Gold and silver prices, after starting the week higher (and at new 7 year highs in gold), then sold off into week's end, with gold ending lower by $45 (2.6%) and silver finishing lower by 60 cents (3.8%). Despite the selloff, gold closed at its second highest weekly close since 2013.

As a result of gold's relative outperformance, the silver/gold price ratio widened out by a point and a half to just under 111 to 1. A point here and a point there and pretty soon the ratio might come to look normal, but don't fool yourself, it's even crazier and more surreal than all the other crazy things the world is going through right now.

Among the crazy things occurring in gold and silver, there remains the matter of the unusual discounts of supposed physical spot (immediately available) gold and silver to the lead COMEX futures months and the very wide (but tightening) discounts of nearby COMEX gold and silver futures to the next lead months. Also crazy (or at least strange) is the recent inflow of 10 million ounces of gold into the COMEX-approved warehouses, causing total COMEX gold warehouse inventories to more than double in a little more than two weeks to more than 18.6 million oz, by far the most in COMEX history (since gold was made legal for ownership for US citizens 45 years ago).

First, more is being written about the discounts of spot metal to futures, both in the mainstream media and private Internet commentary, than ever, which is good since it focuses attention on what should have been the central issue for decades, namely, the price-setting process on the COMEX. The bad news is that most of the commentary is quite confusing and wide of the mark. Don't feel bad if the commentary is confusing to you, as it is near universally confusing to me as well (and

I do this for a living).

Specifically, the explanations for the discounts for cash to futures point to a shortage of physical metal and the need to fly gold from London to New York and how delivery defaults will or have already occurred. Those explanations make no sense because those are the exact conditions that would explain why spot should be trading at a premium, not a discount to futures.

As far as gold delivery defaults or prospective defaults and the surge in COMEX gold warehouse inventories, if you are not confused by the plethora of reprts then you are a much better man than me. With the COMEX April gold deliveries approaching the end of the delivery period, it appears that more than 30,000 contracts will have been delivered (and redelivered), representing more than 3 million gold ounces.

Even without the recent addition of 10 million oz of gold into COMEX-designated warehouses, the 8.5 million oz already on deposit would appear to have been sufficient to satisfy delivery demands, even though April appears to be the heaviest delivery month in memory. I'm not suggesting there will never be a delivery squeeze just that I'm unaware of anyone standing for delivery who has been denied.

And while the 10 million oz of additional gold that has been included in the COMEX warehouses certainly represents a hefty chunk of money ($17 billion), in terms of the amount of gold thought to exist in the world, it is hardly mind boggling. Even if we cut in half the total gold said to exist (6 billion oz) and conclude there are 3 billion oz of gold in bullion form (including central bank holdings), 10 million oz represents only a third of one percent (0.33%) of the 3 billion oz in bullion form. Besides, it appears little, if any of the 10 million oz of gold has been delivered or changed ownership in any way and simply represents a very small fraction of the gold known to exist in the world being put on open display.

As far as the real explanations for the unusual discounts of spot to futures and the sudden increase of COMEX gold inventories, I still believe both are the intentional and deliberate dissemination of false market data designed to confuse and discourage additional buying of gold and if I had to bet as to the key instigator behind the false data it would have to be a particularly crooked commercial bank that happened to have the initials JPM. And as far as the blowout of the April/June gold spreads to over $30 a few weeks back, I've already explained and had my explanation verified by subsequent COT data that it was the work of JPMorgan, which used the blowout to buy back its entire COMEX gold short position.

By the way, the April/June gold spread tightened in to $9.5 as of yesterday's settlement, still a bit wide, but nowhere near the $30 spread extreme forced by JPMorgan on the unprepared large reporting traders which had to exit positions just before first delivery day. I suppose all is fair in love, war and epic price manipulations by JPMorgan.

Although the COMEX gold inventories have taken center stage recently, the turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses amounted to 4.1 million oz. Total COMEX silver inventories fell by 2.3 million oz to 317.8 million oz. No change in the JPM COMEX silver warehouse, still stuck at 160.8 million oz.

The big difference between COMEX gold and silver warehouse totals is that the 18.6 million oz of gold represent about 0.6% of total world bullion inventories, while the 317.8 oz of silver represents more than 15% of the 2 billion oz of silver bullion in the world. In other words, 25 times more silver is displayed in the COMEX warehouse storefront window than gold.

The big physical metal buying and ownership in gold and silver continues to be in the world's leading ETFs, including GLD in gold and SLV in silver. Total world gold and silver ETF holdings have set all-time records, with gold holdings up by more than 6 million oz over the past month and total silver ETF holdings up by more than 50 million oz. I'm going to have more extensive comments on this coming up (probably on Wednesday), but there is something that does bother me. In trying to remain as objective and analytical as possible, I am perplexed by two things in silver – first, where is all this silver coming from and why has it not had much, if any impact on price?

After all, it is my long standing position that it was the purchase and inflow of a similar amount of physical silver over 8 months in 2010 to 2011 that caused prices to rise to near $50 (and not COMEX futures market positioning). This time, a similar purchase of physical silver in a month (not 8 months) has hardly had any price impact. What gives?

While I confess to puzzlement (I did, at least, raise the issues), I know for sure that JPMorgan is responsible for both matters, namely, where the silver is coming from and why the price hasn't moved. After all, the safest assumption about anything untoward in gold or silver is to first think of the crooks at JPMorgan and then you are just about guaranteed to being close to correct.

In the matter of where all the silver is coming from, it almost has to be from JPMorgan, since it is just about the only one to have accumulated physical silver over the past 9 years and is the only one in position to supply such large quantities of the metal (gold too). Even if my take is correct and the metal is coming from JPM, it still leaves open the probability that it is releasing the metal with strings attached in the case it is leasing the metal to others who are then making it available to the ETFs. Or that the metal is part of an undisclosed derivatives transaction that compensates JPM richly for its apparent metal “donation”. When it comes to JPM, there are always strings attached.

The fact that silver prices have, essentially, ignored the massive physical inflows into the ETFs should have everyone scratching their heads, not just me. This is basic law of supply and demand stuff and another sufficient reason for the regulators to awaken from their deep slumber of incompetence or complicity. At least in gold, with less physical ounces bought and deposited into gold ETFs than in silver, responded by racing to multiyear highs, as would be expected – even though there is more gold bullion in the world than silver.

My best guess to explain the mystery of why silver prices haven’t responded to the massive buying and physical deposits into the world’s silver ETFs is simply that JPMorgan hasn’t quite decided to let silver prices rip for reasons privy to the bank and not anyone else. That’s the problem with trying to think like a crook for anyone basically honest – the full criminal motivations are hard to predict beforehand. When the crook is as powerful and sophisticated as JPMorgan, you would be lucky to coming close.

Turning to yesterday’s Commitments of Traders (COT) report, while I refrained from specific contract predictions, the report played out nearly exactly as anticipated (again, no gold stars or milk and cookies for accurate COT expectations – we’ll save those for when prices truly explode). The whole point behind COT predictions is to gauge if things are progressing along one’s basic premise of the case.

In the reporting week ended Tuesday, despite very sharp price gains and new highs in both gold and silver, of as much as $100 and 75 cents respectively and some moderate increases in total open interest in each, low trading volume persuaded me that there would be some managed money buying and commercial selling, but not to excess and that is what transpired.

In COMEX gold futures, the commercials increased their total net short position by a quite moderate 4800 contracts to 280,400 contracts. In somewhat of a slight twist, the bulk of the commercial shorting (3800 contracts) was done by the smaller commercials (which I refer to as the raptors), meaning that the concentrated short position only increased by about a thousand contracts. Even better news was that JPMorgan didn't appear to add any new shorts and may, in fact, have bought a number of gold contracts, based upon buying in the Producer/Merchant category and selling in the swap dealer category. I'll still peg JPM as having no short position, but they could easily be net long by a few thousand contracts.

The managed money traders accounted for the bulk of the buying in gold, as they bought 2762 net contracts, comprised of the buying of 5407 new longs, as well as the new short sale of 2645 short contracts. The other large reporting trader chipped in on the buy side, buying just over 1200 net contracts, as did the smaller non-reporting traders.

In COMEX silver futures, the commercials increased their total net short position by a scant 500 contracts to 43,500 contracts. With such a minor number of contracts sold, I won't waste your time discussing the details. Importantly and as was the case in gold, JPMorgan did not add any shorts and I'd continue to peg them as flat, with no net short position. Of some interest was the fact that the net short position of the

5 thru 8 largest shorts shrunk again, this week to just under 16,500 contracts, another multiyear low. My conclusion is that these traders no longer wish to be short, a thoroughly intelligent decision to my mind.

With such scant commercial selling, there couldn't have been much managed money buying and, in fact, there was none at all, as these traders actually sold 1174 net silver contracts, consisting of the sale and liquidation of 388 long contracts, as well as the new short sale of 786 contracts. This week, the other large reporting traders did all the speculative buying in buying more than 1800 net contracts. The gross managed money long position is now (as of Tuesday) down to 29,960 contracts, another new 7 year low (and likely lower since the cutoff) leaving further long liquidation from that source in the fumes category.

I'll not dwell on the changes in this week's report, except to say this is yet another stunning report to go along with a series of stunning reports of late. What makes the last few COT reports so stunning is not so much that the commercial short position has declined by so much, but that it hasn't increased sharply in both gold and silver on higher prices.

In gold, since the COT report of March 17 (four reporting weeks ago) and when gold closed $1530 and traded as low as $1460 the day before, the price had risen as high as $1780 as of last Tuesday, up more than $300 in little more than 4 weeks. In the past (some might say the old era) such a price advance would have been driven by managed money buying, met with new commercial short selling. Instead, the total commercial net short position (the headline number) is 20,000 contracts lower as of Tuesday than it was on March 17 and the managed money long position is roughly the same as it was back then.

In silver, since the COT report of March 17 and when the price closed at $12.50 (and traded below $11.80 the next day), the price had risen to just over $16 on the Tuesday cutoff for this week's report, up more than $4 in four weeks. Instead of massive managed money buying and commercial selling on that sharp price advance, the commercial short position is 11,000 contracts less than it was on March 17 and the managed money net long position is lower by more than 24,000 contracts. It's as if a whole gang of men went out and bit an entire pack of dogs. What the heck is going on? (Some might go so far as to suggest a new era).

Buried in the data, or nearly so, is the role of JPMorgan, which just happened to eliminate its short positions in both gold and silver, but then again, whenever anything occurs in gold or silver that might be considered strange or unusual, the first rule of order is to look to you know who. But aside from that firm rule of thumb, what has transpired over the past month in COT positioning is beyond unusual even after considering JPM's role. To be sure, I have never witnessed such large price rallies not accompanied by massive managed money buying, met with just as massive commercial selling.

Therefore, along with every other unusual and unprecedented factor that seems to be occurring in the world on a daily basis, all which point to the continued buying of gold and silver, we have the unprecedented change in COMEX positioning. I may not fully comprehend all that is going on in the COMEX positioning (unlike the many who claim to be omniscient about everything transpiring), but after a decade of dismal silver prices I'm all for change. Throw in the apparent lack of potential selling from managed money long liquidation in silver and the firm knowledge that JPM is still up to no good, but will benefit more than anyone when silver prices take off, and how can one not welcome change?

Finally, the 8 big shorts did enjoy great relief this week as they recovered $1.4 billion of the $7.2 billion they were out last week and ended the week $5.8 billion in total open and unrealized losses. I hope they choke on the growing losses from here – but why get personal?

Ted Butler

April 18, 2020

Silver – $15.30   (200 day ma – $16.99, 50 day ma – $15.96)

Gold – $1695   (200 day ma – $1529, 50 day ma -$1625)