Gold prices rose sharply this week, completely retracing the prior week's loss and ending $45 (2.7%) higher and equaling the 7+ year weekly closing high established two weeks back. Silver could managed no better than ending the week unchanged, which pushed the silver/gold price ratio wider by 3 full points to just under 114 to 1. Having written about the silver/gold ratio extensively on Wednesday and how unreasonably and artificially silver is undervalued relative to gold, let me just say I haven't changed my mind over the past few days.

At the same time, silver's nearly unbelievable relative cheapness to gold should in no way imply that I think gold is overpriced on an absolute basis, as I hope I have conveyed over the past year. Upfront, while I do judge prospective prices through the prism of COMEX futures positioning, it has been that positioning that has informed me that something has been going on with COMEX positioning for the past year or so that has been quite different than in the past. The changes have been somewhat subtle on a week-by-week basis, but nevertheless dramatic on a longer time frame.

Specifically, I am more convinced than ever that JPMorgan has set the stage for a historic double cross of its former big commercial short comrades in crime in both gold and silver. At the heart of the double cross has been JPMorgan quietly accumulating truly massive quantities of physical gold (25 million oz) and physical silver (one billion oz) since April 2011; all while continuing to play along and lead the price manipulation and suppression of prices through uneconomic concentrated short selling of the COMEX.

What persuades me of my premise are both the changes in this week's Commitments of Traders (COT) silver report, but more importantly, a look back over the past year.

About a year ago, with gold prices trading below $1300 and silver below $15, I had calculated JPMorgan's combined open and unrealized loss to be on the order of $500 million on what would involve close to a $50 billion outlay for 25 million oz of gold at an average price of $1200 and 1 billion oz of silver at an average cost of $18. The half billion dollar temporary loss on a $50 billion investment was chump change for JPM and simply part of the metal acquisition process. Besides, JPMorgan made several billions of dollars in its decade long fleecing of managed money traders in COMEX gold and silver futures, in which it (or the other big shorts) never took a loss – only profits.

Today, one year later, with gold at $1740, but with silver still stuck around $15, JPMorgan's total open and unrealized profit on its combined physical metal position is close to $11 billion (ahead by $13.5 billion in gold, but still out $2.5 billion in silver). Most importantly, JPMorgan has managed to completely eliminate its COMEX short positions in both gold and silver (where it is now net long), having passed the entire COMEX concentrated short position to its former short compatriots, who are sitting on open losses on the order of $7 billion.

Let's see – an $11 billion gain (so far) for JPM and a $7 billion open loss (so far) for its former short cohorts – wouldn't that already qualify as perhaps the largest double cross in history? To be fair, had you told me a year ago that JPMorgan would be ahead by $11 billion on its physical metal holdings, I wouldn't have predicted that all the gains would have come from gold and that silver would still be in the red, but in the long term scheme of things and from JPM's perspective – so what? This game is far from over and I'm still convinced it won't be terribly long before JPMorgan's big winner in the end proves to be silver. That's not to suggest, of course, that JPM won't make a bloody fortune on gold as well.

The turnover or physical movement of metal either brought into or removed from the COMEX silver warehouses amounted to 5.4 million oz this week, slightly above the weekly average over the past 9 years (250 million+ oz annually). Total COMEX silver inventories fell by 1.2 million oz to 316.6 million oz. No change in the JPMorgan COMEX warehouse again, still stuck at 160.8 million oz.

COMEX gold warehouse inventories continue to churn wildly on a daily basis, as they have for the past few weeks, this week ending lower at 19 million oz, but still more than double the level at the beginning of the month. Total COMEX gold deliveries for the April contract are still quite large at 31,442 contracts (3.14 million oz), but I am still a bit perplexed about the stories indicating tremendous amounts of gold are being flown to NY for delivery demands on the COMEX, as the amounts delivered against the April contract are much less than the 8.5 million oz already in the COMEX warehouses before the big additions occurred. And I continued to be puzzled by the steep discounts of spot to futures and April (and now May) to June, which fly in the face of the premiums one would expect in physical tightness.

There continue to be big increases in the physical holdings in the gold and silver ETFs, strong evidence of investment demand. There is now a record amount of physical gold and silver in the world’s various ETFs, of around 107 million oz of gold and nearly 900 million oz of silver. While some continued skepticism persists about the validity of data, particularly as concerns GLD, the big gold ETF, I’m not sure why that’s the case. The nearly 35 million oz of gold in the GLD is still less than the 44 million oz held by the trust at the peak 8 years ago. More importantly, the 107 million oz in all the world’s gold ETFs is but 3.5% of the 3 billion gold oz in bullion form. Much more astounding is that the 900 million oz of physical silver in the world’s silver ETFs is a full 45% of the 2 billion oz of silver bullion thought to exist in the world. There’s a big difference between 3.5% and 45%.

Turning to the yesterday’s COT report, there were no real surprises and one important confirmation of a hoped-for result. As a recap, it was expected that there would be an improvement in the market structures for COMEX gold and silver, or manage money selling and commercial buying, given the sharp price losses seen over the reporting week. However, given the already “washed out” condition of the market, any improvements were expected to be minor, which is what generally occurred. My “what the heck” contract predictions were close enough not to be embarrassing, at least on the managed money side in gold and commercial side in silver.

In COMEX gold futures, the commercials reduced their total net short position by a scant 300 contracts, to 280,100 contracts (there was much larger managed money selling). The only real standout on the commercial side, apart from JPMorgan sitting pat and maintaining no short position on gold, was a flip flop between the raptors (the smaller commercials away from the 8 big shorts) which added about 6000 contracts of new shorts and the 8 big shorts, which covered about the same amount of shorts and who now hold just under 256,000 contracts short (25.6 million oz).

On the sell side of gold, the managed money traders sold 8973 net contracts (close to my 10,000 contract guess), consisting of the sale and liquidation of 6920 long contracts and the new sale of 2053 short contracts. What prevented the commercials from buying back anywhere near the amount of contracts sold by the managed money traders was net buying of more than 6000 gold contracts by the other large reporting traders and another 2000 contracts of net buying by the smaller non-reporting traders (mostly in the form of short covering).

Bottom line is that the gold market structure looks more washed out, despite the scant change in the commercial headline net short position. Apparently, the remaining short commercials haven't figured out yet how to get blood out of a stone. I mean, if a sudden gold price smack down of a hundred dollars only results in 300 net short contracts being bought back, the big shorts appear to be in real trouble. The only commercial not to be in trouble would appear to be JPMorgan, but these crooks were never close to being in trouble since April 2011.

In COMEX silver futures, the commercials bought and reduced their net short position by 4100 contracts to 39,300 contracts (not far from my guess of 5000 contracts – although the managed money traders didn't sell nearly that much). This is yet another new (bullish) low in the commercial net short position going back to last June.

The standout feature, by far, of the silver COT report was that JPMorgan appeared to buy 5000 contracts, putting its COMEX silver futures position at a net long 5000 contracts, just as I strongly suspected (and even more strongly hoped) on Wednesday. An interesting development was that due to JPMorgan hogging the commercial buy side this week, the concentrated short position of the 8 largest shorts actually increased by more than 1700 contracts to 71,898 contracts.

Since the Producer/Merchant category in silver indicated net buying of 4300 contracts, but only 611 contracts of new longs, a quick word on how JPM could increase its net long position by 5000 contracts if only 611 new longs were added in that category. The word is "spreads" and since the Producer/Merchant category is the only large trader category which doesn't separately break out spread positions and since JPMorgan always maintains a healthy position in spreads, it is no sweat for it to increase its net long position by buying back the short side of a spread position (lifting a short leg). This is particularly true if JPM wished to conceal what it is doing (as is always the case).

I described on Wednesday why I strongly suspected and hoped that JPMorgan would buy a substantial number of silver contracts, namely, that it would go a long way to explaining and reconciling why it likely provided much of the 50 million physical oz recently supplied to the silver ETFs. The 5000 COMEX silver contracts that JPM bought over the reporting week equals 25 million oz of silver and that reduces by that same amount the number of ounces JPMorgan had to lease or buy back in other (OTC) derivatives to fully cover the 50 million physical ounces it "donated". In other words, JPM didn't give up squat when it came to silver- clever SOBs.

On the sell side of silver the managed money traders sold 1657 net contracts, comprised of the sale and liquidation of 774 long contracts and the new sale of 883 short contracts. The smaller non-reporting traders sold more than 2000 net contracts, explaining how JPM was able to buy as many silver contracts as it did. The managed money traders now hold 29,186 gross long silver contracts, the lowest level in more than 7 years, meaning the amount of further selling from this category is extremely limited. And it doesn't appear the prospects for heavy new short selling by these traders in silver or gold seem particularly high at this point. This goes directly to the point of where the heck are the 8 big shorts going to get the supply of contracts they need to hope to buy back their own short contracts on lower prices?

In further contemplating the controversy raised by oil man and President Trump confidant, Harold Hamm, with allegations about irregularities in NYMEX crude oil futures on Monday, when prices skidded to an incredible negative $40 a barrel, it dawned on me that Hamm's media presence and connections were the principle catalysts for the immediate and vocal push back from the CME Group's CEO, Terry Duffy, in which Duffy expressed indignation at the thought that anything was untoward.

The way I see it, Hamm, who is no country bumpkin, knew there was something definitely wrong with the price discovery process on the NYMEX, but couldn't quite put his finger on it – aside from instinctively knowing that a one-day $58 decline in a commodity priced at $18 as the day began was inherently suspicious and he did the right thing by asking the CFTC to investigate. But because Hamm had no deep working knowledge of how the crooked futures markets work, he couldn't drill down to what was basically wrong.

This leaves Hamm at the mercy of the "city slickers" at the CME and their partners in crime at the CFTC (and JPM behind the scenes) to "investigate" and come up with the soothing foregone conclusion that the CME did everything strictly by the book (the book of advanced criminal practice, in my opinion).

What I have learned from this episode is that if you have legitimate suspicions that something is not on the up and up (like a one-day $58 decline in an $18 commodity) and happen to possess an outsized media presence and have high-level connections, you can get an immediate reaction (indignant, no less) from the CME Group. On the other hand, if you have detailed and undeniable evidence of persistent wrongdoing from impeccable public data, but no media presence or presidential connections, not only will you not be able to solicit a denial (forget any feigned indignation) from the CME, and no reaction of any type will be forthcoming from the CFTC or JPMorgan. Hey, that's just the way it is (until it isn't any longer). The crooks will hide and conceal any way they can.

All that aside, the much bigger point is that gold and, particularly silver prices will explode when JPMorgan decides they will explode. And since JPM is not about to send personally engraved invitations announcing the explosion, we have to rely on what it does, not says. Is it possible for JPMorgan to be better positioned than it is right now? Perhaps and in truth, none of us can know until after the fact. But the factual scoreboard indicates JPM is no longer short either gold or silver (and in fact long COMEX silver), still holds the largest physical gold and silver position ever held by anyone in the history of the world and is ahead on that position to the tune of $11 billion from a slight loss over the past year. Oh, and the world appears set to storm into gold and silver due to monetary and economic factors completely unrelated to JPM's criminally masterful positioning. And the big shorts have never been in greater jeopardy.

As far as the 8 big shorts – this week's gold price surge added nearly $1.2 billion to their total combined open losses, now amounting to $7 billion, up from last week's $5.8 billion. It's hard to imagine how 8 or so big traders could be so ill-positioned for what appears to be unfolding in full view. Less hard to imagine, of course, is how well positioned JPMorgan is for what is likely to unfold.

Ted Butler

April 25, 2020

Silver – $15.30 (200 day ma – $17.00, 50 day ma – $15.72)

Gold – $1740 (200 day ma – $1537, 50 day ma – $1640)