May 18, 2019 – Weekly Review

I donâ??t know what it is about recent Thursdays, but this week featured another Thursday price smash in gold and silver, which extended into yesterday. For the week, gold ended $11 (0.9%) lower, while silver was thrashed for 39 cents (2.6%). Gold tied its previous lowest weekly close year to date, while silver set a new weekly closing low going back to November. Silver has now finished lower for seven of the past eight weeks.

As a result of silverâ??s continued relative underperformance compared to gold, the silver/gold price ratio widened out by more than a point and a half to 88.75 to 1. This is the highest the price ratio has been in 25 years, which is just another way of saying that silver is now more undervalued and cheaper relative to gold than it has been in a quarter of a century. Although Iâ??m not sure if any value investors exist nowadays, if any did exist, they would surely recognize that silver is the most undervalued asset of all. And if anyone should look for any real world explanation for why silver is so undervalued, in terms of actual metal supply and demand, all I can offer is good luck. There is not a hint of increased real supply or decreased real demand.

Instead, the only explanation for both silver and gold price behavior is the same explanation as always â?? COMEX futures contract positioning. Iâ??m sure this gets tiring because it is so redundant, but Iâ??m not prepared yet to make things up just to mix it up a bit. In fact, I have trouble even imagining how any other reasons could be given for this weekâ??s price action, including trade wars, dollar values or central bank conspiracies. This week featured a hand delivered and in-your-face COMEX positioning explanation for what transpired pricewise in gold and silver.

In last Saturdayâ??s review, I indicated that we were close to an upside breakout, particularly in gold, given that we closed last Friday only $5 to $8 below goldâ??s 50 day and 100 day moving averages, respectively, which, if penetrated, should set off significant managed money technical fund buying. I further opined that price action would then be up to the commercials and JPMorgan in how aggressively they sold into the certain technical fund buying to come on a breakout. We got the answer the very next trading day, Monday, when gold surged decisively through both moving averages on the heaviest upside trading volume in many months. There was no such upside breakout in silver, which completely ignored goldâ??s move higher.

Therefore, it was fully expected that yesterdayâ??s Commitments of Traders (COT) report would reflect significant managed money buying/commercial selling in gold and not so much in silver. Because I was travelling and skipped Wednesdayâ??s article, I hadnâ??t posted expectations for yesterdayâ??s COT report, but in private conversations and emails to those subscribers who inquired, I predicted around 40,000 net contracts of managed money buying and commercial selling in gold and close to a flat positioning change in silver.

Both predictions were very close and, as always, I mention this not to pat myself on the back in anyway because the manipulated lower prices took as much of a pound of flesh from my portfolio as it didfrom yours. I certainly didnâ??t predict what prices would do for the week, as such short termpredictions are always foolhardy in my opinion. But explaining a price move is a lot different thanpredicting one. While Iâ??ll get into the details of yesterdayâ??s report, please allow me to point outthe obvious.

This was an unusual reporting week in that most of the futures positioning that occurred in gold occurred on Monday and was, therefore, available in yesterdayâ??s COT report. That means that itâ??s easy to see that just under 43,000 net contracts were bought by the managed money traders and that just under 41,000 net gold contracts were sold by the commercials, all mostly on one day, Monday. Expressed in gold ounce equivalents, the managed money traders bought 4.3 million oz of gold, while the commercials sold 4.1 million oz â?? all on one day in which gold moved around $13 higher.

I donâ??t think I can recall or even know if itâ??s possible to buy or sell more than 4 million ounces of actual gold in one day or what that might do to price. We are, after all, talking about more than $5 billion worth of gold. Is it even possible for Russia or China or the GLD, the largest gold ETF, to buy or sell 4 million actual ounces of gold in a single day? And, if so, what might such a transaction have on the price (depending, of course, on the motivations of the buyer or seller). Certainly, Iâ??m sure we would all agree that if someone tried to buy or sell more than 4 million ounces of real gold on a single day (15 days of world mine production) there would be a much greater price impact than $13 (1%).

Yes, I know that COMEX futures contracts are not the same as real gold, but the fact that so much in equivalent metal can be bought and sold between two very narrow groups of traders with such a small (yes, small) impact on price should be telling. The positioning on the COMEX is so large that it bears no connection to what could be bought and sold in the real world, save this â?? it is so large and the resultant futures price is so widely accepted that the COMEX price sets the price for all real gold throughout the world. It should be the other way around, with developments in the real world of gold dictating prices to derivatives traders on the COMEX. And please remember, none of these COMEX derivatives traders are legitimately hedging in any way â?? all are stone cold speculators.

Even though I am stating that a price move of 1% is too small for the sudden one-day concerted buying of 15 days of total world gold mining production, this just highlights the artificial price control of COMEX futures positioning. The real story here is not the collective buying by the technical funds, because what they will do when key moving averages are penetrated is well-known beforehand. The real story is what the commercials, particularly JPMorgan, do when the braindead mechanical technical funds rush to buy or sell.

This week, JPMorgan and the commercials colluded to limit the 4 million oz of gold buying on one day to just a one percent price gain, whereas it could just as easily been a 5% or 10% gain. We know anyone buying 4 million oz of real gold on one day would have caused more than a 1% move in price. And we now also know, as a result of the subsequent 2% decline in price after Mondayâ??s surge that the commercialsâ?? intent was to immediately rig prices lower to induce the very same technical funds which bought on Monday to sell on Thursday and Friday. As Iâ??ll try to explain later, I am convinced that the real intent of this weekâ??s manipulation of the gold price, aside from the roughly $50 to $60 million the commercials collectively took out of the technical fundsâ?? pockets on gold on a very quick trade, was to press silver prices lower to achieve maximum technical fund selling.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses amounted to 3.9 million oz this week, just a bit below the weekly average for the past 8 years. Total COMEX silver inventories fell by 2.2 million oz to 305.3 million oz, the lowest level in a month (and dispelling any connection between rising inventories being responsible for weak silver prices). JPMorganâ??s COMEX silver warehouse inventories were unchanged at 150.6 million oz.

There was a sharp reduction in the silver inventories in the big silver ETF, SLV, yesterday of nearly 3.2 million oz which could be due to plain vanilla investor liquidation in the face of new price lows or a conversion of shares for metal by JPMorgan, which has been the principal means by which JPM has accumulated much of the 850 million oz of physical silver over the past 8 years. Come to think of it, regardless of whether it was plain vanilla investor liquidation or deliberate conversions by JPM, the safe conclusion is that JPMorgan just added that much more physical silver to its incredibly massive stash.

Turning to yesterdayâ??s COT report, had the results been markedly different than what was reported, I would have been at a loss to explain why. Instead, the actual results were so close to expectations so as to literally rule out any other explanations for why prices behaved as they did. While I still hold that one day, COMEX futures positioning will cease being the sole or prime determinant of price, that day has yet to arrive. If anything, despite growing awareness of the price control held by COMEX paper trading, that control has only grown stronger.

I know many still insist that the US Government or a cartel of central banks are behind the artificial pricing of gold and silver, but it couldnâ??t be clearer to me that the commercials, almost all exclusively commercial, not central, banks are running the price rig. Itâ??s not like governments donâ??t engage in underhanded actions at times, but the COMEX price rig is much more in line with the type of racketeering typical to commercial banks. Iâ??d even go so far as saying that the money taken away from the technical fund nitwits is so easy and consistent that even if governments initiated the manipulation (I donâ??t think they did), the crooks at JPMorgan and other commercial banks would have muscled their way into the scam and taken over before long. No government could ever be as greedy and corrupt as JPMorgan or other banks.

In COMEX gold futures, the commercials increased their total net short position by 40,800 contracts to 137,200 contracts. This is the highest commercial net short position since the end of March, but on a historical basis is not large (bearish) in the total scheme of things. Of course, the commercial net short position is now much lower, as a result of the managed money selling and commercial buying which occurred on Thursday and yesterday.

As far as what JPMorgan was up to, it is clear it was a large seller and integral component of the commercial effort to aggressively sell into managed money gold buying on Monday. In fact, it appears to me that JPMorgan accounted for nearly half of the total commercial selling during the reporting week, flipping from a 5000 contract net long position to as much as a 15,000 contract net short position. I would further estimate that the crooks at JPM have likely now bought back (at a big profit) all or most of what they sold on Monday.

On the buy side of gold, the managed money traders bought 42,999 net contracts, consisting of the new purchase of 35,492 longs and the buyback and covering of 7507 short contracts. All the new longs are now unprofitable and most have likely been closed out with losses. The resultant managed money net long position of 52,546 contracts (138, 467 longs versus 85,921 shorts) was certainly up substantially as of Tuesday, but much less so as of trading since the cutoff.

I know many believe that it is not possible for these technical funds to keep doing what they continue to do without some deeper explanation along the lines of under the table payments to continue losing to the commercials, but I just donâ??t see it that way. Itâ??s not just my decades ago hands on experience with how these funds operate, itâ??s more the conviction I have (as I get older) about how supposedly smart people (at least those managing hundreds of billions of dollars) can continue to do really stupid things. As proof that even those managing much less than hundreds of billions (or millions) of dollars can do apparently stupid things consistently â?? yes, I continue to buy out of the money kamikaze call options on silver.

In COMEX silver futures, the commercials actually reduced their total net short position by a hefty 4400 contracts to 12,800 contracts, the lowest (most bullish) net short position since Nov 27. But an asterisk of sorts must be attached to this weekâ??s results for two reasons â?? one, the managed money traders were as close to unchanged as is possible and two, the crooks at JPMorgan sold around 2000 contracts, reducing its net long position to 3000 contracts. Had the managed money traders sold anywhere close to what the commercials bought and/or JPM had been a buyer, not a seller that would have been a horse of an entirely different color. Objectivity is always the order of the day when dealing with hard data.

To be sure, JPMorgan was most likely a featured silver buyer since Tuesdayâ??s cutoff and considering the outsized role it played on the sell side of gold, in hindsight, JPMorganâ??s selling in silver fits like a glove with my premise that it is the king crook in gold and silver. This whole reporting week was preprogrammed by JPMorgan as a set up to get as many managed money traders to sell in silver as possible so that it could buy. To do this, JPM first allowed gold prices to break out on Monday to induce heavy managed money buying into which it was the featured seller, while at the same time selling as many silver longs as necessary to prevent silver from breaking out and to avoid the necessity of selling many more silver contracts a price breakout would entail. Itâ??s amazing what you can see when you think like a crook and that includes quite a bit of marveling at how good JPM is in criminal matters.

On the buy side of silver it was other traders away from the managed money traders doing the buying. The managed money traders sold a whopping 58 net contracts, comprised of new longs of 924 contracts and new short sales of 982 contracts. Considering that the rotten price action in silver over the reporting week (especially compared to what occurred in gold pricewise) was not at all suggestive of new technical fund buying, it must be concluded that the new managed money longs are not technically-motivated. This is a theme thatâ??s been evident for weeks.

The net managed money silver short position of 14,197 contracts (57,135 longs versus 71,332 shorts) hardly changed, but got more bullish when one considers the nature of the longs and relative to the net long position in gold. Yes, I know silver hasnâ??t been cheaper relative to gold in 25 years and the relative net positioning of each is perhaps the biggest explanation for why silver is so darned cheap.

Of course, what is likely to come next is more important than what has already occurred (since none of us can go back in time). I canâ??t say that the crooks at JPMorgan have completely finished rigging prices to the downside and positioning themselves accordingly, but they have done an absolutely outstanding job to date and must be nearly done, if not completely done. No, the move down in silver (and gold) was not based on hurting and frustrating existing investors, even though it seems that way, as weâ??re not part of the crooked shenanigans on the COMEX (although we are affected by the price change). Weâ??re all just along for the carnival ride run by JPMorgan, the other commercials and the nitwit technical funds.

The only thing that matters is when the last technical fund contract can be induced into being sold, which based upon historical parameters seems close at hand. I suppose the 200 day moving average may remain a target in gold and that is now less than $20 below Fridayâ??s closing price. But silver has been below all its key moving averages for months and itâ??s hard to imagine a technical fund still waiting for a sell signal in silver. Regardless of what transpires in the short term, the amount we stand to go up in silver versus how little remains to move lower already indicates the most lopsided and profitable risk/reward set up ever.

Admittedly, it is discouraging that JPMorgan is as blatant as it has ever been in manipulating silver and gold prices, particularly in the face of a supposed ongoing investigation by the Justice Department. I hate to think what JPMorgan would be doing if the DOJ wasnâ??t investigating. To that end and as promised, I did complain to the Justice Departmentâ??s Office of Professional Responsibility about the misguided direction of the investigation. Iâ??ll be damned if I let JPMorgan criminally abuse these markets without speaking up. I wish I could do more.

Ted Butler

May 18, 2019

Silver – $14.39Â Â Â Â (200 day ma – $14.95, 50 day ma – $15.05)

Gold – $1277Â Â Â Â Â Â Â Â (200 day ma – $1258, 50 day ma – $1293)

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