May 26, 2018 – Weekly Review

After hitting highs for the week early Friday, gold and silver prices sold off but managed to end higher for the week; with gold ending $9 (0.7%) higher and silver holding on for a 7 cent gain (0.4%). As a result of goldâ??s slight relative outperformance, the silver/gold price ratio widened out slightly, finishing just below 79 to 1 and maintaining its boring as watching paint dry profile.

While overall price activity wasnâ??t quite as boring as the relative price change, considering the reported and prospective changes in the main price driver, COMEX futures positioning, the real wonder is how small the absolute price change has been, particularly in silver. Using the closing prices as posted on these pages for the past 17 weeks, with only one exception, silver prices have remained in a trading range bounded by no more than 40 cents and for most of the time closer to 20 cents.

I would remind you that in the â??old daysâ?• (defined by me as before JPMorgan and the commercials began to hoodwink the managed money traders like puppeteers), silver was the most volatile commodity of all in price. Now, with more money and buying power than ever in the world and less actual metal available for purchase, a reasonable person would conclude that silver price volatility, to say nothing of absolute price, would be at all-time highs. Yet, clearly, the opposite is the case. What explains the near complete absence of price volatility, as well as what must be considered the shockingly low absolute price of silver?

Regular readers know what comes next, because they have heard it so many times in the past, but it is nothing short of remarkable that so few outside these pages are not focused on paper positioning on the COMEX as having come to distort and control silver prices, as well as prices for gold and other metals and other commodities. Included, of course, in the relative few who have made the connection between artificial prices and the lack of price volatility in silver are the regulators at the CFTC and CME Group which continue to disgrace themselves by allowing the manipulation to continue. Most disgraced of all, in my opinion, is the Enforce met Director of the CFTC, James McDonald, who continues to turn a blind eye to his most important mission.

While there can be no question that excessive speculation on the COMEX has manipulated silver prices to an extent never before witnessed, there are increasing signs that this paper speculation has grown so intense and dominant to silverâ??s depressed price and near-absence of volatility that it has spilled over to physical dealings on the COMEX. Please donâ??t let this confuse you, but there are two markets in silver â?? paper and physical.

The paper market is the positioning of futures contracts on the COMEX, almost exclusively between the managed money traders and the commercials (with other traders increasingly joined in with the commercials), as reported in the weekly Commitments of Traders (COT) and monthly Bank Participation reports. This is the market that sets the price of silver and I am not exaggerating when I claim this is the only effective trading venue in the world for silver and that all other markets in London and Asia donâ??t matter a whit when it comes to determining silver prices.

The reason I can make this claim is that the published data from the CFTC, in the form of the COT reports verify it. In this weekâ??s report (which Iâ??ll discuss in a bit) the managed money traders bought 16,000 net contracts of COMEX silver, the equivalent of 80 million oz. The entire world mines no more than 70 million oz of silver monthly, so paper speculators on the COMEX bought more than that over five trading days. The reason silver prices rose only 30 cents on that extraordinarily large amount of buying is because other paper speculators sold the 80 million paper oz nearly as aggressively as the managed money traders bought. No actual miners or silver users or investors were involved in this large paper trade, just speculators (some of which banks).

Common sense dictates that such large paper speculative trading is setting price; miners, users and investors are left to take whatever prices the paper speculators make. While more is written about the COT reports and paper positioning than ever before, there is still a near absence of commentary equating the size and trader composition of the paper trade to real world silver production and consumption. Or how the comparison of the paper trade on the COMEX in silver compared to real world production and consumption is off the charts when compared with the paper trade and real world amounts in every other commodity. This is the ultimate proof that silver is the most manipulated commodity in the world, namely, its paper trade on the COMEX is out of proportion with every other commodity.

Because the paper trade on the COMEX is so out of proportion, the signs of distortion have spilled over to the physical side of silver. The physical side of COMEX silver involves futures contract deliveries and warehouse stocks, dominated by JPMorgan over the past seven years. Certainly, it is because paper trading dictates price that JPMorgan has been able to short the paper market to depress price so that it could buy 700 million physical ounces cheaply. Over the past seven years, we have seen the unprecedented frantic weekly inventory turnover in COMEX silver warehouses and the growth of the inventories in the JPMorgan COMEX silver warehouse, which can be directly related to JPMâ??s control of paper trading. No other commodity has shared in this phenomenon, only COMEX silver.

In essence, JPMorgan has had the physical acquisition of silver (and gold) to itself these past seven years. Now there are signs that might be changing, based upon the usual data that I track and report on weekly. The turnover or physical movement of metal coming into or taken out from the COMEX-approved silver warehouses amounted to just over 3 million oz this week, as total inventories increased by 2.4 million oz to 270 million oz. This is a new 25 year high and only 10 to 15 million oz shy of the all-time record of total COMEX silver stocks.

However, what made me sit up and take notice was the increase in the JPMorgan warehouse by 690,000 oz to 140.1 million oz. While still less than the record amount in the JPM warehouse set a month or so ago (142.1 million oz), what caught my eye were the size of the individual deposits. Last week, I commented that JPM had taken in 300,000 oz of silver (in two 150,000 oz deposits). This week, JPMorgan took in three separate deposits â?? another 150,000 oz deposit, a 520,000 oz deposit and a 20,000 oz deposit.

Heretofore, almost all the silver flowing into the JPMorgan COMEX warehouse over the past seven years were in full truck (container) loads of 600,000 oz. Based upon the deliveries JPM stopped in the May futures contract, Iâ??m not surprised silver has been coming into their COMEX warehouse; but why suddenly in apparent dribs and drabs? Perhaps itâ??s way too soon to form firm conclusions, but Iâ??m always sensitive to changes of pattern of any kind when it comes to silver and JPMorgan and I canâ??t help but reach the tentative conclusion that itâ??s not as easy as it was to acquire truck-size loads of silver, even for JPMorgan.

Another change of pattern seems evident in this monthâ??s May silver deliveries. First, the JPMorgan connection. When the May delivery began, the statistics strongly suggested JPMorgan was not positioned to take delivery of silver; I would speculate as a carryover from it â??backing downâ?• in the March delivery when Goldman Sachs emerged as a strong stopper of silver that month. JPMorgan had been positioned to stop a large number of silver contracts in March, but quickly abandoned its quest for deliveries and I speculated the reason was because physical conditions were too tight that it had to make room to accommodate Goldman Sachs.

As a result, JPMorgan didnâ??t bother to try and take big quantities in May from the get go, but quickly changed its mind when Goldman emerged as a big issuer and not a continued stopper. By starting to buy May contracts after first notice day, JPMorgan was able to buy and stop delivery on 851 contracts (4.2 million oz) in its own name and more for clients, but then just as suddenly stopped adding as other silver stoppers (delivery takers) came forward.

The May silver delivery period was unusual on a number of fronts. For one thing, Goldman Sachs redelivered every single contract it originally took delivery of in December and March combined, all 2980 contracts. Goldmanâ??s stopping of 2400 silver contracts in its own name in March alone was well above the supposed hard position limit of 1500 contracts dictated by COMEX regulations and which would necessitate regulatory approval. So what kind of regulatory approval (by the CME and CFTC) would allow for the taking of so many silver contracts, only to see the contracts redelivered in the next traditional delivery month? Goldman issued the final 750 contracts of its 2980 contracts in one shot a day ago.

Making Goldman Sachsâ?? stopping and then reissuing of so many silver contracts in its own name even more unusual, was that a client(s) of the firm turned up as a featured stopper of contracts this month, taking 1250 contracts in total. Until the past few months, Goldmanâ??s presence in COMEX silver deliveries was non-existent; suddenly itâ??s a featured player. When it comes to silver, I know JPMorgan is a stone-cold crook and manipulator, but I wouldnâ??t trust Goldman as far as I could throw them and feel safe in assuming it is up to some type of no good in silver. The biggest stopper in the May silver deliveries has been HSBC, also somewhat unusual as it typically is a big issuer, followed by a customer(s) of Goldman, customers of JPM and JPM itself.

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

The biggest difference between the COMEX March and May deliveries in silver, aside from what was covered above was the somewhat unusual liquidation of contracts in March after first notice day, largely as a result of JPMorgan backing down. In May, while JPMorgan appeared to abort its acquisition of physical silver after starting to accumulate after first notice day, the standout feature has been the continued addition of new contracts throughout the month. In fact, it was the addition of new contracts after the May delivery commenced that has resulted in May being the largest delivery month in quite some time, with over 7000 contracts delivered this month.

Of the five traditional delivery months in COMEX silver, May is usually the smallest by far. Again, Iâ??m sensitive to changes in pattern when it comes to silver. To be sure, just as large amounts of silver were issued as were stopped in May, I doubt anyone would try to make the case that it was the high price of silver that motivated the unusually large amount of physical silver changing hands. To my mind, this is a case of unusual physical demands for silver arising from the price being depressed by paper positioning. And if anything is going to break the paper price manipulation, at the top of the list will be a growing inability to satisfy physical demands.

I was a bit disappointed that the new short report on securities didnâ??t feature a larger decline in the short position on SLV. For positions held as of May 15, the short position on SLV fell by 1.2 million shares to just under 9.9 million shares (ounces), while the short position in GLD, the big gold ETF, fell by 300,000 shares to just over 11.7 million shares (1.1 million oz). Youâ??ll remember there was an usually large and counterintuitive 6 to 7 million oz deposited into the SLV during the reporting period which looked arranged to reduce the short position and that wasnâ??t reflected in the new figures. It is quite possible that the short position is being held â??against the boxâ?• for the express purpose of camouflaging the reduction, but the bigger point is that a 10 million oz short position in SLV only translates into 2000 COMEX contracts and as such amounts to small potatoes in the total scheme of things.

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

I was also disappointed with the new COT report in that while the changes were in the expected direction in both silver and gold, they were much larger than expected in silver and much smaller than my hopes in gold (although I refrained from contract number predictions in gold). I had been expecting an increase of 5000 contracts or more of managed money buying in silver, but not three times more as was reported.

In COMEX gold futures, the commercials reduced their total net short position by 2500 contracts to 115,600 contracts, another new low (most bullish) since last July. There was a break in pattern of the not so good kind by commercial categories, in that the big 4 (whom I would identify as JPMorgan) actually added 6500 new shorts, while both the raptors (the smaller commercials away from the big 8) and the big 5 thru 8 bought. The raptors added 8600 new longs (increasing their net long position to 104,700 contracts), while the big 5 thru 8 bought back 400 short contracts. The raptor net long position was another new bullish extreme mot seen since last July.

On the sell side in gold, the managed money traders closely matched what the commercials bought, in selling 2467 net contracts, but got there in a most unusual manner, namely, by liquidating 11,845 long contracts and by buying back 9378 short contracts. I wasnâ??t surprised in the least by the large amount of managed money long liquidation, given the pronounced but shallow price salami slicing during the reporting week. I was much more surprised by the large amount of short covering by the managed money traders under those same price conditions, despite specifically mentioning that these traders were likely very close to short selling capacity limits on Wednesday. In other words, I wasnâ??t expecting them to add many new shorts, but didnâ??t expect them to buyback and cover as many short contracts as they did either.

To be fair, this flies a bit in the face of my premise that the managed money traders never take profits when a position has moved in their favor and as such requires comment. In my defense, I believe I was careful to always say that collectively the managed money traders never ring the cash register and book profits while the commercials collectively register big losses, with the emphasis on the word â??collectivelyâ?•. I had recently remarked that the managed money longs had taken partial profits in the big crude oil move higher (but the very recent drop in oil points to the likelihood that the managed money longs may end up frittering away big unrealized profits when the dust settles). The same goes for the managed money shorts in gold, namely, those which covered during the reporting week have booked profits, but that is unlikely to be the case on a collective basis when the final results are recorded. Certainly, there appeared to be heavy managed money short covering in gold on Thursdayâ??s sharp rally, which is much more typical of managed money behavior.

And while Iâ??m on the topic of the unusual managed money short covering over the reporting week, it looks clear to me that was the reason for the new short selling by a big 4 commercial that I would conclude was JPMorgan. The reason JPM had to step in and short gold while the price was down was because other commercials werenâ??t interested in selling at low gold prices. So when the managed money shorts which did decide to book profits and buyback short positions, the only commercial willing to do so was JPMorgan, the short seller of last and now sometimes first resort (as has been evidenced in silver). Hey, thatâ??s what makes JPM the head stone-cold crook â?? you didnâ??t think I used that phrase loosely, did you?

In COMEX silver futures the commercials increased their total net short position by 13,400 contracts to 31,400 contracts. This is the largest (least bullish) commercial short position in a month, back to when silver had suddenly spiked up over and then retreated from its aborted breakout over $17. Back then, a surge of managed money buying came into silver as both key moving averages (the 50 and 200 day moving averages) were penetrated to the upside, necessitating aggressive commercial selling to contain prices. This time only the 50 day moving average was slightly penetrated, but still required a full blown commercial all hands on deck selling effort.

By commercial category, all hands did turn out to meet the growing emergency of possibly slightly rising silver prices, thereby threatening to plunge the world back to the ruin of medieval and uncivilized times. After all, we were up by nearly 30 cents during the reporting week and you can imagine the horror should that continue. The big 4 added 3000 new short contracts, the raptors sold off 7500 longs (reducing their net long position to 57,000 contracts and the big 5 thru 8 did their part in adding 2900 new shorts. There wouldnâ??t appear to be any managed money shorts in the big 4 category and likely only one in the big 5 thru 8 category.

Iâ??d peg JPMorganâ??s short position to be back to 30,000 contracts, with the controlling paper short having added 9000 new short contracts over the last three reporting weeks. This weekâ??s selling by JPMorgan looked in keeping with its more typical manipulative behavior of lending a helping hand in conjunction with other commercial selling, as opposed to its solo short selling in the two previous reporting weeks and as it demonstrated in gold this week. In case you havenâ??t noticed, thereâ??s been an interesting juxta positioning shift in gold and silver in that silverâ??s market structure had been extremely bullish for months while goldâ??s structure was nowhere near bullish. As of the Tuesdayâ??s cutoff, whole both are far from bearish or neutral, goldâ??s market structure now looks more bullish to me.

On the buy side of silver the managed money traders bought 16,023 net contracts, fairly evenly divided between the 7347 new longs put on and the 8,676 short contracts bought back. With managed money longs now amounting to 56,388 contracts and shorts amounting to 56,978 contracts, the net short position is down to less than 600 contracts. Less than two months ago, the managed money net short position was at an all-time extreme of 40,000 net contracts and a little over a month ago was still at 20,000 net contracts; so thereâ??s no denying that silverâ??s market structure is that much less bullish through Tuesday (and most likely even less so as a result of Thursdayâ??s rally, same goes for gold).

On the other hand, we are still much further away from the bearish readings of 100,000 managed money net long position of early 2017 and of the 60,000 contract net long position of late 2017. On a historical basis, a zero managed money net long position is quite bullish, if not recently. And should we be about to transition to a bull market in silver and gold, it would start with managed money buying and commercial selling quite similar to the type weâ??ve just seen. The question is if this is a breakout or fake out. Iâ??d tell you if I knew for sure, but I just donâ??t. I do know that weâ??re years overdue for a true breakout, but thatâ??s also been true for quite some time.

While the changes in this weekâ??s COT report will be dutifully and accurately reported in the many commentaries that will focus on this weekâ??s positioning changes, I would ask you to count the number that point out that the managed money net buying this week of 80 million ounces was greater than the 70 million oz that was mined throughout the world over the past month. My bet is there wonâ??t be many or any making this observation. Yet I would maintain this is the most critical factor of all because it is an abomination on its face.

Iâ??m sure that McDonald from the CFTC knows this by now, because it would be impossible for him not to know it after a full year on the job. He also knows that JPMorgan is the supreme market manipulator of silver and gold because I have written to him so many times on this matter that if his reading comprehension was so weak not to have understood it, he never would have made it out of grammar school, to say nothing of law school. The same goes for the many polite and professional emails and letters you sent him of which there has not been the simple courtesy of a reply.

In the CFTCâ??s public podcast of a month ago, Director McDonald made the explicit admission that if there was any failure on the part of the agency, it was in failing to communicate with the public over regulatory concerns. He went on to admit that the agency received more complaints on silver over the years, in regards to it being manipulated in price than any other concern. To that I would add that after his interview, he has now received more complaints about silver being manipulated and JPMorganâ??s role in that manipulation (never taking a loss, while amassing 700 million physical ounces on the down low) than he is likely to receive on any other issue for remainder of his tenure. Still, he wonâ??t or canâ??t respond on this very specific and serious matter. Please remember, he took the most solemn oath of office to uphold the Constitution and the rule of law; none of us did. Shame on him for such a colossal failure and dereliction of duty, particularly on this most sacred of US holidays.

Ted Butler

May 26, 2018

Silver – $16.52Â Â (200 day ma – $16.81, 50 day ma – $16.53)

Gold – $1301Â Â Â Â Â Â (200 day ma – $1309, 50 day ma – $1324)

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