October 27, 2018 – Weekly Review

Gold prices ended higher for the fourth week in a row, ending up by $6 (0.5%). Silver also ended higher for the week, by 5 cents (0.3%), but itâ??s closer to the truth and more meaningful to say silver is where it was five weeks ago, while gold has tacked on $40 (3.3%) over that same time. While the silver/gold ratio widened only by a small fraction this week to just over 84 to 1, over the past 5 weeks it has risen by nearly three full points. Silver was cheap relative to gold back then and is cheaper today.

While the rise in gold over the past five weeks has been historically subdued, with the bulk of the $40 gain coming, effectively, on just one day; the price performance of silver has been downright comatose. Please remember, the COMEX market structure was (and still mostly is) remarkably bullish in both, with historic managed money short positions. The mediocre rally in gold, while enough to take away all the open profits of the newly added technical fund short positions, has been underwhelming, to say the least. And while silver has rallied as much as a full dollar from its extreme lows, the rally there has to qualify as perhaps the most disappointing in history. Itâ??s no wonder mining shares have done nothing but stink up the joint.

As disappointing as the silver rally (or lack thereof) has been, at least the explanation for the failure of the price to ignite has come to light, courtesy of this weekâ??s Commitments of Traders (COT) report. While Iâ??m extremely reluctant to term it good news, I suppose itâ??s better to know rather than remain in the dark. In any event, the new COT data make it clear that the silver crook of crooks, JPMorgan, has been adding to silver (and gold) shorts with a vengeance. Iâ??ll get into the somewhat gruesome details in a bit.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained at a frantic level again this week, as another 10.3 million oz were so moved, an annualized rate of 535 million oz, or 65% of annual world mine production. This week, total COMEX warehouse silver inventories rose by 1.6 million oz to 290.3 million oz. Once again, substantial and fully expected metal deposits were made into the JPMorgan COMEX warehouse of just a shade under 3 million oz, bringing the total in that warehouse to 148.5 million oz, an all-time record high. This brings to 9 million oz the total deposits into the JPM warehouse over the past 4 weeks and leaves only another 1.6 million oz to be deposited to fully match the 10.6 million oz JPM took delivery of in the September COMEX futures deliveries in its own name. Say what you will about JPMorgan, but when it comes to taking delivery and then moving it into its own COMEX warehouse, it doesnâ??t appear to be at all concerned with appearances.

To be clear, there are two important issues concerning the COMEX silver warehouses, JPMorganâ??s holdings and the physical turnover or movement. Both are extraordinary but need to be put into proper perspective. While I believe both to be very much related, let me treat them as separate. JPMorgan opened its COMEX silver and gold warehouses in April 2011 with zero ounces reported and since then the metal in its silver warehouse has grown to 148.5 million oz , more than 50% of total COMEX holdings. The vast majority of JPMâ??s total holdings have come as a result of the bank stopping or taking delivery on futures contracts in its own name and subsequently moving that metal into its own COMEX warehouse. The futures deliveries it stopped in September and has almost entirely moved into its warehouse, while large and notable, have strong precedent â?? otherwise I wouldnâ??t have been able to suggest this was likely.

I know some suggest that the metal that JPMorgan is stopping in its own name and subsequently moving into its own warehouse canâ??t be categorically declared as belonging to the bank and could possibly be on behalf of clients. I donâ??t wish to debate the mysteries of the universe and I suppose anything is possible, but if the police come across an active shooting, with the dying victim declaring that the suspect, still holding a smoking gun in his hands, just shot him, I donâ??t see great room for discussion. JPMorgan took delivery of most of the silver it subsequently shipped into its own COMEX warehouse over the past 7.5 years and at 148.5 million oz in total, thatâ??s significantly more that the amount of silver that the Hunt Bros, or Warren Buffett ever bought. Even if anyone wants to believe JPMorgan is just a front for another entity that does little to change the story.

The turnover is a different (although related) story. It is beyond extraordinary and is, like the metal in JPMorganâ??s COMEX warehouse, fully documented. I may have recounted how I first ran across the phenomenon, but please allow me to do so again. After being bitten by the silver bug by Izzy Friedmanâ??s challenge back in 1985, I began to devour any hard statistics related to silver. While I was convinced from the get go that the COMEX was the source of the silver manipulation, the exchange was also a prime source of hard silver data (and still is). For more than 25 years, until April 2011, I sought out and checked COMEX silver warehouse data on a daily basis, by daily phone calls to the exchange for the first 13 years and via the Internet for the next 12 years.

I can honestly tell you that I learned next to nothing about the real meaning of the COMEX warehouse stats until 2011 and looking back, I canâ??t begin to explain why I bothered to check daily for 25 years. I guess it was just a habit and may have reflected the paucity of documented silver statistics available. For whatever reason, I checked the COMEX silver warehouse statistics daily for a quarter of a century. It may have been dumb to do so for so long with no tangible results, but if I hadnâ??t I canâ??t imagine how I would have noticed the abrupt change in daily turnover that commenced in April 2011 that has continued (and accelerated) to this day.

I never predicted the unusual movement would start or would continue and Iâ??m not offering any such predictions today. Iâ??m just reporting that it didnâ??t exist prior to April 2011, but has since. Iâ??m also reporting that it doesnâ??t exist in any other commodity, including gold. That makes the physical silver movement unprecedented and unique to silver and anything that is highly unusual and unique and specific to silver should matter to anyone interested in the metal. At the very least, there has to be a reason for the physical movement and Iâ??ve offered my best guess (demand related to JPMorgan) and have openly solicited any and all reasonable alternative explanations with scant results. I even made public a segment of Wednesdayâ??s article to subscribers in the hopes of generating alternative explanations, but none have emerged to date.

http://silverseek.com/commentary/mysterious-metal-movement-17457

I do know that if anyone asked me about an issue that demanded explanation in silver, I would answer directly, possibly including â??I donâ??t knowâ?•. Please donâ??t misunderstand me â?? Iâ??m just seeking to shed light on a matter I deem to be of the utmost importance. We all know that silver prices have been dictated by paper trading and positioning with actual physical supply and demand circumstances mattering little in the determination of price. Here we have compelling and documented evidence of physical silver happenings and few seem to want to focus on or even think about them.

After Wednesdayâ??s article, in which I reported a counterintuitive withdrawal of nearly three million ounces from the big silver ETF, SLV, there was another withdrawal the following day of more than one million oz. It looks clear to me that JPMorgan picked up 4 million oz of silver this week as a result of these withdrawals. Unlike the highly visible stopping of COMEX deliveries and subsequent physical transfer of that metal into its own COMEX warehouse, JPMorgan is much more circumspect in this acquisition method of accumulating physical silver, just like it is even more circumspect in skimming off a share of the COMEX physical silver warehouse turnover.

After doing nothing for the past few months, there was an increase in the short position in SLV and GLD. The total short positions are not particularly large on an historic basis, but the increases do coincide with increases in commercial selling on the COMEX, never a welcome development. As always, the increase and level of short selling in the ETFs is dwarfed by corresponding COMEX amounts. For positions as of October 15, the short position in SLV increased by 1.7 million shares to 8.3 million shares (ounces), while the short position in GLD increased by the equivalent of 250,000 oz to just under 1.53 million ounces.

The changes in this weekâ??s COT report were as expected in gold or a bit better, but decidedly not as expected or better in silver. On Wednesday, I explained that as a result of Tuesdayâ??s fairly sharp rally, following four previous days of lackluster price action in both gold and silver, the rally had likely been the result of managed money buying/commercials selling that day in amounts I estimated as 15,000 contracts in gold and 5000 contracts in silver.

In COMEX gold futures, the commercials increased their total net short position by 14,500 contracts to 46,500 contracts. This is the largest commercial net short position since July 31 and so far seems to be conforming with my expectations of a couple of weeks back that commercial net long positions in gold were a thing of the past. At the same time, however, on any historical basis that excludes the past two to three months, the current commercial net short position in gold still seems very low and bullish.

It could very well be that we are climbing a â??wall of worryâ?• in which commercial selling will continue on the way up in prices, but I confess to being a bit concerned that the commercials are such ready sellers when they could have really held the managed money shortsâ?? feet to the fire. Separately, Iâ??m concerned that JPMorganâ??s short position in gold seems to have grown.

On the buy side of gold, the managed money traders bought even less than the 15,000 contracts I expected, as these traders bought 11,266 net contracts, comprised of 4035 new longs and the buy back and covering of 7,231 short contracts. The managed money gross long position of 99,368 contracts is still on the low side historically and not likely to suffer great liquidation on lower prices.

While there may be room for liquidation of 10,000 or 20,000 long gold contracts on lower prices, there is also room for 150,000 new managed money longs should we get back to positions held in the early part of this year.

The managed money short position in gold of 137,484 contracts is down by 60,000 contracts from the peaks at the gold price extreme lows of a couple of months ago, while at the same time the short position is still higher by 100,000 contracts or so from the lows of early this year. Therefore, while there is room for long liquidation and new short selling on lower gold prices, there would appear to be much greater room for buying, both from new longs and short covering, on higher gold prices. While I donâ??t like doing so, I realize Iâ??m talking a bit out of both sides of my mouth.

Let me add this â?? while there is now a commercial net short position in gold, it is notable that there is still a managed money net short position of 38,000 contracts, an occurrence quite rare in gold market history. Yes, the managed money net short position is down more than 60,000 contracts from recent absolutely insane levels and the technical funds have squandered away any unrealized profits they held, but as of Tuesday, they were still net short.

And itâ??s not just in gold (and silver) that the managed money technical funds have gotten beaten by the sudden loss stick â?? these traders have suffered much larger losses in other markets, like crude oil and the stock market, where the 200 day moving averages were penetrated for the first time in a year in oil and two years in stocks as the technical funds held big long positions. It has been widely reported that the technical funds are going through an unusually rough performance stretch and the only reason I raise the issue is that it might impact how many new long or short positions in gold and silver these funds might be willing to establish on future trading signals from purely money management terms.

In COMEX silver futures, the commercials increased their total net short position by 8400 contracts to 13,300 contracts (I felt bad about missing on my 5000 contract prediction until I looked at the managed money results, when I felt much worse). While the highest since mid-August, a 13,300 commercial net short position in silver is a more bullish reading than 99% of the time over the past 30 years, so some perspective must be kept. But by far, the worst thing was my recognition that JPMorgan has apparently added to short positions much more aggressively than I realized. Thinking things over, Iâ??d calculate that JPMorgan in now short at least 10,000 contracts and maybe a good bit more than that. Unfortunately, the next Bank Participation Report is two full weeks away.

I canâ??t possible call it good news, but at least JPMorganâ??s shorting fully explains the inability of silver to muster any semblance of a decent rally. Silver hasnâ??t rallied worth a damn because the crooks at JPMorgan have leaned on it like never before. As to why JPM has stepped up to the plate and, effectively, single handedly capped and contained the price of silver is beyond my comprehension, as I canâ??t read minds, especially of the criminal variety.

Back in late April thru June, when JPMorgan added 20,000 new shorts to a short position that rose to 40,000 contracts, at least those new shorts were added when silver rose from $16 to over $17, roughly the highest prices of the year. JPMorgan subsequently bought back the entire 40,000 short contracts at giant profits as it engineered the price lower to under $14. But this time JPMorgan is aggressively shorting at prices under $15, barely at the primary cost of production (if that). What the heck are these crooks up to?

I donâ??t like resorting to way out theories, but is it possible that JPMorgan intends to quash in advance the easy to document fact that it never took a loss on added short positions in silver (and gold) by deliberately setting out to buy back and take losses for the first time on higher prices? After all, these crooks are long at least one billion oz of silver (800 million oz in physical and as many as 300 million oz in OTC derivatives), so buying back 50 million oz of COMEX paper silver short positions will boost the price and have them laughing all the way to the bank on their giant long position. Plus, they get to say to the nincompoops at the CFTC (if asked) that donâ??t look at us, as we just added short positions just before prices rallied, so weâ??re just victims.

As I said, I donâ??t prefer way out theories, but if JPMorgan does, yet again, end up buying back these added shorts at profits (lower prices) then not only should the crooks at JPMorgan be shackled and horse-whipped, but the regulators at the CFTC and the CME Group should be as well.

On the buy side of silver, the managed money traders bought 12,374 net contracts (nearly two and half times as many as I expected), consisting of 4819 new long contracts and the short covering of 7555 contracts. To see so many contracts bought (and rocket fuel expended) on such a feeble one-day rally was disappointing to say the least. Disappointment turns to outrage, of course, when one realizes that this was the handiwork of JPMorgan snuffing out the rally.

As disappointing as the results of the silver COT report may be, it is still quite astounding that the managed money traders are still net short to the tune of 21,000 contracts (50,611 longs and 71,636 shorts). This means that the net short position of the managed money traders is only 30,000 contracts away from the recent extremes at the price lows and 60,000 net contracts away from the buying that would take us to where we were early this year.

I guess more important than anything else is that at sub-$15 silver, I wouldnâ??t care what amount of selling JPMorgan may have up its crooked sleeve, particularly as the overall conditions seem to be pointing towards silver (and gold) more likely to become the safe havens of first and last resort. Then again, JPMorgan may have something very different up its sleeve regarding silver this time around, as Iâ??m sure weâ??ll discover in the fullness of time.

On an important housekeeping note, Iâ??m hoping to depart on my annual trek back to Florida as soon as the current norâ??easter blows through. Due to weather travel conditions, there will be no report on Wednesday, although I will have end of the day Internet access for email purposes. Again, no report on Wednesday â?? next report will be next Saturday.

Ted Butler

October 27, 2018

Silver – $14.70Â Â Â Â (200 day ma – $15.90, 50 day ma – $14.50)

Gold – $1236Â Â Â Â Â Â (200 day ma – $1277, 50 day ma – $1209)

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