

November 14, 2016 – COT Comments

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The changes in the holiday-delayed Commitments of Trades (COT) Report for last Tuesday, November 8, were close to expectations in gold, but a bit disappointing in silver. But, first and foremost, this report is of the ancient history variety, being that the real price fireworks broke out in gold immediately following the Tuesday cutoff and in silver the big drop didn't commence until Friday, continuing into today. All that really matters is what has taken place since the Tuesday cutoff. I'll get into that after a very brief review of the report just published.

In COMEX gold futures, the total commercial net short position increased by 6300 contracts to 245,600 contracts. (I had predicted last Wednesday an increase of 10,000 contracts or less). By commercial category, the big 4 increased their net short position by 2100 contracts, the big 5 thru 8 added 700 fresh shorts and the raptors added 3500 shorts. Pretty even and no big surprise.

On the buy side of gold, the managed money traders bought a net 7370 contracts, including adding new longs of 8000 contracts (even) and sold new shorts in the amount of 630 contracts. Not much to see here considering the price action in the reporting week ^ first up through the 50 day moving average and then below the 200 day moving average.

In COMEX silver futures, the commercials increased their total net short position by 5300 contracts to 82,300 contracts. (I avoided an actual prediction, but was definitely hoping for no increase given that total open interest had fallen in the reporting week). By commercial category, the big 4 increased their net short position by a little over 2000 contracts and the raptors sold out 4600 longs, leaving them net long by 11,600 contracts. The big 5 thru 8 broke ranks and bought back 1300 short contracts.

I was hoping to see signs that JPMorgan bought back more short contracts, but that doesn't appear to be the case. I would peg JPM's silver short position to have risen back to 24,000 net contracts, but it is possible (he said hopefully) that other members of the big 4 added shorts and not JPM, based upon the reduction in the big 5 thru 8 short position. Of course, I could be imagining things. Still, even at 24,000 short contracts, that's still down from JPM's high water mark of 35,000 short contracts in August.

On the buy side of silver, it was all managed money traders and then some, as these traders bought nearly 8500 net contracts, including 5256 new longs and the short covering of 3214 contracts. It is remarkable, although not surprising when I think about it, just how small the managed money traders gross short position was on last Tuesday's cutoff (less than 16,000 contracts), meaning just how out of position and unprepared they were for the silver price plunge on Friday and today. Then again, that's in complete conformity with the premise that the commercials push the managed money traders around like rag dolls.

Once again, today's report is old news and what matters' most is what has happened to the market structures in gold and silver through today. Gold has been down every day since the cutoff, making new daily lows each day. The only thing different from the normal salami slicing is the size of the slices - almost too big to be called slices. In silver, there has only been two own days, but they've been lulu's.

Trading volume has been off the charts big and it's hard to imagine how the new COT report to be released this Friday won't feature all-time weekly reductions in the commercial short positions in both markets. Since we still have a trading day to go in this reporting week, I'll save predictions until Wednesday's article, but the improvement in market structure should be dramatic. After all, the only reason gold and silver prices plunged like they did was expressly for the purpose of allowing the commercials to buy as many COMEX gold and silver as possible.

Last Wednesday, I ranted and raved about copper and how the managed money traders likely bought an additional 30,000 net COMEX copper contracts, following the previous weekly net buying of 40,000 contracts. The report issued today indicated the managed money traders bought nearly 36,000 net copper contracts. I hope everyone knows I make these prediction, not to earn a pat on the head or a cookie with my milk, but because nothing else explains price movement like changes in market structure. The managed money and commercial traders are slinging around such enormous amounts of paper contracts in so many different markets that he quantities can't help but move prices. That the regulators and the rest of the world sit back and let the paper tail wag the real market dog is the great market scandal of our times.

Having long expected the commercials to clean the managed money traders' clocks in gold and silver, I can't say I'm surprised at this recent price smash. And please take any alternative explanations for why gold and silver prices collapsed, away from COMEX positioning, and throw them out the highest window you can find. Further, the declines have come on such high volume that I suddenly find myself with a new worry, namely, that prices might turn up quicker than we've seen historically. I don't know if we're there yet, but we're a heck of a lot closer in time and contract count than we've been in some time. And I'm still of the conviction that when we do turn upward, it will be with a vengeance, particularly in silver.

Ted Butler

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Silver – \$16.95 (200 day moving average – \$17.58)

Gold – \$1222 (200 day moving average – \$1280)

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