

## April 29, 2017 – Weekly Review

Gold and silver prices fell for the week, the first weekly decline in gold in six weeks and the second weekly decline in silver. However, there was a world of difference in the nature and intensity in both metals' price declines. Gold fell \$20 (1.6%) for the week, while silver ended 70 cents (3.9%) lower, pushing the silver/gold price ratio wider by another two full points to nearly 74 to 1. This is the most undervalued silver has been to gold in six months, although we are still within the confines of a broader trading range extended back a number of years.

Each week, I highlight and feature what I believe to be the most important facts and data points in gold and silver and then try to reach the soundest conclusions as to what those facts might mean in terms of future price. This is my brand of analysis. I leave out facts that many others point to, such as general economic data or developments in currencies or interest rates, and focus on what I believe most determines price – generally, developments on the COMEX.

This week's flow of documented data from the COMEX (and elsewhere) underscores and confirms most, if not all of my long held findings; including that silver is the most manipulated market of all and even though that same manipulation extends to gold (and other commodities), when the silver manipulation ends, as it must and will, the price reset in silver to the upside will shock the world.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses surged this week to a level not seen since I first started featuring the data six years ago. I started tracking the weekly physical turnover around April 2011, the time when the price of silver peaked and began a six year grind down. I didn't know silver would decline for the next six years, just that COMEX silver inventory turnover suddenly picked up dramatically from what I was used to over the prior 25 years. Later, I was also able to trace the origin of JPMorgan's epic accumulation of physical silver to this time as well (I claim JPM "skimmed off" a portion of the weekly turnover as one vehicle in its accumulation of metal).

This week, nearly 15.4 million oz were physically moved in or out of the six COMEX silver warehouses, as total COMEX silver inventories rose by 2 million oz to 196.6 million oz (another two decade high). This statistics are published (for free) daily and all I do each week is total it up and try to explain what the data may mean. Essentially, that means putting the data into perspective and answering the question – why is so much physical silver being turned over or moved?

<http://www.cmegroup.com/clearing/operations-and-deliveries/nymex-delivery-notice.html>

When annualized (a fancy word for multiplying by 52), the 15.4 million oz of silver physically moved (by men driving forklifts and trucks) into and out from the six active COMEX silver warehouses, comes to 800 million ounces, not that much less than total world annual silver mine production. Another way of stating this is that this week, the physical movement of silver between the six active COMEX warehouses just about equaled world mine production for the week. (Actually, even more on a daily basis, since the COMEX warehouse data is for 5 business days, while mine production is a 7 day affair).

Please remember that I am not talking about paper futures contract trading; the warehouse movement this week involves the physical movement of 15,400 ingots of silver in 1000 oz bars, weighing about 70

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pounds each. There has to be a reason why so much physical silver has moved in and out of the COMEX warehouses non-stop for the past six years. And before you try to come up with that reason, please also consider that the unusually large physical turnover in COMEX silver is strictly unique and specific to silver among all commodities.

Particularly compared to gold, its most comparable counterpart, the frantic physical turnover in COMEX silver over the past six years is unprecedented. There have been times over the past six years where there has been sporadic spurts of physical COMEX gold warehouse turnover, but there have been many more times, like quite recently, when physical COMEX gold turnover is virtually non-existent. Gold may not tarnish, but lately the gold stored in the COMEX-approved warehouses has accumulated dust and cobwebs. Now contrast that with the turnover in the COMEX silver warehouses, where the metal appears to be in constant motion.

What makes the stark contrast between the lack of physical gold turnover on the COMEX versus the nothing but turnover in silver even sharper is that gold and silver are united at the hip in every other COMEX connection possible, including, most importantly, the price setting process itself. Gold and silver prices are set by changes in COMEX futures contract positioning — that's a given. Then why is the physical COMEX warehouse turnover pattern so opposite?

My best (and actually only) answer is that silver is in high physical demand, while gold, at least the metal in the COMEX warehouses, isn't. I read the reports showing great physical demand for gold in India, China, Russia and elsewhere and know of gold's deep and universal appeal, so I am not suggesting there is no physical gold demand. I am saying there are few, if any signs of physical gold demand in COMEX data and overwhelming evidence of great demand for physical silver.

The price of silver is extremely undervalued relative to gold in historical price terms and by how much of each metal exists, but this is something else entirely. The physical turnover of each in their respective COMEX warehouses would require that silver be much higher in price relative to gold than it is, to reflect the much higher physical silver demand. In other words, this is just another proof that silver is the most manipulated commodity of all (making it the best long term investment). Please let me hear your alternative explanations for the disparity between COMEX gold and silver physical warehouse movement. I'm going to have to speed this up, since I'm not even done with COMEX silver warehouse discussion.

A big feature of this week's happenings in the COMEX silver warehouses was the further addition of metal to the JPMorgan COMEX warehouse. Nearly 4 million oz were added to the JPM warehouse this week, bringing the total to 107 million oz. Nearly 15 million oz have been added to the JPM warehouse over the past four weeks, so according to past patterns JPMorgan would appear to be close to completing the movement of all the silver it took delivery on in the March futures contract, give or take a million or so oz.

While I'm still amazed about how little public commentary exists concerning the frantic COMEX warehouse physical silver turnover, at least I'm starting to see some commentary on JPMorgan's large COMEX silver holdings. Considering by how much the 107 million oz in the JPM warehouse towers over all other COMEX warehouses, the recent attention is more than warranted. But I must point out that these highly visible holdings are just a fraction of what I estimate to be upwards of 600 million oz of physical silver that JPMorgan has accumulated over the past six years.

Now, I'm beginning to read commentary by some that the 107 million oz is owned by JPMorgan all right, because we can see it, but that the other 500 million oz doesn't exist because we can't see it, even though I have closely tracked and reported on the various means by which JPMorgan has acquired actual silver over the past three years or longer. Those means included the purchase of Silver Eagles and Canadian Maple Leafs (150+ million oz), skimming off the high physical COMEX turnover (150+ million oz) and conversions of shares for metal in the SLV (250+ million oz).

JPMorgan has absolutely zero interest in openly disclosing anything it might own, silver or anything else, unless it is required to or had a clear intent to do so. In fact, it would likely do anything in its power to keep others from learning of its financial undertakings, particularly if it was accumulating an asset on the cheap. Therefore, it would follow that one would have to dig deep to uncover any such accumulation early on. To those waiting for official and open confirmation that JPMorgan had accumulated a massive amount of silver, prepare for an extended wait.

My strong sense is that JPMorgan has undertaken its most transparent means of physical silver accumulation, the stopping of COMEX deliveries in its proprietary trading account, followed by the physical transfer of that silver into its own COMEX warehouse, because this is the last step in the bank's accumulation plan. First, buy the type of silver few will be able to detect (Silver Eagles, skimming the warehouse movement and SLV conversions), and when you think you've bought enough, only then move on to a more transparent means. No one would do it any differently.

Timing is the single most difficult task in any market, but tending to confirm my conclusion that JPMorgan is on the last legs of its epic physical silver acquisition binge, is the fact that on the first two days of the traditional May COMEX silver delivery period the bank has stopped no silver deliveries in its own name (or for customers) and that a JPM customer(s) has been the biggest issuer so far this month, issuing more than was stopped in March. Why would JPMorgan not taking delivery tend to confirm it might be putting the finishing touches on its epic physical silver accumulation?

[http://www.cmegroup.com/delivery\\_reports/MetalsIssuesAndStopsYTDReport.pdf](http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf)

I just don't (and never did) see JPMorgan overtly setting off the silver price conflagration to the upside by instigating a delivery squeeze or anything like that. JPM is way more sophisticated than that. There would be not much to gain and a lot to lose. The existing mechanical features are in place for a price liftoff and JPMorgan knows this better than anyone. It can just sit back and let any number of possible igniters do the job for it. Money for nothing.

I didn't predict what JPMorgan would do in the May COMEX silver deliveries, as that's impossible. I did know that what it did or didn't do would be the standout feature. For more than two years, JPMorgan has been the largest stopper of COMEX silver in every traditional delivery month in its own proprietary (house) trading account. This month is the first traditional delivery month JPMorgan has gone AWOL. I do remember commenting over the past month or so that I doubted that the silver market could handle another delivery month like March, when JPMorgan stopped nearly 2700 silver contracts, well over the supposed exchange limit of 1500 contracts. I just thought the physical tightness in the wholesale silver market couldn't possible accommodate JPMorgan (or anyone) demanding that much silver any time soon. Obviously, I'm not dissuaded from those thoughts in the least.

I think JPMorgan stepping away from stopping COMEX silver deliveries this month is in the same vein

of the bank ceasing to buy Silver Eagles after buying non-stop for nearly six year and for the same reason ??? in order to put some distance between its accumulation and the silver price liftoff.

ETF data this week also points to the very unusual goings-on in silver. First, the mid-week release of the new report on short holdings indicated an increase of more than 2.6 million shares in the short position of SLV, the big silver ETF, to 15.1 million shares (ounces) as of April 14. (Plus a similar size increase in GLD, the big gold ETF). This coincides with the record buildup in COMEX shorting by the banks.

<http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2>

The special silver twist here is in metal flows in the big ETFs this week. Gold deposits mostly rose and then fell in GLD along the price lines one would expect, namely, deposits on rising prices, and withdrawals on price declines. In SLV, however, it was the opposite, as 5 million oz came into the SLV on consistently lower prices. The only plausible and, as far as I can tell, possible explanation is that silver was brought in to extinguish the short position. As always, I welcome and solicit alternative explanations.

The changes in this week's Commitments of Traders were mostly expected and, more importantly, in keeping with usual positioning changes that drive price. In silver, I expected and hoped for a sizable reduction in the managed money long/commercial short positions, given the large price drop of 80 cents, the relentless price salami slicing, the decisive penetrations to the downside in the 50 and 200 day moving averages and the large drop in total open interest (13,000 contracts). I avoided completely any guess in gold, because while prices were lower by \$25 or so over the reporting week, there was no salami slicing, no downside penetrations of important moving averages and gold prices remained close to six month highs.

In COMEX gold futures, the commercials increased their total net short position by 3500 contracts to 214,600 contracts; another new (bearish) extreme extending back to early November. Overall, the gold market structure still looks more neutral than anything else, but now with a bearish tint. My single biggest fear is that they smack gold down to complete the flush out underway in silver.

By commercial category in gold, there wasn't the usual degree of commercial cooperation/collusion, but then again, the actual numbers weren't excessive. The big 4 added 2100 shorts, while the big 5 thru 8 added a very hefty 6200 new shorts. The raptors actually bought 4800 contracts, flipping a 2400 contract net short position to a net long position of the same amount. The big 4 held nearly 150, 000 gold contracts net short, the highest level since Nov 8 and what was behind the quick and subsequent \$150 decline in the gold price.

Managed money traders bought more net gold contracts than the commercials sold on balance, as these traders bought more than 9000 net contracts, including new longs of 8,393 contracts. These managed money traders have bought more than 100,000 net gold contracts (10 million oz) over the past month or so and it must be expected that the banks will try to set off selling by rigging prices lower. Will they succeed? Ask Mr. Mysto (or JPM).

In COMEX silver futures, the commercials reduced their total net short position by 8700 contracts to 108,100 contracts. This still must be considered nosebleed bearish territory in normal historical terms, but as you know, nothing in silver is really normal. By commercial categories, the big 4 bought back

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2200 short contracts, the big 5 thru 8 bought back 2700 short contracts and the raptors bought back 3800 shorts. I'd peg JPMorgan as now being short 32,000 contracts, down 2000 contracts for the week. Next week's Bank Participation Report should allow me to recalibrate JPM's position more sharply.

Aside from my typical quips about all the commercials getting the official memo to buy or that they were channeling the Three Musketeers, I would point out something quite obvious once you think about it a bit. Through the report's cutoff, silver was salami sliced to perfection to the downside, making continuous and consistent new price lows each trading day (and more since the cutoff). We strongly suspected and now can confirm that the sellers were managed money technical funds and the buyers were the banks which were short.

The only way the banks could be such disciplined buyers is if they were colluding in some way or by knowing how rigged the market has become. Remember all these commercial shorts in silver are mostly upstanding domestic and foreign banks of sound repute (don't make me gag) which also have a responsibility to report market manipulation; to say nothing of not knowingly participating in a manipulation. So how is it that none of them ever reach up in price to buy, but patiently sit tight and wait to buy as the technical funds sell to the downside? If you think it is attributable to skilled trading in a free market, please take this up with me privately.

On the sell side of silver, the managed money traders sold nearly twice as many contracts as the commercials bought, as these traders sold more than 16,000 net contracts, including the liquidation of 10,780 long contracts and the new short sale of 5315 contracts. The aggressive new short selling was somewhat of a surprise, but not an unpleasant one. New managed money shorts are always welcome because it is a certainty they must be bought back eventually and at higher prices. I don't believe the managed money short position will grow aggressively, for the same reason it didn't grow back in the fall, and some increase from the current 19,298 contract short position should be expected. I'm talking of potential increases of 5000 short contracts or so, not the 25,000 contracts seen prior to last fall.

It is still the managed money long position that takes up my interest. Now at 99,509 contracts, the position is down 15,000 contracts from the all-time peaks of two week ago. If my core non-technical fund managed money long position is still around 80,000 contracts (no guarantee that it is), there are still close to 20,000 long contracts that could be sold following the liquidation of 15,000 contracts the past two reporting weeks or midway of the 35,000 long contracts added into the recent price highs.

From that potential selling, one must subtract any managed money selling that has occurred since the cutoff and which could easily amount to another 10,000 contracts or more. So maybe there's not much more than 10,000 additional managed money contracts to be sold, particularly if non-technical fund managed money traders increase their core long position on the selloff, as I discussed recently. I know this gets confusing, so let me summarize it.

On the negative side, is the potential of additional technical fund selling in silver by some amount less than what has already occurred. In fact, the silver liquidation cycle is now quite advanced and there seems to be more potential selling possible in gold and that's why I fear a gold selloff might be rigged (to put further pressure on silver). And if this is the last move down before the big one up, I also fear the crooked commercials might pull out all stops to the downside.

On the positive side, there are more signs than ever that whenever the turn up in the silver price begins, it won't be stopped for quite some time and price. Mainly, one needs look no further than what JPMorgan has been up to in physical silver. In terms of COMEX positioning, we have been down nine trading days in a row, an usually persistent drop that signaled that the bulk of the selling was mostly finished in the silver price drops over the past six months. The \$1.30 price drop over the past two weeks is also comparable to the extent of recent price drops.

Since I am struck by the behavior of the managed money traders in silver, which have built up a massive non-technically motivated core long position over the past three years on declining prices, I am quite sensitive to data points that I might usually overlook. Here's an example - this week's COT report indicates that there are 53 traders on the long side of the managed money category, down from 66 traders when the managed money long position was at a record 114,000+ two weeks ago.

What caught my attention was that there were also 53 traders long in the managed money category when the long position bottomed out at around 79,000 contracts on March 21. I wouldn't put excessive reliance on any one data point, particularly one as abstract as this, but it seems to confirm that the managed money category is hunkering down and eliminating remaining technical fund long positions. To what extent that is true will determine future silver prices, as when the technical fund selling is finished, silver prices will stop going lower and begin to move higher, most likely in an explosive manner at some point.

For now, it's hold on and grit your teeth. I'm not particularly surprised we have moved lower or the manner of the move lower, as it was always an either/or outcome based upon technical fund selling. And while I'd be lying if I said I wasn't disappointed that the COMEX crooks are winning yet another round, I can't say I deeply regret sticking it out, considering how close I believe we are to a silver blastoff. And now that silver prices are lower amid technical fund selling and commercial short covering, the thought of selling on lower prices is not something I would embrace. Let them kick it down if that's the way it must be, as I can't control that. I can control what I hold.

Ted Butler

April 29, 2017

Silver – \$17.20 (200 day ma – \$18.03, 50 day ma – \$17.86)

Gold – \$1268 (200 day ma – \$1257, 50 day ma – \$1249)

**Date Created**

2017/04/29