March 19, 2022 – Weekly Review

Gold and silver prices were unable to overcome the sharp losses into mid-week, with gold ending the week $72 (3.6%) lower and with silver down by $1.10 (4.2%). As a result of silverâ??s slight underperformance, the silver/gold price ratio widened out by half a point to 76.5 to 1. Usually (whatever the heck that is nowadays) sharp losses result in much greater relative weakness in silver, although youâ??ll forgive me if Iâ??m not overly comforted by this at this time.

In just 8 trading days, gold has fallen $150 from its recent all-time highs, while silver is down $2.50 from its recent price highs. Looking for the most plausible explanation for such pronounced and sudden price weakness in a world that seems to take another step daily towards what was unthinkable (an exchange of nuclear weapons) until quite recently, leads me to the answer always reached â?? paper positioning on the COMEX â?? plus the intervention of JPMorgan in providing just enough physical silver (and gold) to cap and contain prices.

It can hardly be considered a coincidence that at the recent price highs, the 4 and 8 big COMEX commercials (banks) were staring into the abyss, what with the combined losses on their concentrated short positions on gold and silver reaching close to the highest level ($16 billion+) ever and with the coming approach of the end of the first quarter. Additionally, the big COMEX bank shorts were pressed by even larger losses in crude oil and LME nickel. Then, suddenly, prices across the board fell sharply â?? although it took an exchange default to do the trick in LME nickel.

Unless you are somehow convinced that the big bank short sellers were the recipient of some type of delayed Christmas miracle, typically thought to be reserved for the righteous and pure of heart, I can offer a more-worldly and decidedly less noble explanation. Â Alarmed by the dire position they suddenly found themselves in, the big bank shorts joined ranks in their usual collusive manner, only this time having to call on their prime double crosser, JPMorgan, for emergency assistance, to turn back those with the temerity to be long the gold and silver markets.

Unfortunately (and I hope Iâ??m mistaken), the goal-line stand by the collusive commercial COMEX shorts not only has proven successful over the last 8 trading days, but based upon yesterdayâ??s COT report, their dirty work has further to go â?? which I enjoy writing about as much as jabbing myself with an ice pick. Â Iâ??ll get into the details in a bit.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouse was somewhat lower than the weekly average over the past 11 years, as this week some 3.8 million oz were moved. Total COMEX silver warehouse holdings (â??inventoriesâ?• is not quite the right word since much is held as a long-term investment) fell again, this week by 2.1 million oz to 340.9 million oz, the lowest level since August 2020 and down nearly 60 million oz from the top in warehouse holdings in January 2021.

Holdings in the JPMorgan COMEX silver warehouse fell by the same 2.1 million oz as total COMEX holdings, to 180.2 million oz. For what itâ??s worth, back in August 2020, JPMâ??s COMEX holdings were 166 million oz, so JPM does hold a greater percentage of total COMEX holdings today â?? to say nothing of JPMorganâ??s holdings in other COMEX warehouses, which I guess to be close to another 100 million oz.

There was a sharp increase in the total holdings in the COMEX gold warehouses this week of 1.3 million oz to 34.2 million oz, the highest level in 4 months. An increase of 0.8 million oz in the JPMorgan COMEX gold warehouse, to 13.72 million oz, accounted for much of the total increase in COMEX gold holdings. My best guess at explaining the increase in COMEX gold holdings (against the backdrop of shrinking COMEX silver holdings) is due to preparations for the upcoming traditionally-large COMEX April gold deliveries. This also implies the gold already in the COMEX warehouses was not sufficiently available to meet expected delivery demands. I realize what I am saying is that shrinking silver holdings are bullish, as are increasing gold holdings, but COMEX warehouse holdings are not close to being the main price determinant as is futures positioning.

Nothing new to report on COMEX gold and silver deliveries for the expiring March contract â?? with the key feature being JPMorganâ??s rescue bailout of the shorts, particularly in silver.

There were large and extremely counterintuitive deposits into the gold and silver ETFs this week, with around a million oz coming into GLD, the big gold ETF and more than 7 million oz into the silver ETFs, primarily into SLV. I say â??counterintuitiveâ?• because gold and silver prices were down sharply this week, which usually (there I go again) results in redemptions. My best guess is that the inflows are of the catchup variety for buying earlier than this week â?? but they could represent determined buying by what I would guess are large buyers. Some clarity may be provided in Thursdays new short report on stocks, the cutoff for which was Tuesday, March 15 (same as yesterdayâ??s COT report).

Turning to yesterdayâ??s Commitments of Traders (COT) report, I wish I could say I wasnâ??t disappointed, but that would be a lie. Sure, there was some modicum of commercial buying and managed money and other non-commercial selling as would be expected with the sharp price declines of the reporting week of as much as $140 in gold and $2 in silver, but not nearly as much as I expected (although I avoided specific contract predictions). Likewise, the category changes were mostly as expected, just nowhere near as large as they â??shouldâ?• have been.

What made the report disappointing, it seems clear in hindsight, was that none of the key moving averages in either gold or silver were penetrated to the downside, which leaves open the possibility that will or wonâ??t occur in the short term. Iâ??d like to think the managed money traders will be strong holders this time around, but faced with how they have behaved in the past and the collusive power and treachery of the commercials, my fear is that the commercials will succeed in rigging prices below all the moving averages ahead. After all, a deliberate price smash equivalent to how much we have already fallen from the recent peaks would do the trick in both gold and silver. In other words, a move to $1800 in gold and $23 in silver or so seems plausible should the dastardly commercials prevail again. Iâ??m planning to ride it out in the hopes of adding more should that outcome be realized and not risk being left out of silver should the conventional COT market structure analysis fail for the first time.

In COMEX gold futures, the commercials reduced their total net short position by a slim 9500 contracts to 297,400 contracts. Despite the slight reduction, the commercial short position is still close to 100,000 contracts (10 million oz) larger than it was on February 1, when gold was priced at $1800. Would I love to see the crooked commercials overrun? You betcha. Would I rule out the possibility or likelihood that these crooks will prevail again? No way.

By commercial categories, the 4 big gold shorts did buy back around 3700 shorts and reduced their concentrated short position to 184,664 contracts (18.5 million oz). The 5 thru 8 next largest shorts actually added 2600 new shorts and the big 8 short position amounted to 277,922 contracts (27.8 million oz), only lower by 1100 contracts or so from last weekâ??s level. The raptors (the smaller commercials apart from the big 8) bought back 8400 shorts, reducing their net short position to 19,500 contracts.

On the sell side in gold, the managed money traders did sell more than the commercials bought, as these traders sold 16,436 net contracts, consisting of the sale and liquidation of 15,913 longs, as well as the new sale of 523 short contracts. Explaining the difference between the commercial buying and managed money selling was net buying by the other large reporting traders of close to 4000 net contracts and 3000 net contracts by the smaller non-reporting traders, both largely in the form of short covering. The gold whale held tight, with what I continue to estimate as a 40,000 contract (4 million oz) long position. If, as and when the collusive commercials rig prices lower, it will be interesting to observe what, if anything, the gold whale does.

In COMEX silver futures, the commercials bought back a remarkably small 2000 contracts, reducing their total net short position to 67,600 contracts and hardly reducing the bearish implications of this large commercial short position. The 4 big shorts did buy back around 1400 contracts, reducing slightly their concentrated short position to 52,818 contracts (264 million oz). But as was the case in gold, the 5 thru 8 next largest commercial shorts actually added 1600 new shorts and the big 8 short position grew slightly to 74,360 net contracts (372 million oz), the highest level since last June. The raptors added 2200 new longs, increasing their net long position to 6800 contracts.

On the sell side of silver (if you can really call it a sell side), the managed money traders sold only 637 net contracts, consisting of the sale and liquidation of 2118 long contracts, as well as the buyback and liquidation of 1481 short contracts. I had private expectations of ten to twenty times as much net managed money selling. Similarly, I found the sale of less than 1300 net contracts by the smaller non-reporting traders to be much less than I expected. Also, as was the case in gold, the silver whale appeared to hold the 15,000 or more net longs he has held for a while (in the swap dealer category).

Perhaps my fears of much more non-commercial selling in gold and silver to come are overblown and these traders will continue to hold long and strong in the face of near-certain attempts by the commercials to rig price lower for the all-too-obvious moving averages below current prices. But Iâ??ve seen this movie way too many times not to have reasonable grounds for what might come. Again, a hundred dollars in gold and two bucks or so down in silver is not the end of the world on a long-term basis, but not to highlight that possibility wouldnâ??t be responsible on my part.

The key issue at hand is not so much why the commercials didnâ??t buy much more than they did in gold and silver, since the commercials can only buy what others (managed money traders and other non-commercials) are willing to sell. This reporting week, the managed money and other non-commercial traders offered relatively little to sell â?? preventing the commercials from buying more than they did. Now, if I am reading this wrong and the managed money traders have finally wised up and do not intend to sell on lower prices, then the commercials are up the creek without a paddle and prices will surge higher. Time, and not too much of it, will tell which it will be.

Then again, should we get such a price dip (rig job), considering whatâ??s going on in the world and the world of physical silver, the real challenge may be in trying to catch the price low before prices race higher again. Iâ??m not sure such a trade is even possible with retail forms of silver, given premiums and bid/ask spreads, but may also be problematic with non-retail forms of silver, in that two transactions must be made â?? a sell and then a buy. Considering what may turn out to be a pretty narrow window, both price and time wise, side-stepping a price downdraft and re-establishing positions is a tall order. Thatâ??s why I choose to ride it out, with the hopes of catching any possible bottom before any turn up.

In other markets, as I suggested on Wednesday, it does appear that there has been sufficient managed money net long and bull spread liquidation in NYMEX crude oil to suggest a bottom or nearly so, according to the latest COT report. Also, I couldnâ??t help but note that the managed money traders in COMEX copper did liquidate enough long contracts through Tuesday to suggest a rally, which has occurred over the past three days. Perhaps this rally will continue for as long as the managed money traders donâ??t get overly long â?? which has been the kiss of death for copper rallies of late.

In the unfortunate event that we do get a flush out to the downside in gold and silver due to yet another successful commercial rig job, Iâ??m hopeful for two possible reactions. One, the previously-mentioned hope that those expecting imminently higher gold and silver prices for a variety of reasons ranging from fundamental, to technical, to momentum will realize the reason we didnâ??t liftoff was due to price rigging on the COMEX.

Two, Iâ??m also hopeful that those longs which were thoroughly ripped off and cheated in recent LME nickel dealings, like the giant quantitative hedge fund, AQR, which is also a large managed money fund dealing in COMEX gold and silver, will come to recognize that it has been not just on the LME that it has been cheated. Iâ??ve tried to warn this and other managed money funds dealing on the COMEX that it and other funds have been cheated for decades by intentional and deliberate commercial price rigging whose sole purpose was to induce the technical traders into and out from positions. Based upon the public statements made by Cliff Asness, the head of AQR Capital, the firm intends to sue those involved in the LME nickel default, upon which I wish it success. Now, if we could only get AQR (and others) to realize the repetitive cheating it has been subject to in crooked COMEX dealings for decades, perhaps the crooked dealings would be no more.

Finally, I would love to be wrong about my concerns for yet another price rig to the downside at the hands of the collusive COMEX banks. At least in LME nickel there was a fig leaf of sorts in the form of a large Chinese nickel and steel producer said to be at the heart of the short-selling scandal. Yet there are no such silver producers at the heart of the concentrated short selling in COMEX silver – at least none that publicly report earnings, to my knowledge – meaning there is not even the fig leaf of legitimacy behind the silver short sales. These silver short sales canâ??t even be pretended to be legitimate hedges and are nothing more than speculative bets designed to manipulate prices and rip-off technical type traders. The world will be a much better place when these manipulating COMEX banks are set out to pasture.

The sharp selloff in gold and silver prices this week did bring great relief to the 8 big COMEX shorts to the tune of $2.4 billion, reducing the total loss to $12.2 billion (since June 2019). Likewise, the total loss to Bank of America on its OTC derivatives position was reduced to $8.2 billion. Finally, the gain to JPMorgan on its physical and derivatives long positions was reduced to just over $36 billion.

Ted Butler

March 19, 2022

Silver – $25.10Â Â Â (200-day ma – $24.16, 50-day ma – $24.01. 100-day ma – $23.69)

Gold – $1920Â Â Â Â Â Â (200-day ma – $1817, 50-day ma – $1874, 100-day ma – $1840)

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