November 11, 2017 – Weekly Review

The mid-morning selloff yesterday was fairly pronounced, particularly in gold, but it wasnâ??t enough to completely erase the weekâ??s previous gains, as gold ended the week up by $6 (0.5%), with silver finishing up three cents (0.2%). As a result of goldâ??s slight relative outperformance, the silver/gold price ratio widened by a fraction of a point to 75.6 to 1, still within the confines of a multi-year tight trading range and an even tighter six month range.

It really is remarkable how closely joined at the hip the price of gold and silver has remained, all things considered. After all, these are two different commodities and on a dollar comparison basis, there is more than 350 times more gold in the world than silver, as impossible as that may sound. Of course, the explanation for what is, essentially, a price mismatch of historical significance is the artificial and manipulative price setting process of COMEX paper contract positioning; also the sole cause for yesterdayâ??s mid-morning price swoon.

Yesterdayâ??s sudden $10 gold and 25 cent silver price plunge wasnâ??t excessively large by past price smash standards, but it seemed much larger because prices had been quiet and steady until 11 AM EST. Certainly, the sudden selloff attracted more media attention than normal, including specific mention in the Wall Street Journal and on Bloomberg.

https://www.bloomberg.com/news/articles/2017-11-10/mysterious-4-million-ounces-of-gold-trades-trigger-price-plunge

Hopefully, not many of you were mystified by the sudden price plunge, but it remains a mystery to me how more canâ??t see what has unfolded time and time again. While I attribute just about every sudden price plunge (or pop higher) to paper trading on the COMEX whenever they occur, there should be no question about what happened yesterday. Thatâ??s because, at the time of the sudden downdraft, the COMEX was the only world market open, eliminating the cause as being traced anywhere else. I contend that because the COMEX is basically a 24 hour trading venue, the big operators there can rig prices any time they want, day or night. But when the COMEX is the only market open, there can be no doubt as to where sudden price moves emanate.

So repetitive have sudden and unexplained price moves been in gold and silver that I must admit to a healthy touch of disappointment that so many still seem mystified by them. Worse, many still attribute selloffs as being caused by big commercial short selling. The big commercials certainly caused prices to sell off, but not by aggressively selling short. Instead, the commercials (mostly banks) rig prices lower by fake sales (spoofing and other means) and these fake sales then induce the managed money technical fund traders to sell.

This is a nuance that once you see it, makes all the difference in the world in understanding the manipulation. Yes, the crooked COMEX commercials rigged gold and silver prices lower at 11 AM yesterday, but not by selling â?? by inducing (tricking) the managed money traders to sell in reaction to the commercialsâ?? lower price prompts. If the commercials were the big sellers on down moves, they would soon go broke, instead of never taking losses. If anyone has any difficulty in picking up what Iâ??m putting down here, please let me hear from you. Itâ??s bad enough what these COMEX crooks have done over the decades, not to understand the mechanics makes it easier for them to keep getting away with it.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses amounted to just under 4.9 million oz this week, as total inventories grew by 2.9 million oz to 230 million oz, another new multi-decade high. It is possible COMEX silver inventories are growing in preparation for the coming December delivery month, traditionally among the largest delivery months, but thatâ??s just one of several possibilities. Based upon the still-frantic and completely unprecedented physical inventory turnover in COMEX silver inventories since April 2011, I am least inclined to attribute the growing inventories to metal coming in because it has no other place to go, as that would be the exact opposite of what high inventory turnover suggests.

There was a truckload of silver deposited this week into the JPMorgan COMEX silver warehouse, and the 595,000 oz brought the JPM warehouse total to 116.4 million oz, a new record. From zero in April 2011, JPMorganâ??s COMEX silver holdings make up 50% of total COMEX silver inventories, another way of saying that the JPM warehouse holds as much as all the other five warehouses combined. In other words, JPMorganâ??s COMEX silver warehouse holdings more than stand out, both in size and in how quickly they were assembled.

It is still true that JPM stopped taking delivery of silver against COMEX futures contracts since March (after being the largest stopper for years in its own name) and has stopped buying Silver Eagles and Canadian Maple Leafs for more than a year. These were two big ways in which JPMorgan accumulated as much as half of the 650 million oz of physical silver I claim it has acquired since April 2011. These particular methods of silver accumulation were also the most transparent methods and I believe it was this transparency that led JPM to cease such activity. Iâ??m still amazed that JPMorgan allowed such clear signs of physical silver accumulation in the first place and tend to think it was a rare misstep by the true master of the financial universe.

There were some withdrawals this week of metal in the big gold ETF, GLD (less than 50,000 oz) and in SLV, the big silver ETF (less than 2 million oz), but compared to recent movements didnâ??t appear excessively large. The new short report on stocks, for positions held as of Oct 31, indicated another increase in the short position in SLV and another decline in GLDâ??s short position. In SLV, the short position grew by 758,000 shares to just under 15.6 million shares (ounces) , while the short position on GLD fell by less than 350,000 shares to 10.6 million shares (I million ozÂ). The short position in SLV is higher than I would prefer (actually, I would prefer no short position), but I donâ??t consider it to be one of the important silver price circus rings currently.
http://shortsqueeze.com/?symbol=SLV&submit=Short+Quote%E2%84%A2

Sales of Silver and Gold Eagles from the US Mint are so bad that one would think that they must be radioactive or disease bearing. After six+ years of blistering Silver Eagle and Canadian Maple Leaf sales, exclusively due to JPMorganâ??s outsized buying, a decided cool-off in sales emerged in mid-2016 and has continued to date. You may remember that what led me to conclude JPMorgan was hoarding Silver Eagles and Maple Leafs several years ago were consistent reports from the retail dealer front that overall retail demand was weak in the face of record official sales.

The only plausible explanation for the conundrum was the emergence of a single entity buying large quantities of what were previously strictly retail-type items and who better a large entity than JPM? (Which was accumulating physical silver in other ways, as well). I always felt that JPMorgan was skating on thin reputational and legal ice by misusing the Mintâ??s Bullion Coin Program in ways unintended, so I canâ??t say Iâ??m surprised that it finally quit its questionable ways. What continues to surprise me is that more donâ??t realize what JPMorgan has pulled off, even after the nosedive in sales due to its buying cessation. If there is a better explanation for the six years of record sales and sudden sales plunge, I am not aware of it. Forget better, I have trouble with any alternative explanation. https://www.usmint.gov/about/production-sales-figures/bullion-sales

Due the Veterans Day holiday, there was no Commitments of Traders (COT) or Bank Participation Report published yesterday, which slipped my mind in Wednesdayâ??s comments. The reports will be out late Monday. Let it not slip my mind to offer a big tip of the hat to all you Vets out there â?? thank you for your service.

As a result of the Monday release of both reports and my return trip to Florida, I plan on publishing an article late that day (around 6 PM EST) and no article on Wednesday. After Mondayâ??s report, the next report will be next Saturday, if things go as planned.

While Iâ??m not expecting large positioning changes in the COT report, there were four days of pretty volatile price action in silver, so surprises are not out of the question. I sense the price volatility may have equaled positions out over the reporting week, along the lines of what would be expected after a series of scams within the scam short term trading. Just like a leopard canâ??t change its spots, the managed money technical funds canâ??t really change their propensity to buy as prices rise and sell when prices fall, particularly when key moving averages are penetrated. If the technical funds didnâ??t behave as they do, no extended price manipulation would be possible, because the commercials wouldnâ??t be able to induce them in and out of positions.

Iâ??m still focused on the twin immovable objects that must be moved at some point; the excessively large concentrated short position in silver and the small managed money short position, a must be resolved issue in gold as well. As I indicated on Wednesday, the lack of more managed money selling in silver (both long liquidation and new short selling) is a bit of a puzzle, given the many trading days in which the price traded below both the 50 and 200 day moving averages over the past month or so. Does this mean the managed money traders wonâ??t sell much more even if silver prices move lower? I still donâ??t know.

A year ago (Election Day), silver and gold prices began a sharp dive that would last until year end and in which silver fell $2.50 and gold by $150. But, in a break from the past, the managed money traders didnâ??t add to silver short positions, although they did in gold. Both gold and silver prices recovered those losses into April of this year, but the lack of new managed money short selling in silver still stands out and creates the possibility these traders wonâ??t add to short positions on lower prices ahead. If they donâ??t add new shorts, it would appear the big concentrated commercial shorts have little means of reducing their own short positions, which are excessively large at this stage.

Since gold has yet to penetrate its 200 day moving average ($1263) to the downside over the past four months, I would imagine the likelihood of aggressive managed money selling would be greater at this point than it was in silver on a downside penetration in gold (since silver penetrated its moving averages regularly over the past month or so). Should we get that downside penetration in gold which triggers aggressive managed money selling, my attention will be focused on what transpires in silver. Maybe a drop in the gold price accompanied with aggressive managed money selling will help induce aggressive managed money selling in silver as well. If it doesnâ??t, then that might suggest something is definitely afoot.

While Iâ??m still of the opinion that past patterns suggest the probability of a flush out to the downside (featuring aggressive managed money selling), the lack of such selling in silver to this point is notable. So notable that Iâ??ve taken to increasing my call option exposure even though I havenâ??t replaced the chips I took off the table at the September price highs. Usually, I only buy pie-in-the-sky out of the money silver call options when I feel the market structure is bullish, as an add-on to full all-in positions on a cash basis.

I guess what Iâ??m saying is this. If the commercials succeed in flushing out the managed money traders to the downside, please rest assured that I intend to load the boat with call options at that point, same as ever. Whatâ??s different this time is that because the COMEX market structure isnâ??t bullish, Iâ??m not fully all-in on cash (SLV) positions, but Iâ??m concerned enough about something going amiss to the upside that Iâ??ve bought enough out of the money call protection to sleep at night. With most investors itâ??s all about selling down to the sleeping point. With me and silver, sleep is lost when Iâ??m not all-in. Adding upside protection in the form of call options allows me to get my beauty rest. For the vast majority of normal people, such machinations are unnecessary â?? just allow for some potential downside, mentally and financially.

I caught a Charlie Rose interview on Bloomberg TV last night with Michael Lewis, who was pitching the paperback version of his recent book, â??The Undoing Projectâ?•. Lewisâ?? previous works include Liarâ??s Poker, The Big Short, Flash Boys, Blindside and Moneyball, any one of which would represent a significant achievement for anyone else. Iâ??ve referenced Lewis in the past and think of him in the highest and most complimentary terms. Come to think of it, as I get older, I find fewer are the people I look up to, but Lewis is definitely one of the few, mainly because I always seem to learn something from him that I didnâ??t know before. If you are not familiar with him, please look him up on Google, as I donâ??t think youâ??ll be disappointed.

Lewis made the media rounds recently not just to promote the paperback version of his latest book, but also to comment on a recent article he wrote for Vanity Fair about, of all things, the US Department of Agriculture. Please try to look past the political partisan-sounding title and if you canâ??t, no problem; Iâ??ll summarize what I took away from his TV appearances on Bloomberg and elsewhere and what I feel is the particular connection to silver (after all, thereâ??s always a silver connection).

https://www.vanityfair.com/news/2017/11/usda-food-stamps-school-lunch-trump-administration

One thing that attracts me to Lewis is that he is able to put into words things that I feel I already came to hold as true. He is more than fully versed in the working details of intricate financial matters, the main topic about which he writes, but in a way that revolves around basic general truths. He finds things that are amiss, but rarely relies on vast conspiracies to explain them. He is more of a what you see, really exists guy and doesnâ??t rely on anything hidden for explanation.

When speaking of the Department of Agriculture, Lewis consistently points out that most professional government workers are serious, dedicated people genuinely interested in working for the greater good to the best of their ability, most often for compensation less than would be available in the private sector. I know many (hopefully not most) would disagree with Lewis on the matter that government workers are basically good people doing their best to benefit the country, but I happen to agree with him, so let me run with this a bit. Even in the case of the CFTC, while I regularly lambast the agency for not doing what I feel should be done, my personal dealings with staff there always left me in synch with Lewisâ?? take of sincere professional people. Likewise, even personal dealings with staff at the COMEX was always professional.

So while I am fully aligned with Lewis on his general take on those working for the government (and remember, it is Veterans Day and all Vets were government workers at one point) and how vast conspiracies are an unlikely answer to most riddles, I must say that I am flummoxed by my overall experience with the CFTC and my allegations of a silver manipulation.

By every reasonable measure available, the price of silver has been manipulated by excessive and concentrated short selling on the COMEX, particularly at the hand of JPMorgan and that alone explains the otherwise unexplainable low price. More people are convinced of this than ever before, yet the agency has remained silent on this matter for nearly a decade. If there is no manipulation, then the agency should address the matter openly, by explaining why so few traders hold more excessive and concentrated short positions in silver than in any other commodity.

I even know (or think I know) the reason the agency wonâ??t step up to the plate and do the right thing in silver, namely, because of some secret agreement with JPMorgan struck at the time of the Bear Stearns takeover in 2008. And this is what sets up my one disagreement with Lewis, concerning conspiracy theories and good people.Â There is no way the professional staff at the CFTC can be considered dedicated and genuine professionals advancing the greater good if they are allowing the silver manipulation to continue. It is a contradiction that turns Lewisâ?? basic assumption on its head. In particular, that goes double for the Enforcement Division and the Division of Market Oversight, who need to dismantle the excessive concentrated short position in COMEX silver or fully explain why it is not manipulative to price.Â Next report late Monday.

Ted Butler

November 11, 2017

Silver – $16.88Â Â (200 day ma – $17.18, 50 day ma – $17.18)

Gold – $1276Â Â Â Â (200 day ma – $1263, 50 day ma – $1297)

Date Created
2017/11/11