November 28, 2020 – Weekly Review

Just when you think the downward price storm has reached its climax, the COMEX commercial crooks show up to dish out more. For the holiday-shortened and therefore known in advance trading period to be more illiquid than typically, gold prices got slammed by $82 (4.4%) and silver by $1.50 (6.2%). Both gold and silver ended at weekly price lows not seen since July.

As a result of the relative underperformance in silver, the silver/gold price ratio widened out by a full point and a half to 78.7 to 1. Considering the sharp pull back in both gold and silver prices since the highs of early August, I would have expected much more relative silver weakness. (No, Iâ??m not going out of my way to dare the crooks to bring about more silver weakness – just making an observation).

At this weekâ??s price lows, gold prices had retreated by $300 from the highs of August, after having risen by $800 from the depths of the mid-March price lows. For silver, this weekâ??s lows took prices down by more than $7 from the early August highs, after a price climb of $18 from the mid-March price lows and the all-time (as in recorded history) relative price low of 125 to 1 in the silver/gold price ratio.

Thus, the slightly less than 40% retracement of the prior gains from March thru August might appear to be normal price patterns of two steps up, one step back, thought to occur regularly in typical free markets. But in this case, relying on appearances would be extremely misleading because a slew of verifiable facts suggest decidedly non-free market forces accounted for both the price advance and retreat. For starters, one would have to have been in a coma this year not to see that COMEX paper positioning is what moves gold and silver prices, starting with yesterdayâ??s pronounced and deliberate price smash.

Letâ??s face it, there were absolutely none of the typical excuses present regularly trotted out to explain and justify gold and silver price weakness in that the dollar was weak, the stock market and interest rates stable, little news of consequence and in the case of silver (where any signs of industrial weakness are often called on to â??explainâ?• weak prices), new multi-year highs in copper blunted any talk of industrial weakness. By the way, anyone seeking to understand how copper prices can be so strong at the same time silver prices are so weak, considering both are traded on the COMEX and subject to the same real world factors â?? please understand that the concentrated short position in silver is more than six times larger than it is in copper (in terms of world production) and that the banks are not the short sellers in copper, as they are in silver.

What fully and solely explains the price smash yesterday in gold and silver was the commercials rigging prices lower to induce speculative (managed money) selling. Many are quick to question how this is accomplished, particularly since the supposed big â??crack downâ?• on spoofing. As Iâ??ve explained previously, spoofing is but one trick in the commercial tool box of dirty tricks and besides, the commercials have learned that if you donâ??t cancel large orders (whose sole intent is to spook others into selling) within seconds, the nitwits at the CFTC wonâ??t catch you â?? so just donâ??t cancel large phony orders within seconds. (Itâ??s kind of like the old vaudeville comedy shtick where a guy tells the doctor that it hurts when he moves his hand a certain way and the doc tells him not to move his hand that way).

Rather than waste time trying to figure out the methods the commercial crooks are using to rig prices lower, rely instead on the one great proof that it is the commercials deliberately rigging prices lower in the documented data published by the CFTC in the form of the Commitments of Traders (COT) report. Never has any great price decline not resulted in commercial buying and non-commercial selling. Thatâ??s a pretty straightforward statement Iâ??ve yet to see violated. You can spend your time trying to figure out how the commercials have managed this for decades or you can focus on the fact that this has been the true North Star explaining not only price moves but the manipulation I have alleged for decades.

Weâ??ll see this in Mondayâ??s COT report covering the positioning changes through this past Tuesdayâ??s cutoff and weâ??ll see it in next Fridayâ??s report which will include yesterdayâ??s action (barring big upside moves next Monday and Tuesday). Since Iâ??ve been characterizing the market structures in gold and silver as being washed out, Iâ??m not sure how much commercial buying and non-commercial selling will be reported, but thatâ??s beside the point, namely, that in the multi-decade history of the COT report, I donâ??t recall an occasion of a big down move in gold or silver resulting in commercial selling and non-commercial buying â?? except on the rarest occasion.

One would think this would be enough proof for the keepers of the data, the CFTC, to dig deeper to either challenge or confirm this finding and what effect it might have on the price discovery process â?? which is supposed to be governed by changes in real supply and demand and not concentrated speculative paper positioning. But then you would be confronted by the recent occurrence of this same agency studying the unprecedented move to steeply negative crude oil prices (something that should be impossible) and coming up with a non-conclusion sharply criticized by one of its own commissioners. In other words, forget about the CFTC doing its job now, although I am hopeful that might be about to change as result of the changing of the regime due to the recent election. More on this in a bit.

The turnover, or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses bounced back some this week as 5.2 million oz were moved, most of which was of the â??inâ?• variety and which resulted in a net increase of 3.9 million oz in total inventories to 387.3 million oz, another new all-time record high. Total inventories in the JPMorgan COMEX silver warehouse increased by 1.5 million oz to 192.2 million oz, also a new record. Considering that Monday is first delivery day on the big December contract, the increase in COMEX silver inventories canâ??t be termed surprising.

Once again, there was only a slight increase in total COMEX gold warehouse inventories of 100,000 oz to 37.4 million oz, thus continuing the static level of gold inventories for months now (flowing what were monumental increases earlier in the year). Gold inventories in the JPMorgan COMEX warehouses fell this week by about 70,000 oz to 13.31 million oz.

The number of gold and silver delivery notices posted late last night for the first day of the December COMEX contracts were not particularly large relative to expectations and the number of contracts remaining open. In fact, the total number of gold contracts issued (5371) were less than issued on the first day of the October contract (6442) and December is typically much larger in terms of deliveries. Sort of the same thing in silver, where the total number of deliveries issued (1169) were only slightly larger than the 1026 deliveries on the first day of the October contract, a decidedly non-traditional delivery month in silver (October is a quasi-traditional delivery month in gold).

There are still a very large numbers of open contracts remaining in both December gold and silver, roughly 25,000 in gold and 8000 in silver after deducting deliveries already issued, so the delivery process is far from complete and, in fact, has a month to go. While it is very early in the delivery process, the initial indications appear decidedly bullish, further exposing yesterdayâ??s price slam as the commercial jam job that it was. My main clue, as always, is what JPMorgan might be up to and for the first day at least, the metal crook of crooks was a relatively big stopper in both gold and silver, for both clients and for itself in gold.

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

This has been a very unusual year for warehouse inventory increases and deliveries, particularly in gold, and it has been difficult to ascertain the meaning of the large metal inflows and number of contracts delivered, particularly related to price action. Iâ??ve claimed the gold inflows and deliveries look related to the concentrated short position of the 8 largest traders and am still of that opinion. Hereâ??s another unusual observational tidbit Iâ??d like to pass along.

Earlier this year, back in late March which featured very unusual price movements (first down, then up) and about the time of the start of the great inflows of physical gold into the COMEX warehouses, we had that even more unusual blowout of COMEX gold spreads, when in late March, the April/June gold spread differential blew out to more than $30 or $15 per month for the two month spread, the widest spread differentials in history. I remember writing about these spreads as being impossibly wide and being well-above normal carrying charges, something I had never seen in my days as a spread trader.

My eventual conclusion was that the wide gold spread differentials were the result of the big concentrated shorts bringing in metal to make delivery as a means of closing out some of their excessive and manipulative short positions (perhaps at the direction of the regulators). In order to induce outsiders to accept the physical gold the big shorts sought to deliver, the only way this could be accomplished was to make the spreads so wide so as to attract â??cash and carryâ?• stoppers seeking to capitalize on the very high money market returns made possible by the wide spread differentials â?? investors not desiring to take a risk on gold price movement, but solely interested in way above average interest rate returns. I still believe this to have been the case.

My current observation is that a funny thing happened in the time since, namely, the impossibly-wide gold spread differentials have largely disappeared. Going into this current delivery month, the monthly spread differential in COMEX gold has narrowed into roughly $3, a far cry from the near $15 per month differential back in March. In the world of spread differentials, this is a monumental move. What does it mean? My personal take is that it means those making delivery no longer need to induce those stopping delivery to take delivery as a way to earn a guaranteed superior money market return.

In other words, those stopping delivery are more interested in holding the physical metal (both gold and silver) as investment holdings based upon the prospective risk/reward returns on the metal itself and not as a substitute money market return. And yes, I donâ??t know how that could be interpreted as anything but bullish.

Another near 2 million oz have come out of the big silver ETF, SLV, since my remarks on Wednesday and it is likely more will come out when the data is reported late Monday. But Iâ??m still of a mind this represents something other than plain vanilla net investor liquidation, although even if it is that, I donâ??t find it particularly troubling. Someone else now owns this metal if it is investor liquidation and the owner(s) must be considered stronger hands than the former owners. Besides, the big inflow of metal (more than 220 million oz) into SLV didnâ??t come in after prices moved above $20, but had come in at lower prices, not typical of retail-oriented momentum buying.

Since thereâ??s no COT report to analyze today (I do plan on separate comments late Monday, as is my custom), please allow me to speak of other matters.

Shortly after I sent out Wednesdayâ??s missive, dealing in large part with the return of former CFTC chairman Gary Gensler to some unknown role of influence in the new Biden administration, news reports appeared about how Gensler was being considered for the role of Deputy Secretary of the Treasury. Later reports had him also under consideration for Chairman of the Securities & Exchange Commission. (As an aside, I was pleased to read how Commissioner Berkovitz was thought to be the leading candidate for CFTC chairman in the new administration).

https://www.reuters.com/article/us-usa-biden-wallstreet-regulators-factb/factbox-the-top-contenders-to-run-bidens-financial-agencies-idUSKBN28716L

Truth be told, I was disappointed when I first learned that Gensler wasnâ??t nominated as Treasury Secretary, but after witnessing the near-universal acclaim at the selection of former Fed Chair Janet Yellen as Treasury Secretary, her nomination was certainly politically adroit. Initially, I was also disappointed about Gensler being considered as Deputy Treasury Secretary, but in further thinking about the matter, my disappointment disappeared. The position is clearly not high-profile in the sense of widespread public notoriety and I had no idea of who the current Deputy Secretary was until I looked it up. Outside of Treasury Department employees, Iâ??d bet not one in a million knew the current Deputy Secretaryâ??s name (Iâ??ll let you look it up on Google, like I had to do).

But in further investigating the role of the Deputy Secretary in the Treasury Department, I came away with the conclusion that this was the perfect role for Gensler. Not only is it a position of significant line reporting responsibility (just about every unit in Treasury reports through the Deputy Secretary to the Treasury Secretary), the role is defined as offering advice to all federal financial agencies. The Treasury Department includes many well-known components, including the Internal Revenue Service (IRS), Office of the Comptroller of the Currency (OCC), and US Mint, among others. That got me to thinking of something Iâ??ve discussed previously.

As regards the US Mint, I have long contended that JPMorgan was the big buyer of US Silver Eagles from 2011 to 2016, accumulating more than 150 million ounces of such coins and then melting them down and put into 1000 oz bar form. In fact, the unusual buying of Silver Eagles during a time of pronounced decline in silver prices and the absence of any evidence of widespread retail buying was one of the clues that tipped me off that JPMorgan was accumulating physical silver by a variety of means, with my awareness starting around 2013. I know many disagree with my allegation that JPMorgan was the big buyer of Silver Eagles during that five year period, mainly because such a purchase necessarily involved JPM paying $2 over the spot price of silver, to say nothing about re-melting expenses, but I remain firm in my conviction. The fact is that my allegation remains unproved to this day, mainly because no one in authority ever verified or refuted the allegation.

Now, however, should Gary Gensler find his way to becoming the Deputy Treasury Secretary, the question of verification would seem simple, since the US Mint is not about to refuse direct questioning on the matter from such a high Department official â?? the 2nd highest, in fact. Of course, it remains to be seen that should Gensler become the Deputy Secretary, whether he would seek to uncover if JPMorgan was the big Silver Eagle buyer as I allege, completely abusing the Bullion Coin program, or even if he did discover my claim to be true, would he do anything about JPMâ??s abuse?

I think what it comes down to, if in fact, Gensler does look into this and did uncover my allegations to be accurate â?? what could or would he do about it? Oh boy, here weâ??re dealing with matters well above anyoneâ??s pay grade, namely, trying to judge from afar, not only whatâ??s on someone elseâ??s mind and in his soul, but what he might do about any impropriety uncovered. Speaking for myself, if I had a low opinion of Gensler, as I know many in the precious metals community do hold, I wouldnâ??t even raise the issue. But since I do hold Gensler in such high regard, I think the chance is good he would do something about it.

Many may believe Gensler deliberately failed in his attempt at position limit reform and that it was a preordained outcome because it was all some big show and nothing more, but Iâ??m as far away from that camp as is possible. I know many consider his prior occupation, as a partner in Goldman Sachs (aka, a supposed subsidiary of Dewey, Cheatem and Howe) as some type of black mark, but most also would privately wish that accomplishment for themselves or their children.

The fact is that very few former CFTC chairs or commissioners follow their tenures with continued government service and not using their regulatory experience as a stepping stone to private endeavors (the revolving door between government and industry). In fact, the only former CFTC chairs or commissioners that come to mind that went on to further government service were women â?? Mary Shapiro, Sheila Bair, Susan Phillips and perhaps Brooksley Born. Â Increasingly, I think the world would be better off if we turned it over to women, but let me not get too far astray today. For the record, Gensler is the only man to follow his service at the CFTC, with further government service â?? and it isnâ??t because heâ??s not smart enough to prosper in the private sector.

I believe Gensler tried his level best at position limit reform and, in fact, succeeded, but only temporarily, as in the end JPMorgan, the CME Group and all manner of assorted banker vermin caused reform to be rescinded. Hey, you win some and you lose some â?? but you donâ??t give up trying to do the right thing (or in the case of JPMorgan, the wrong thing). In terms of what happens next, there is more reason to be hopeful than at any time in years, primarily because of the coming regulatory regime change brought about by the just-completed election.

Should Gensler become Deputy Treasury Secretary and should he inquire of the Mint as to who the heck bought all those Silver Eagles from 2011 to 2016 and discovers that it was JPMorgan (while it was also the largest COMEX short seller), then what? Here I can only speculate, but since he already knows JPMorgan is the stone cold crook and manipulator I allege it to be (from his time as CFTC chairman) and also knows it was this crooked bank that sunk his efforts at position limit reform, I would imagine he would use the discovery of JPMorgan abusing the Mintâ??s Bullion Coin program in a way that doesnâ??t reward the bank.

Would Gensler take the strong action against JPMorgan commensurate with the long term damage inflicted by the bank or will he look the other way? He would certainly be in position to come down hard on the bank, or persuade others to do so, but time will tell. We canâ??t know all the circumstances, but the publicâ??s perception of its representatives doing the right thing is almost as important as them doing so. I wish Gensler nothing but the best in reaching the right conclusion â?? his legacy may hang in the balance.

In the unlikely but possible sinking of him being chosen by behind the scenes lobbying against him by JPMorgan, I believe Gensler would come to know that quickly and move with even greater urgency to strike back at the crooks at JPM. In fact, nothing would please me more than to see Gensler shake the nice guy routine and treat JPMorgan and the CME in the manner these market criminals should be treated.

Getting back to the manipulative price action at hand, how much more can a washed out market structure get more washed out? Thatâ??s the world in which we live. As painful as the process is for all but the largest short sellers, thereâ??s a certain finite end to the process. The problem is that the certain conclusion of the process is knowable only in hindsight. In the interim, those that try to predict the end in advance (like me) continue to look misinformed. But what we do know is that when the last possible non-commercial seller that can be induced into selling does sell, then the selloff is over. We have to be close to that point, but that could also have been (and was) said before yesterdayâ??s rig job.

The trick is not to succumb and be suckered into losing oneâ??s position either by the unwarranted fear of still lower prices with no eventual rally or by force (margin liquidation). The solution is not to be tricked or place yourself in potential margin call harmâ??s way, with the best possible choice being to do as the crooks do, namely, buy the deliberate price smash.

As far as what to expect in Mondayâ??s COT report, it is hard to imagine other than significant commercial buying and non-commercial selling on the sharp price drops in gold and silver in the reporting week ended Tuesday, Nov 24, but that must be tempered by the already washed out nature of the COMEX market structures going into the price declines.

As far as how the 8 big shorts did this week, Iâ??m sorry to have to report they had their best week in quite some time (since March) precisely as the many thousands of COMEX longs had their worst week since then. Many millions more of non-COMEX longs – silver and gold investors in metals and mining companies â?? also suffered needlessly at the hands of the 8 big shorts and thatâ??s what makes this manipulation so pernicious. For the week, the 8 big shorts in COMEX gold and silver reduced their total loss by $2.5 billion to $9.8 billion.

(In a housekeeping matter, I do expect to publish comments on Mondayâ??s COT report around 6 PM EST that day. Iâ??ll switch next week away from pricing on the December COMEX contract for closing prices for gold and silver, to February and March, respectively).

Ted Butler

November 28, 2020

Silver – $22.75Â Â Â Â Â Â (200 day ma – $20.62, 50 day ma – $24.25)

Gold – $1790Â Â Â Â Â Â Â Â (200 day ma – $1802, 50 day ma – $1891)

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