

## November 27, 2023 – COT Report Comments

The holiday-delayed Commitments of Traders (COT) report for positions held as of last Tuesday, Nov 21, were released a couple of hours ago and appeared fine to me, for what was a rather strong price week for silver – up by as much as a full dollar and closing above the key 200-day moving average every day of the reporting week – and a strong price week for gold – up as much as \$40 and closing above the \$2000 mark on the cutoff day. This set the stage for significant deterioration in the market structure for both metals.

Instead, while the headline numbers in silver came close to the levels I was a bit afraid they would show, the details under the hood mitigated the headline numbers. In gold, I wasn't even close, as my projections for a 30,000 net contract deterioration was overstated by half the actual results with even better news under the hood (he said happily).

In COMEX gold futures, the commercials did increase their total net short position by 13,200 contracts to 190,200 contracts. While this was the largest total commercial net short position since July 25, in addition to being much less than I expected, there was also a big surprise in the commercial category breakdowns. The 4 biggest shorts actually bought back 5400 shorts and held 145,919 contracts short (14.6 million oz). The next 5 thru 8 big shorts added (for a change) 3800 new shorts and the big 8 short position fell to 212,523 contracts (21.3 million oz). The raptors (the smaller commercials apart from the big 8) were the biggest sellers, in selling off 14,800 longs, leaving them net long to the tune of 22,300 contracts.

Since the recent price bottom around Oct 10, on the roughly 100,000 commercial contracts sold in gold, the 4 biggest shorts have only added 26,000 shorts, with the raptors accounting, effectively, for the balance of 74,000 contracts sold – a much more bullish mix than if new shorting by the big 4 were much greater.

On the managed money side of gold, these traders bought 14,820 net contracts, consisting of the new purchase of 11,457 longs and the buyback and covering of 3363 short contracts. The resultant net managed money long position grew to 79,135 contracts (144,381 longs versus 65,246 shorts), not bullish, but not as bearish as feared.

In COMEX silver futures, the commercials did increase their total net short position by 9300 contracts, close to the upper range of my 5,000 to 10,000 contract estimate, but the details under the hood were much better. The big 4 only added 1600 contracts to a total of 42,046 contracts. As was the case in gold, the big 5 thru 8 added new shorts for a change, this week by 2900 contracts to a big 8 short position up to 57,763 contracts. I'm not as much concerned about the big 5 thru 8 as I am about the big 4.

I'm uncertain if there may be a managed money short in the big 5 thru 8, but holding no more than 2000 contracts short in any event. This only affects the raptor net long position which would range between 16,800 contracts and 14,800 contracts. The good news is still that the big 4 shorts sold less contracts than either the big 5 thru 8 or the raptors – which is still my biggest concern.

On the managed money side of silver, these traders bought 4764 net contracts, just below my 5,000 to 10,000-contract estimate and consisting of the purchase of 2781 new longs and the buyback and

covering of 1983 shorts. The resultant net managed money long position grew to 11,469 contracts (33,308 longs versus 21,839 shorts), still on the low and bullish side.

I am still impressed with the low level of managed money gross longs (33,308 contracts) in the face of the persistent closings above the 200-day moving average every day of the reporting week and my prior comments about these traders potentially "missing out" on the big silver price move higher. Another plus to the low managed money gross long position is that it largely eliminates large long liquidation (you can't have big long liquidation absent a big long position). Explaining the difference between what the commercial sold and the managed money traders bought was net buying by the smaller non-reporting traders of more than 4200 net contracts.

On the 14,700-contract increase in total commercial selling in silver since Oct 10, the 4 big shorts have added "only" 3300 new shorts on the three-dollar increase in the price of silver thru the Tuesday cutoff date, which I'm encouraged by, since it seems so different. On balance, both the gold and silver COT reports were a big relief and fit right in with a number of things that seem "different" about the last two weeks, particularly in silver.

Ted Butler

November 27, 2023

Silver – \$24.68 (200-day ma – \$23.43, 50-day ma – \$22.94, 100-day ma – \$23.42)

Gold – \$2012 (200-day ma – \$1952, 50-day ma – \$1947, 100-day ma – \$1950)

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