
April 28, 2018 – Weekly Review

Precious metals prices fell for the week, with gold ending another \$14 (1.0%) lower and with silver giving up even more than it gained the week before and ending down a sharp 70 cents (4.1%). As a result of silver's steep relative underperformance, the silver/gold price ratio widened out by two and half full points, back to 80.5 to 1. Sharp changes in the price ratio are invariably a result of pronounced absolute changes in the price of silver and recent changes have borne that out.

As to why the price of silver rose sharply in the prior week and fell even more sharply this past week, the answer is simple – dramatic changes in COMEX positioning, same as ever. It may get tiresome to hear, but it's even more tiresome to have to report. And yes, the supreme silver crook of crooks, JPMorgan, appears to have played an integral role in the latest silver beat down, aided in no small part by its apparent new BFF (best friend forever), the Enforcement Director of the CFTC, James McDonald. I'll have more to say about this a bit later on, after I run through other developments.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged this week to nearly 5.9 million oz, as total inventories slipped by a very slight 0.2 million oz to 261.5 million oz. For a change, there was no movement in the JPMorgan COMEX warehouse, which remained at 139.1 million oz.

I make a big deal about the physical metal turnover in the COMEX silver warehouses because I believe they are a big deal for a number of reasons. One, the amounts are absolutely staggeringly large; on an annualized basis, this week's movement was roughly 300 million oz and that's only slightly higher than the weekly average for the past seven years. Two, the movement is completely unprecedented – this movement does not occur in any other commodity; most specifically in gold, where most days and weeks there is no movement or only the slightest turnover. Why does the frantic turnover exist only in COMEX silver of all commodities?

My best answer still remains because physical silver is tight and has been in demand for the past seven years. No one incurs the cost of moving anything around for the fun of it; physical silver is being moved because it is in high demand. It is also no coincidence that JPMorgan's COMEX inventories have grown from zero seven years ago to now comprising more than half total COMEX inventories. I've yet to uncover anything in the world of silver not directly linked to the crooks at JPMorgan.

I do notice how many now write about the size of JPMorgan's COMEX silver holdings, which is understandable given the transparency of the data. But what I don't understand is how virtually no one ever mentions the overall physical movement of silver in and out of the COMEX warehouses, since that is also highly transparent in the exact same data tables as JPM's holdings.

Turning to COMEX deliveries, let me cover the just-completed April gold deliveries before discussing the May silver deliveries which just began. I've mentioned a number of times that the April gold delivery period looked – sticky and tight even though relatively few overall contracts were issued compared to previous Aprils, always a traditional COMEX delivery month. As it turned out, it looked tight right up to the last delivery day.

When the dust settled, JPMorgan, in essence, took nearly all the gold contracts issued over the month in its own name and trading account, an even 1000 contracts (100,000 oz), worth roughly \$132 million. Yes, it's true that a total of 1492 gold contracts were issued in April, but it's important to remember that total contracts issued include redeliveries and when you adjust for that, JPMorgan stopped (took) all the pure deliveries issued. HSBC had stopped 281 gold contracts very early in the month, a bit of a turnaround from its normal role as main issuer, but by month's end had delivered those and more, a total of 660 gold contracts.

My sense is that HSBC was a reluctant gold issuer and was forced to do so because JPMorgan was determined to take 1000 physical gold contracts come hell or high water. 100,000 oz of gold pales in comparison to the 20 million oz of physical gold that I believe JPMorgan has accumulated over the past several years, but hey, every \$132 million worth of gold that JPM can pick up, it will.

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

Turning to the May COMEX silver deliveries, I was looking for two things; what JPMorgan would do in its own house trading account and what Goldman Sachs might do, if anything. You know that JPMorgan, with a period of absence, has always been the big stopper of COMEX silver deliveries for years and has then shipped its stopped deliveries into its own COMEX warehouse. You'll also recall how JPM appeared to be in line to stop a good chunk of silver contracts in the recently completed March deliveries, but then suddenly backed off to make room for Goldman Sachs, which ended stopping 2400 contracts (12 million oz), plus a net 2.9 million oz in December, all in its own name (see above link).

The first day's silver deliveries for May indicate that JPMorgan was not involved in any way in making or taking deliveries in its own house account and neither was Goldman Sachs; although a customer(s) of JPM stopped 107 contracts, as did a customer(s) of Goldman to the tune of 150 contracts. Thus, no firm conclusions can be made at this time, although there does appear to be a fairly large number of remaining contracts open in May (4000) that must be closed out by offsetting futures liquidation or actual delivery by month's end.

Last week, I pointed out an unusually large deposit of nearly 14 million oz in the Deutsche Bank silver ETC, XAD, which stood out. There were two subsequent large withdrawals of nearly 13 million oz this week which is even more unusual. I'm assured the data are reliable, but I have some doubts about that. In any event, I'm not sure what to make of it, other than to call the whole episode very strange. I'll report any future changes as they may develop. By the way, the deposits of roughly 350,000 oz in the gold version of Deutsche Bank's ETC have mostly stuck with no big withdrawals as of yesterday.

There were no big surprises in this week's Commitments of Traders (COT) Report, despite the reporting week being extremely difficult to predict, particularly in silver, due a sharp upward penetration of the 200 day moving average early in the reporting week, only to be followed by a reversal below that moving average later in the same reporting week. Gold, by contrast, had only a downward penetration of its 50 day moving average during the reporting week, leading me to predict an improvement in its market structure; whereas I had predicted a net deterioration in silver when the dust settled. I did categorize my predictions as being WAGs (wild assed guesses), but felt compelled to share my expectations, since I did describe the methodology that went into them.

As it turned out, particularly in regards to managed money positioning, I was way under in gold, in that the improvement was more than twice as much as the 15,000 net contracts I anticipated; but exceptionally close in silver in that the managed money traders bought within 5% of the 20,000 net contracts I predicted. Even more than the traditional headline number of the commercial net short position, the managed money position has become the de facto headline number that counts most (mainly because other traders have joined with the commercials in exploiting the technical funds).

Why am I making a point of how my predictions fared? It certainly doesn't lessen the pain of watching silver getting the crap smacked out of it this week. I do it for one reason only – to demonstrate how prices are set. There is no way anyone could come as close and as consistently to predicting changes in COT reports without understanding the detailed mechanics of futures contract positioning's influence on price. It's also why the CFTC can't address this issue openly and directly and instead only offers misleading and bogus interviews which purport to assure the public that all is well in silver. Well, all isn't well in silver and Director McDonald should be ashamed of himself for misleading the public.

In COMEX gold futures, the commercials reduced their total net short position by 23,500 contracts to 161,800 contracts. This is the lowest (least bearish) net short position since Dec 26. By commercial category, the big 4 reduced their net short position by 10,500 contracts and at 174,205 contracts, this is their lowest net short position since Feb 13 (always a bullish sign). The big 5 thru 8 traders reduced their short position by 2600 contracts and the raptors (the smaller commercials apart from the big 8) added 10,400 new longs to a net long position now amounting to 78,200 contracts. This is the largest (most bullish) gold raptor net long position since last July.

It can hardly be coincidental or accidental that all three commercial categories in gold bought into gold's price takedown, simply because gold prices were rigged lower so that all the commercials could buy – same as on just about every gold price decline, well, forever. For the umpteenth time, this is why gold (and silver) prices always decline – so that the commercials can buy. If someone can't see this, then they need to get their eyes checked. In the case of the CFTC, they are way beyond a mere vision exam and in need of a seeing-eye dog at a minimum (preferably in jail where they should be for allowing the commercials to rig prices).

On the sell side of gold, it was – no surprise – exclusively a managed money affair as these traders sold nearly 33,000 net contracts, including the sale and liquidation of 14,667 long contracts, as well as the new short sale of 18,310 contracts. As to what accounted for the difference between the 33,000 net contracts that were sold by the managed money technical funds and the 23,500 contracts bought by the commercials, it was due to buying by other large speculative and smaller non-reporting traders. The only conclusion, which I've made before, is that the saps and suckers in the managed money

category are drawing in other traders, besides the commercials, into getting a piece of the action.

The net managed money long position (100,000 contracts) is now close to levels last seen back in December and, undoubtedly, is even lower in trading since the Tuesday cutoff. As such, I would now characterize the market structure in gold to be on the bullish side of neutral for the first time in 2018. The one sure thing that would likely move the gold market structure to flat out bullish would be a downside penetration of gold's 200 day moving average, which now sits just \$20 or so below Friday's close. Will the crooked COMEX commercials be able to rig prices lower and set off the final flush out of the managed money traders? I don't know. What I do know is that the do nothing and corrupt CFTC and CME Group won't lift a finger to head off what must be considered illegal price setting. Best we can hope for if we do get that manipulative flush out is another BS interview about what a great job the regulators are doing.

In COMEX silver futures, the commercials increased their net short position by 14,600 contracts to 31,600 contracts. This is the largest (most bearish) commercial net short position since Jan 30 and stands in stark contrast to what I described above in gold. Still, this level of commercial shorts in silver is much more bullish when viewed on a longer historical basis, just to put things in perspective.

And remember, based upon the reasoning I provided over the past week as to what to expect in this week's COT report, the results in this report would have been much worse (by another 20,000 net contracts) had the report been cutoff after silver prices surged on Wednesday and Thursday of the reporting week. As rotten as this report may appear, I'm certain it was a heck of a lot worse at the price highs on Thursday, April 19.

By commercial category in silver, the big 4 added 5600 new shorts and the big 5 thru 8 added 4300 new shorts as well, as the raptors sold off 4700 longs which reduced their net long position to a still-hefty (bullish) 52,900 contracts. Therefore, as was the case in gold (only in the opposite way), the silver commercials were all for one, one for all, ala the Three Musketeers, except I remember the Musketeers as being somewhat noble and not low-life crooks and market riggers.

The biggest silver crook, JPMorgan, appears to have added at least 5000 new shorts and perhaps more. Therefore, I'd peg JPM as being short at least 25,000 contracts and possibly more. That means the King Silver Crook added at least 8000 short contracts over the past two reporting weeks, the equivalent of 40 million oz, shorting just enough at the margin to kill the silver rally dead in its tracks. Yeah, I know, JPMorgan holds 700 million physical oz, so that allows it to sell short any amount of COMEX contracts to control prices. Expect that idiotic and bogus explanation the next time Director McDonald gives an interview. And by the way, if you haven't written to him, then what are you waiting for?

On the buy side of silver, it was all the managed money nitwits and chumps and then some as these traders bought 18,957 net contracts, including 6607 new longs and the buyback of 12,350 short contracts. The more than 6000 contract difference between what the commercials sold and the managed money traders bought was made up by 6900 contracts of buying by the other large non-commercial traders.

For sure, the managed money long position of 46,448 contracts as of Tuesday was much larger on Thursday April 19 and, likewise, the managed money short position of 42,248 contracts was much smaller on that day than it was as of the Tuesday cutoff. The big selloff on Monday undoubtedly

resulted in aggressive managed money selling and greatly â??softenedâ?• this weekâ??s results. And I would imagine there has been further improvement in the silver market structure since the Tuesday cutoff. Whereas last weekâ??s results featured an improvement in goldâ??s market structure and a deterioration in silverâ??s, were the tally to be made as of yesterdayâ??s close, there would be an improvement (managed money selling and commercial buying) in both markets.

One thing that puzzles me (well, only sort of) is that there was nothing but near universal commentary about how extremely bullish the market set up was in COMEX silver just prior to the price rally on April 18 and 19 and how, after the expected managed money buying was met with concerted and even more aggressive selling by the commercial and other traders, there has been nearly complete radio silence from those banging the bullish silver drums. While I expected a rally, I always maintained the extent of the rally would be determined, not by managed money buying, but the degree of selling against that buying.

To be sure, it was not the â??big oneâ?• that I know is coming one of these days, but I fail to understand how the aborted nature of the rally isnâ??t being universally described as the manipulation it clearly was. Are people afraid to call it as it is because they are afraid of being labeled as some type of conspiracy theorist? If thatâ??s the case (and I suspect it is), then thatâ??s quite unfortunate and cowardly.

The fact is that over the past two reporting weeks, the managed money traders bought more than 41,000 net silver contracts, the equivalent of more than 205 million oz and had the tally been made on Thursday April 19, the amount would have been more than 60,000 net contracts or more than 300 million oz. That would have been 300 million oz over seven trading days. The CFTC and CME should be tarred and feathered, run out of town on a rail and then drawn and quartered for allowing such a market travesty to occur. Iâ??m not talking about trading volume, Iâ??m talking about overnight position taking. These are purely speculative positions with not the slightest hint of legitimate hedging and the regulators should be charged with criminal negligence for looking the other way.

If you sense Iâ??m more than a little annoyed at all this, then you get my drift. I donâ??t care what anyone else does, but Iâ??m going to do what I can to root out the obvious corruption at the CFTC. I may or may not publicize what I intend to do, until after the fact. And I probably will not succeed, but try I will. Of course, Iâ??m hoping the regulators will decide to do the right thing and address these issues in the open and objective manner suggested in McDonaldâ??s interview. But how many more times must innocent investors and silver producers be subjected to the fraud and manipulation of paper COMEX positioning, particularly at the hands of JPMorgan before the regulators step up to the plate.

Unfortunately, no one can rule out new price lows ahead for all the reasons discussed above, but this crooked silver (and gold) scam is very long of tooth and more see it daily, even if they are hesitant to say so. I am reminded of a phrase I coined many years ago which turned out to be right on the mark and that I am convinced will essentially ring true again in silver â?? dimes to the downside, dollars to the upside.

(On a housekeeping note, I am switching to the COMEX July contract for silver prices, which effectively adds about 9 cents to the price. Gold still remains the June contract for another month or so).

Ted Butler

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Silver – \$16.55 (200 day ma – \$16.79, 50 day ma – \$16.55)

Gold – \$1324 (200 day ma – \$1303, 50 day ma – \$1333)

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