

Gold finished higher for the fifth week in a row, with silver ending higher for the fourth week out of the past five, as both metals scored their highest weekly close in more than five months. Gold ended the holiday shortened trading week higher by \$33 (2.6%), with silver ending up by 50 cents (2.8%). As a result, the silver/gold price ratio slipped a bit below 70 to 1, still stuck in an extended trading range that can most charitably be described as manufactured. (Sounds somewhat less offensive than manipulated). The assembly line, of course, is COMEX futures positioning.

We are now back to the price levels that existed around Election Day, whose outcome coincided with what must be called significant reversals in many markets; including the stock, bond, currency and precious metals markets. Stocks and the dollar soared, while bonds and gold and silver tanked in the immediate aftermath of the election. Gold and silver prices continued to fall until the end of December, when they began a rally in the New Year that recovered all the price declines since early November.

While cogniscent of the outside factors that coincided with the price takedown in gold and silver shortly after the US presidential election, I don't accept the premise that any of those outside factors or the election itself had much, if anything to do with gold and silver price performance. Instead, the evidence points to the big positioning changes in COMEX gold and silver futures as being solely responsible for price downs and ups.

Here's why the news doesn't matter much in gold and silver price movements – those doing the most buying and selling don't pay attention to the news in deciding when to buy and sell COMEX futures contracts. I didn't say that those actually buying and

selling don't read the newspapers or follow world events, like any other market observer; I'm saying none of that goes into deciding when they buy or sell. The undisputed initiators of buying and selling in COMEX futures contracts are the managed money traders I identify as technical funds. By definition, all buys and sells made by the technical funds are purely mechanical and exclusively dependent on price movement and nothing else. I know, I know - it sure seems like world events dictate price movement - until you factor in COMEX positioning and price movement.

The COMEX positioning premise dovetails almost perfectly when tracing the price pattern in gold and silver since November. In gold, the managed money technical funds sold 100,000 net gold contracts (10 million oz) from Election Day to year end, causing prices to decline by \$150, before the selling dried up and the technical funds began to buy, driving gold prices irregularly higher through this week.

In silver, there were only 15,000 net COMEX contracts sold by the technical funds beginning after Election Day, as some of the former short sellers refused to add to shorts for the first time; but neither was there buying as silver prices sunk into yearend. From there, however, managed money buying has been extreme, as nearly 60,000 net contracts (300 million oz) were bought, including 35,000 net contracts bought by the technical fund component of the managed money traders over the past three reporting weeks. Silver prices have rallied because of this buying, but not to an extent that would appear reasonable.

The wonder here, of course, is why would the commercials, led by JPMorgan, sell short so aggressively to the managed money buyers at such low silver prices when much higher prices could be achieved by not selling as aggressively? The regulators at the CFTC and the CME Group have managed to avoid asking this most obvious

question for decades and as you know – see no evil, find no evil.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses surged this week to nearly 10 million oz, as total COMEX silver inventories rose by 1.3 million oz to 189.8 million oz. The main feature was the large amount of silver finding its way into the JPMorgan COMEX warehouse, as more than 4.3 million oz were added, bringing total holdings in the JPM warehouse to within a fraction of 99 million oz.

During the March COMEX silver futures delivery period I think I wrote that I was expecting 10 million or more ounces to come into JPM's COMEX silver warehouse, so I can hardly express surprise at the subsequent build over the past few weeks. But when we had that enormous two-day transfer of 13.4 million oz in metal switched from registered to eligible a short while back, I began to think that JPM would leave that metal in those other COMEX warehouses, instead of physically moving the metal into its own warehouse. But JPMorgan moved the metal even though it had been converted to a cheaper form of storage than registered metal. In a broader sense, that's been my whole point all along – it has come down to monitoring what JPMorgan does in silver and little else.

What's most remarkable is that the silver that JPMorgan has taken delivery on and moved into its own COMEX warehouse, in the fullest of view, is only the tip of the iceberg. JPMorgan had already amassed hundreds of millions of silver ounces by acquiring Silver Eagles and Canadian Maple Leafs and by share to metal conversions in the big silver ETF, SLV, by the time it began to bleed the COMEX for physical metal. It's just that JPM's COMEX activities are transparent, where coin purchases and SLV conversions were mostly hidden from view. But let me assure you that the

hundreds of millions of ounces of silver that JPMorgan has acquired over the past six years is every bit as physical and real as the documented accumulation on the COMEX.

I'm going to skip over current sales of Silver Eagles and changes in the short positions in SLV and GLD, because there is not much to report. I'll resume comment when I sense there is anything meaningful to report.

The changes in this week's Commitments of Traders (COT) Report were close to expectations, although a bit light in gold as far as the number of contracts sold by the commercials relative to my expectations (I was less off in managed money buying expectations). Price action during the reporting week was mixed, with gold ending the reporting week (Wed thru Tues) up about \$16, while silver actually finished a bit lower, but with both hitting intraweek new price highs.

In COMEX gold futures, the commercials added 16,300 contracts to a net short position now standing at 187,500 contracts (about half the 30,000 contracts I expected). This is the largest commercial headline number since late November, although still nearly 150,000 contracts less than the extremely bearish readings of last summer. By commercial category it was mostly a big boy's game, as the 4 largest shorts added 10,800 new short contracts and the big 5 thru 8 added 2900 new shorts. The raptors (the smaller commercials) sold off 2600 long contracts, leaving them with a net long position of 2700 contracts.

On the buy side in gold, the managed money traders came closer to my expectations in buying nearly 24,000 net contracts, including 16,413 new longs and the buyback of 7,472 short contracts. It would be reasonable to assume on the \$15 rally in gold prices after the Tuesday cutoff there has been more managed money buying and

commercial selling.

In COMEX silver futures, the commercials increased their total net short position, by 2100 contracts to 114,400 contracts, a new record extreme. Also at extremes never witnessed before were the concentrated net short positions of both the four largest traders and the eight largest traders. Again, it's not just that the commercial net short position is so incredibly large, it's more that it is held by so few traders; not one of which is legitimately short in the first place. Does that make the 4 and 8 big commercial shorts on the COMEX crooked? Heck yeah.

By commercial category in silver, the four largest shorts added 800 new shorts to a concentrated short position now totaling 78,822 contracts, the most ever. That comes out to nearly 20,000 contracts (100 million oz) each and only one of these crooked traders can claim to hold physical metal and just because it does, that doesn't make JPMorgan any less crooked based upon the manner in which it accumulated the physical metal. I'd peg JPMorgan's paper COMEX short position to now be at 34,000 contracts (170 million oz). The big 5 thru 8 sold 2300 new contracts short, increasing the concentrated short position of the 8 largest traders to an incredible 108,104 contracts (540 million oz). The raptors actually bought back 1000 short contracts, reducing their net short position to 6300 contracts.

The regulators should be dumbstruck that 8 traders on the COMEX are net short the equivalent of 540 million oz or more than 67 million oz each. They should be aghast and moved to immediate action that not one of these traders represent real producers hedging actual output or has even the remotest legitimacy in shorting silver.

On the buy side of COMEX silver, the managed money traders bought many more

contracts than the commercials sold, as was the case in gold, as these traders bought nearly 5500 net contracts, including 6,424 new longs and the new shorting of 934 contracts. The managed money long position established a new record of 114,249 contracts.

Over the past three reporting weeks, the managed money traders have added 35,000 new long silver contracts, a stunning amount. I know this can get confusing, but these newly added long contracts appear to have been purchased by the technical fund component of the managed money category and these traders are different than the core non-technical fund traders which hold an 80,000 contract long position. At least, that's my assumption, although I suppose it is possible that some of the newly added silver longs might be non-technically motivated.

Why it matters is because if most of the 35,000 newly added silver long contracts were indeed added by technical funds, then that would be the type of long position most at risk of being sold if the crooked commercials are able to rig prices lower. The same is true for the 60,000 gold contracts added recently. We did see a price decline of \$1.50 in silver and \$50 in gold over the first two weeks of March as recently added technical fund longs were flushed from the market; so such an outcome can't be ruled out.

The simple truth is that no one knows if we will see another price flush out directly ahead or a different outcome this time; but everyone should know beforehand the circumstances behind either outcome, namely, how the COMEX positioning plays out. If the COMEX commercial crooks, led by JPMorgan head crook in charge, can induce a deep enough price decline to induce the technical funds into selling, then gold and silver prices will selloff. If the technical funds don't sell on the manipulative

price prompts, then no selloff. This is somewhat complicated at first, but not after it has recurred as frequently as it has over the years.

A subscriber asked me about Izzy Friedman (my silver mentor and long lost friend) and his Full Pants Down premise in which the commercials get overrun when they are holding a maximum short position. Long before anyone talked of commercial signal failures, Izzy talked about the Full Pants Down (his manner of speech would never include a phrase such as a “commercial signal failure”). But manner of speech aside, Izzy’s phrases captured the essence of what he was talking about like nothing else. What could be better to describe the process of the commercials inducing continued technical fund buying and selling than “slicing the salami”? Please allow me to refresh the issue.

Whenever the total commercial net short position reached extremely large levels (none more extreme than in silver now), experience taught me to grit my teeth and prepare for a price selloff in which the commercials bought back large short positions on lower prices. Invariably, at times like that, Izzy would point out the chance for a Full Pants Down, in which the commercials would be forced to instead buyback their manipulative shorts, causing a price explosion. I always agreed to the intellectual possibility of such an occurrence and, of course, hoped for that outcome, but it never turned out that way. But that is very different than such a commercial short covering event actually occurring and I hope I always made that clear in the past.

Therefore, in a very important sense, Izzy Friedman’s Full Pants Down premise has never been potentially more valid and topical than it is today, as a result of the record commercial shorting in silver, particularly of the concentrated variety.

April 15, 2017 – Weekly Review

There's no question that the commercials' pants have never been pulled higher than they are currently and, therefore, capable of being pulled lower like never before. The cynic in me tells me the commercials will, once again, win this round, but the optimist knows the possibility exists that the tables could get turned against the crooked COMEX commercials like never before. As I said, no one knows how this will turn out in the short run, but everyone should know why it will turn out one way or another.

I am still extremely thankful for the opportunity created by the new appointments at the CFTC and the concurrent extreme readings in the concentrated silver short positions. Feedback has been positive and I am grateful to all those that take the time to contact the agency. I can assure you the facts that I presented in the letter are unassailable and beyond mere dismissal. Whether the Commission follows through is beyond our control, but that's on them, not us. I did get one email indicating that someone was proposing a hunger strike until the agency responded, but that's outside my scope. After all, I'm a silver analyst, not Nelson Mandela.

At the same time, I would be lying if I said I didn't have a new sense of optimism that the whole issue of a silver manipulation is coming to a head. I can't know if that includes one more flush out to the downside or not, but it's getting to that either/or moment. And while the possibility of a selloff may be more likely than no such selloff, the price magnitude of a commercial overrun versus another selloff is so overwhelming as to continue to force me to hold a full exposure.

Ted Butler

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Silver - \$18.50 (200 day ma - \$18.13, 50 day ma - \$17.85)

Gold - \$1288 (200 day ma - \$1261, 50 day ma - \$1240)