz paper-shifted from eligible to registered, following the previous week's 2.5 million ounce similar paper shuffle. Once again, I normally pay little attention to category changes in COMEX silver or gold inventories and confess to haven belittled those who made these category changes a big deal in the past. The reason for my about face is specific Â? the changes in silver inventories from eligible to registered over the past two weeks looks directly related to the March silver deliveries and have occurred at the relative last minute, namely, on or after first delivery day.

Along with the recent rise in COMEX total inventories, this is strongly suggestive to me that those delivering metal against the March contract may be doing so under a bit of duress, or at the very least, inconvenience. Otherwise, why wait until the delivery period is well underway to make delivery arrangements? It could also suggest a measure of surprise on the part of the short deliverers.

Shorts always have the upper hand in any physical commodity delivery against a futures contract in terms of deciding when to make delivery, but only until the last day of the delivery month. Longs who want delivery must wait until the shorts deliver, but only up to that same last day. The longs don't have to do anything but wait (and have the money), while the shorts must provide the physical commodity. If all the shorts weren't fully prepared to make physical delivery, then they must get ready or buy back the short contract. Â?Getting readyÂ? means securing the physical commodity in order to make delivery. In very simple words, I sense the shorts in the March silver contract have had to go out of their usual way to secure physical silver with which to deliver (to JPMorgan).

In the weekly review two weeks ago, I mentioned that I had noticed that the open interest in the COMEX March silver futures contract looked a Â?bit elevatedÂ?. I didn't make a particularly big deal about it, but I questioned if this suggested there might be a bit of Â?pushing and shovingÂ? in the March silver contract, with the good news being that we would find out quickly. I also mentioned how even those which regularly announced an imminent COMEX delivery failure had, somehow, failed to notice the potential tightness in the March silver contract (even going so far as to include a very snarky Â? just sayin').

Two weeks is all that was needed for me to conclude that the COMEX March silver delivery period has already established itself as the tightest ever, almost regardless of what happens over the rest of the month. Over the first nine days of this delivery period, JPMorgan has already stopped (taken) 1858 contracts in its own house account, as well as stopping another 569 contracts for a customer(s), or 88% of the total 2751 contracts (13.7 million oz) issued for delivery.

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

There is a longstanding COMEX limit of 1500 contracts that any one trader can take in silver, which JPMorgan first exceeded in December, when the bank stopped 1550 contracts, the most it had ever taken to that point. Interestingly, that month customers of JPM issued 817 silver contracts, creating the appearance of JPM gaming its customers. This month, however, the interests of the bank and its customers seem aligned in acquiring physical silver. At this point, JPMorgan has already exceeded the monthly contract limit by more than 350 contracts for its own house account.

Based upon the remaining number of contracts still open in March (more than 1000), unless the shorts truly run out of physical silver to deliver and/or JPMorgan overtly lets them off the hook, JPM will take a total of around 2500 contracts this month in its own name, plus perhaps a total of 1000 contracts for customers.

Even though I was sensitive to the March silver delivery two weeks ago and have been pointing out that JPMorgan has been close to being the sole stopper of COMEX silver deliveries for the past three years, this is all far beyond what I ever would have imagined when I wondered if there would be some pushing and shoving in the March contract. I remain dumbfounded that no one in the precious metals world seems to be talking about this. Go figure.

On further reflection, perhaps I'm expecting too much from those never having experienced the taking and/or making of actual delivery on a futures contract in a professional capacity. I never consciously sought out this delivery experience, but somehow it found me Â? too often ending in harsh but invaluable learning experiences. (Not just in OJ futures, but even before that when I learned a customer's cocoa deliveries had worms). In any event, what has transpired in the COMEX March silver delivery is like nothing I have ever seen and remains a very big deal.

There have been liquidations of several hundred thousand ounces of gold from the big gold ETF, GLD, as well as about 4 million ounces of metal redeemed from the big silver ETF, SLV. The metal liquidations appear to be the result of plain vanilla investor selling into lower prices, as usually occurs. The only twist is that I am confident that at the end of the day, JPMorgan has ended up with that much more physical silver under its control and perhaps gold as well. The data from these ETFs are not quite as transparent and precise as is the COMEX delivery and warehouse data, but it's reasonable to assume that what JPM is up to in COMEX silver is similar to what these crooks are up to in the SLV as well.

The new short report for stocks featured reductions in the short positions for SLV and GLD, continuing the recent pattern of whipsaws between increases and decreases from the previous report. This time, the short position in SLV declined by nearly 1.8 million shares to just under 11 million shares (ounces), while the short position in GLD declined by nearly 1.5 million shares to just over 6.4 million shares (0.6 million oz), as of Feb 28. I'm just going through the motions here, as I see no strong impact on price.

http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2

Sales of Silver Eagles (as well as Gold Eagles) have been so low that not only is it obvious that JPMorgan has stepped aside, I'm starting to think the bank previously bought much more in the past than I have been reporting. Previously, I assumed JPM was taking close to 50% of all the 200 million+ Silver Eagles the US Mint sold over the past 6 years (Canadian Maples as well). Now that JPM has stepped aside, the remaining amount of sales suggests that JPMorgan may have taken closer to 75% of all coins sold over this time.

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

On to the changes in this week's Commitments of Traders (COT) Report. My immediate and literal knee-jerk reaction may date me a bit, since it came from the 1931 film classic, Frankenstein, but I only got to see the movie in the 1950's as a kid. All joking aside, my very first reaction to the new COT report was Â? It's Alive! No, not the monster in the movie, but my crazy recent premise about the managed money traders perhaps not liquidating into commercial price prompts.

https://www.youtube.com/watch?v=QuoKNZjr8_U

We did see the expected sharp reduction in the managed money long/commercial short positions in COMEX gold, with this week's reductions the largest since mid-November; but the reduction fell less than expected in silver, although it was the largest weekly reduction since December.

In COMEX gold futures, the commercials reduced their total net short position by a hefty 27,300 contracts, to 152,600 contracts. Undoubtedly, there was an additional reduction in the commercial net short position on the price weakness engineered after the Tuesday cutoff and I would not be surprised if there were an equal number of contracts re-positioned through yesterday's trading. In other words, we could be right back at or close to the recent low (very bullish) readings in gold commercial shorting.

By commercial category, all got the buy memo, with the big 4 buying back 5700 shorts and the big 5 thru 8 buying back 5400 shorts. The largest buying was by the raptors (the smaller commercials) which bought 16,200 contracts, turning a net short position back to a net long position of 10,300 contracts. The big 4 were only a couple of thousand contracts away from their lowest concentrated net short position in quite some time and, most likely, are now sitting at their lowest levels since Tuesday. This is extra bullish in any manipulated market.

The managed money technical funds came close to fully matching the commercial buying (or is it the other way around?) as these traders sold just under 24,000 net gold contracts, including 16,160 long contracts and also sold 7839 new short contracts. Many more managed money gold contracts were sold since Tuesday, which means a bullish market structure in gold has gotten even more bullish.

In COMEX silver futures, the commercials only reduced their net short position by 2100 contracts, to 105,600 contracts. Therefore, the commercial net short position still remains in nose-bleed bearish historical levels. By commercial category, the big 4 reduced their net short position by around a thousand contracts, as did the big 5 thru 8 shorts to the tune of 700 contracts. The raptors rounded things off by buying back 400 shorts and reducing their net short position to 4,400 contracts. As was the case in gold, all the commercials received the buy memo; it's just that in silver, the sell memo wasn't as widely observed by the managed money traders.

With yesterday's concurrent release of the monthly Bank Participation Report, I was somewhat amazed to see my prior calculations for what JPMorgan might hold on the short side come as close to what I have been estimating. In the previous COT report, I estimated JPMorgan held 30,000 contracts net short. As far as I can tell that was smack dab on the money and this week, the 1000 contract reduction in the big 4 category puts JPM at 29,000 contracts as of Tuesday (and hopefully, less than that through yesterday's trading).

To be fair, I was assigning, as is my custom, any increase in big 4 selling over the past month exclusively to JPMorgan, although I was prepared to revise my calculations upon release of the new Bank Participation Report. As it turned out, JPMorgan was a net seller of an additional 6000 contracts (30 million oz) since the prior monthly report. Therefore, I can state empathically and without fear of contradiction that JPMorgan single-handedly capped silver prices. That this same crooked bank was snapping up physical silver at the same time it was capping prices, allows me to state, also without fear of contradiction, that this bank is more crooked than words can describe. Then again, what's new?

The big story, of course, was in how few contracts were sold by the managed money traders Â? only 1546 long contracts were liquidated and 102 short contracts were bought back. I would remind you that silver prices were smacked particularly hard during the reporting week, including the big initial down day a week ago Thursday when the 200 day moving average was decisively penetrated to the downside. For the reporting week as a whole, silver was down more than a dollar. Since the cutoff on Tuesday, silver, like gold, fell further with both penetrating their 50 day moving averages and I would assume more managed money selling occurred in each.

But almost regardless of how many managed money silver contracts may have been sold since the cutoff, the real story is still in how few contracts were sold in the current COT report. In fact, if I hadn't already formulated my crazy premise of the worm turning, the current COT report is enough to do so by itself. Even a COT observer in a medically-induced coma would be able to point out that the key takeaway of this week's report was the lack of selling by managed money longs. And even if the selling was much stronger since Tuesday, the remaining level of managed money longs would still be extraordinarily large on an historic basis and infinitely more so when factoring in the rotten price action during the reporting week.

Once again, my premise revolves around the managed money technical funds wising up to the fact that they were the dupes in a crooked trading game for decades and may have taken measures to fight back. The measures involve turning the financial tables on the commercials with the goal to stop the recurring losses and make large profits instead. The first evidence emerged last fall when a good number of managed money traders refused to sell COMEX silver short as they always had in the past; followed by an unusually large and rapid buildup of long positions after the end of December.

I presented the premise in either/or terms, namely, that the managed money traders would significantly sell and liquidate their massive long positions on lower prices or they wouldn't.
If they did sell, the price of silver would get smashed as the many tens of thousands of long contracts that were recently added by the managed money traders, 40,000 contracts in all, would amount to a selling tsunami. However, if the managed money traders refused to follow their past practice of selling on lower prices, then while the commercials still had the power to rig prices lower, if those lower prices didn't induce heavy managed money selling, then the game had changed and prices shouldn't stay low for long. In that case, the 7 big commercial COMEX silver shorts could find themselves in a world of trouble (JPM excluded, of course).

This week's COT report indicates that the premise is still alive (it's easy to google the outtakes from the hilarious update of the movie by Mel Brooks, featuring Gene Wilder). Â?AliveÂ? doesn't mean guaranteed to occur; it just means that the premise may still play out as I suggested. The premise will still play out in an either/or manner, because the managed money traders will sell en masse ahead or they won't. Should the managed money traders collectively dump their long contracts, down will go the price.

However, should they continue to hold most of their long positions, there is no good reason for prices to stay low, even when accompanied by additional commercial rigging in the very short term. It's quite possible that the seven most vulnerable COMEX commercial shorts, primarily foreign banks, are just awakening to the fact that the managed money traders may have woken up first and trapped the 7 big shorts. You would certainly think these 7 big shorts should be cogniscent of the fact that JPMorgan is and has been taking delivery of every physical silver contract that isn't nailed down, but one never knows. It's one thing for Internet commentators to miss what's going on in the March silver delivery process, but quite another for any of the big silver shorts to have missed it as well, since they may be on the wrong end of a very large gun barrel.