November 21, 2020 – Weekly Review

Gold and silver prices ended the week lower (although up from intraweek lows) as gold ended $15 (1.3%) lower and silver ended down by 45 cents (1.8%). As a result of silverâ??s relative underperformance, the silver/gold price ratio widened out by just over three-quarters of a point to 77.2 to 1.

Thus, the now near four month price consolidation continued in gold, silver and their relative ratio. Four months is a long time, particularly for what has been the most tumultuous and unpredictable year of anyoneâ??s lifetime. Technically speaking, after the sharp price advances from the lows in mid-March to early August (nearly $800 in gold and $18 in silver) to say nothing of a 55 point move in the silver/gold price ratio (from 125 to 1 down to 70 to 1), it is only normal to expect a period of price consolidation or even more of a retracement than what weâ??ve seen so far.

But normal is the last word I would use to describe the past four months, unless oneâ??s definition of normal encompasses blatant price manipulation. And just to be clear, Iâ??m not in the camp that holds that only lower or stagnant prices demonstrate manipulation â?? all price movement, up, down and sideways â?? is manipulative if the proof and evidence of such a manipulation is present. Price movement is only an indication or by-product of manipulation, the underlying cause of price manipulation is always something else and in all cases that â??something elseâ?• is always a concentrated position. There canâ??t be a price manipulation without a concentrated position. Period.

Itâ??s true that most commodity price manipulations involve concentrated buying or massively large long positions, such as the Hunt Bros. silver manipulation or the Sumitomo copper manipulation where itâ??s â??Mr. 5%â?• drove prices artificially higher. Short side manipulations are much rarer and harder to grasp for most observers, but the law doesnâ??t distinguish between long side and short side concentrations (why Lady Justice is blindfolded, as opposed to current regulators being willfully blind to the concentrated short position in COMEX silver and gold). But evidence and proof of short side concentration and manipulation exist, particularly in silver, where 8 traders hold more of a short position that is held by thousands of long traders.

It is the undeniable existence of this concentrated short position that explains everything that needs to be known about any price movement and not technical trading terms or â??normalâ?• periods of price consolidation. The bad news is that since a concentrated short position exists in COMEX silver (and gold), any attempt to predict prices in the short term are mostly futile. Much more important is that the good news is so much better, namely, that because silver is clearly wrapped in a documented concentrated short position when that short position gets adequately recognized and dismantled (as it must in time), prices will surge.

The last thing any rational investor would ever knowingly do is buy into an asset driven artificiallyhigher by a concentrated long position (such as silver at the peak of the Hunt Bros manipulation). Theopposite of that, namely, buying and holding an asset whose price is artificially depressed by amanipulative concentrated short position, as is the case presently in silver, is an opportunity as rare asthe rarity of short side concentrations in general. As to the question of who would buy an asset said tobe manipulated, the answer is determined by what type of manipulation exists, a long or shortmanipulation.

Yes, silver is higher than it has been in years and anyone who switched from gold to silver anytime over the past several years is no worse off for having done so, but my point is that as long as the concentrated short position exists, silver can still be considered a buy/hold for much higher prices. Sure, the big shorts can have their way at any time, but that should be obvious by now. Itâ??s more a question of when enough investors will come to recognize the existence and effect of the concentrated short position and the opportunity that portends.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained â??lowâ?•, as only 3.35 million oz were moved this week, as total COMEX silver inventories fell by 1.1 million oz to 383.4 million oz. There was a truckload of silver brought into and then removed from the JPMorgan COMEX warehouse this week, with the net result that the total in that warehouse fell to 190.7 million oz (due to rounding).

There was similar low turnover, but net in and not out, in the COMEX gold warehouses, as total gold inventories nudged up by around 50,000 oz to 37.3 million oz, continuing the now stagnant level of total holdings for several months. All of the net in can be attribute to JPMorgan, as its warehouse totals grew to 13.38 million oz, up 70,000 oz for the week.

Most surprising to me about the recent low COMEX silver and gold warehouse movement and changes in total inventories is the rapid approach (next Friday) of first notice day of intent to deliver against the big December contract in both silver and gold. Normally (whatever the heck that is anymore) there is a buildup in warehouse inventories going into big delivery months, but not this time (yet).

And the fairly stagnant change in warehouse inventories is particularly puzzling in gold, where deliveries against futures contracts not only promise to be big for December, but have been big since April, including yesterdayâ??s quite surprising gold deliveries against the soon to be ended November gold contract, where nearly 1900 gold contracts (190,000 oz) were issued, including 1075 contracts by JPMorgan in its house account and almost all (but 2) being stopped by Barclays for a customer.

Since there were many more total issuers than stoppers, it does appear that the customer of Barclays was the likely initiator of the transaction. It also looked likely that JPMorgan had to be called on for delivery, but the problem, as always, is that not enough information is provided. And while there isnâ??t much time left to trade in the November contract, it is notable that the November gold contract officially settled at a 20 cent premium to the December contract, a mild, but undeniably rare instance of â??backwardationâ?• or a premium of a near month over a successive calendar month. This also tends to confirm that the buyer (Barclaysâ?? customer) was the initiator of the transaction. The most plausible explanation for all this is that there was demand for physical gold for delivery in yesterdayâ??s trading, which is at odds with the rather lethargic overall price action in gold for the week â?? another clear indication (at least to me) of the manipulative force of the concentrated short

position in futures.

Then, thereâ??s also the perplexing matter of the very large number of 10 oz gold micro futures contracts still open in December of more than 82,000 contracts, for which I canâ??t begin to come up with plausible explanations of any kind. Year to date, the single largest delivery month for this contract has been June, when 3000 total micro gold contracts were issued and stopped. Hopefully, the next few weeks will help clarify whatâ??s actually going on.

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

Strangest of all is that the incredibly large number of total gold deliveries since April, now more than 200,000 contracts (20 million oz) has had an unknown effect on price. As I commented previously, if it were straight demand for physical gold, such quantities would have sent prices much higher. And if the massive number of deliveries were intended to close out a good chunk of the concentrated short position, as I have advanced, then why is that position still stubbornly high (at 24.7 million oz)? I suppose itâ??s possible that the physical, inflow of gold into the COMEX warehouses of close to 30 million oz since April was simply to show the regulators the big shorts could come up with the physical goods. But what if that metal was leased and doesnâ??t really belong to the big shorts? Yes, I know Iâ??m asking more questions than providing answers, but not asking questions rarely leads to answers.

There have been recent outflows of physical metal from the silver and gold ETFs, and for some reason, much more has been made of the gold outflows. Actually, unlike the physical turnover in the COMEX silver warehouses I regularly report on, which does represent physical movement (on and off trucks), inflows and outflows from the ETFs doesnâ??t necessarily require actual physical metal movement, just whether the physical metal belongs to the trusts involved or someone else. In fact, I doubt much actual movement occurs and itâ??s much more a case of the ETF metal not being physically moved. This week, around 450,000 oz of gold were redeemed from the big gold ETF, GLD and 8.8 million oz of silver were redeemed (but not necessarily physically moved) from the big silver ETF, SLV. As I said, more is being made about the gold â??outflowsâ?•.

It helps to step back a bit. Over the past month, around 1.3 million oz have been redeemed from the world gold ETFs, but in the seven months before that, some 30 million oz were deposited. In silver, this week close to 10 million oz came out of the worldâ??s silver ETFs, including the reduction in the COMEX warehouses (a real movement), but in the months before that, some 400 million oz came in. Neither I nor anyone else can predict future flows, but all should strive put things in proper perspective.

And while it is â??normalâ?• for metal ETF redemptions to follow declines in price (caused by COMEX positioning), Iâ??m not so sure that is the full explanation for what occurred this week, particularly in silver. After all, while prices were lower, the declines werenâ??t near as deep as in the previous week and ETF trading volumes werenâ??t particularly large. Certainly, itâ??s not as if the redeemed metal were suddenly left un-owned and abandoned on the street, as that is impossible (every asset has to be owned by someone at all times). So even if there was sufficient net selling this week to have caused 8.8 million oz to be redeemed from the SLV, Iâ??m more inclined to believe the redemption had more to do with the conversion of shares to metal, which if true, likely means a big holder was reducing his reportable share position by converting to non-reportable metal, thus positioning for more share buying in time.

This weekâ??s Commitments of Traders (COT) report, unfortunately, came close to matching my

expectations of deterioration, namely, managed money buying and commercial selling. I say unfortunately, primarily because I would have much preferred seeing the opposite as having occurred. In gold, even more unfortunately, the increase in managed money buying and commercial selling fully matched the 10,000 contract increase in total open interest, although that was not the case in silver.

Once again, personal predictions for what might occur in any particular COT report are much less important than the real message of the data, which as always serve as an explanation for what occurred price wise and for what may occur in the future. This week, however, there was a special bonus confirmation in the explanation category, in that the overall positioning changes were quite a bit larger than the changes of the prior week.

Youâ??ll recall how the prior reporting week that ended on Nov 10 featured much greater price changes and trading volume than did the week ended this past Tuesday (Nov 17). In that prior week, gold prices first surged by more than $50, before plunging more than $100 and silver first rose by $1.75 before collapsing by more than $2 and in which the 50 day moving average in each was first decisively penetrated to the upside for the first time in many months before being even more decisively penetrated to the downside. Yet the positioning changes this reporting week were much larger tah the prior weekâ??s changes and there were no decisive moving average penetrations. What does this tell us?

It tells us that there were massive positioning changes in the prior reporting week that just happened to reverse and even out within the reporting week, as previously speculated on both before and after the prior report was published. Itâ??s just not reasonable or plausible to otherwise explain this reporting weekâ??s greater changes in the face of much more subdued price action and trading volume. And taking it one step further, the deterioration in this weekâ??s report fully explains the pronounced price weakness this Wednesday and Thursday, after the cutoff on Tuesday.

This week, in COMEX gold futures, the commercials increased their total net short position by 11,100 contracts to 294,600 contracts. While almost double the reduction of the prior week, it also fell below changes I would label as truly significant and itâ??s closer to the truth to characterize commercial positioning changes as being stagnant for more than six months â?? meaning truly significant price changes are likely to require more significant positioning changes.

By commercial categories, the 8 big shorts accounted for the bulk of the new commercial shorting, accounting for 9400 or so of the new shorts and increasing their concentrated short position to 247,545 contracts (24.75 million oz). While not materially larger than recent levels, this is the largest big 8 concentrated short position since May. The raptors (the smaller commercials) chipped in with around 1900 new shorts (totals may not jibe due to rounding). I think JPMorgan may have joined in on the selling reducing its net long position to no more than 2000 contracts. I do believe the commercial short position was reduced on Wednesdayâ??s and Thursdayâ??s selloff, as intended.

On the buy side of gold, the managed money traders bought 10,664 net contracts, nearly matching the commercial selling and consisting of the new purchase of 9445 long contracts, as well as the buyback and closeout of 1219 short contracts, a near exact reversal of the prior weekâ??s selling. At just over 90,000 net long contracts, the managed money traders hold a historically low number of gold net longs, which is still much more bullish than bearish. The other large reporting traders held firm in adding 870 new net longs (and 1737 new gross longs) in setting new net and gross long records. Butch and Sundance (hopefully represented as the big 8 shorts) are still asking themselves who are these guys?

In COMEX silver futures, the commercials increased their total net short position by 2100 contracts to 61,700 contracts. This is the largest commercial total short position since July, but still not significantly higher in more recent dealings. Ditto for the concentrated short position of the 8 largest traders which increased by nearly 450 contracts to 74,852 contracts (374 million oz). The raptors were the biggest sellers in liquidating 1700 longs and JPM organ appeared to sit tight, remaining flat.

On the buy side, the managed money traders bought 2235 net silver contracts, comprised of 4455 new longs as well as 1923 new shorts. Unlike their counterparts in gold, the other large reporting traders sold 2746 net silver contracts, evenly divided between long liquidation and new short selling. Whereas the other large reporting traders in gold now hold record large net and gross long positions, their counterparts in silver obviously havenâ??t gotten the office memo and are now only 2400 contracts net long in silver. The non-reporting traders bought nearly 2000 net contracts, nearly all of which was short covering.

I received an email from a long term subscriber this week, raising two good points. Rob asked what if these other large traders in gold caved in and rushed to sell on lower prices at some point? No question that would add fuel to the downside and would be completely uncharacteristic of their behavior to this point. If that turns out to be the case, then Iâ??m glad the other large traders didnâ??t get the memo in silver.

Rob asked another question concerning my take that the concentrated short position in silver may not be as illegitimate as I claimed. He cited how in his Midwest hometown, the local grain merchant, ADM, traditionally sold short against the soybeans it held in its elevator. Might not the concentrated short position in silver represent legitimate hedging by silver refiners? My answer was that grains and soybeans were harvested once a year and needed to be stored until consumption caught up and until that time there was genuine price risk to the elevator holding the beans that needed to be hedged.

There is no annual harvesting of the silver apple crop that necessitates storage until consumption catches up. Silver is produced and consumed on a daily basis, 24/7/365 and based upon the incredibly active turnover I have highlighted for nearly ten years in and out of the COMEX warehouses, the metal never seems to sit still for a moment, thus eliminating the need to hedge unwanted metal in storage. In terms of concentration, the short position of the 8 largest shorts in soybeans is less than a third of the concentrated short position in silver in terms of world production. Further, additional data (in the Bank Participation report) from the CFTC point to the big shorts as being banks or other financial organizations, not miners or refiners.

Finally, since the end of March, when the price of silver was around $14, the concentrated short position of the 8 big shorts is still largely the same, even though prices more than doubled in the interim. Anyone legitimately hedging that holds the same position for this long (8 months) and with this

degree of price change needs to legitimately have his head examined. These silver shorts arenâ??t dumb, itâ??s more a question of them being stuck â?? and thatâ??s what makes them so manipulative.

Thereâ??s no question that the big shorts still have a controlling interest on silver and gold prices, as can be seen in the weekly COT reports. At the same time, while the concentrated short position is largely unchanged on its face and the COMEX positioning games appear to be every bit in force as has been the case for decades, a closer look reveals some very big changes. The biggest changes, of course, involve JPMorgan.

JPM no longer the most important member or even an important member of the 8 big shorts for what is now the longest stretch of time (8 months) since taking over Bear Stearns in 2008. Yes, it has chipped in and lent a hand to the 8 big shorts on recent price take downs, but strictly in an auxiliary role and even then seemingly trying to cover its tracks (as indicated in the prior reporting weekâ??s intraweek hit and run). Up until the last 8 months, for the last twelve years, JPMorgan had almost always been the biggest COMEX gold and silver short. When I think about it, there was no way that JPM could simply up and quit its thieving and manipulative ways suddenly. An immediate and unilateral exit would have left silver and gold prices suddenly soaring and putting JPMorgan under the microscope. JPM had no choice but to work out a gradual exit. The question is if 8 months is long enough? I think the answer depends on potential cover stories, of which there appear to many likely candidates in our increasingly nutso world.

And then thereâ??s the matter of the massive physical silver and gold holdings JPMorgan and its affiliates have accumulated since 2011. To this day, Iâ??m about the only one making such an allegation, so it looks like the coast is clear for JPM to get away with both the score of a lifetime, as well as the double cross of the ages of the other big shorts. In a purely speculate vein, now that the presumptive president-elect has tapped Gary Gensler as an advisor on the transition, I canâ??t help but wonder if Gensler might have some scores to settle with the crooks at JPM â?? all behind the scenes and unlikely to reach public view, of course, but perhaps serious enough to persuade JPM to stop its evil gold and silver ways.

For the week, the 8 big shorts had a good week, but are still having a horrid year. The 8 big shorts total losses were trimmed by another $500 million or a bit more, reducing their tot losses to $12.3 billion

Ted Butler

November 21, 2020

Silver – $24.25Â Â Â Â Â Â (200 day ma – $20.51, 50 day ma – $24.58)

Gold – $1872Â Â Â Â Â Â Â Â (200 day ma – $1798, 50 day ma – $1904)

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