As a result of a low-volume, stealth-like rally Friday (the best kind in my opinion), gold and silver prices ended at six-week highs. It was the fourth straight up week for gold, which ended $27 (1.5%) higher for the week, but only the second consecutive up week for silver, which ended higher by a full dollar (5%). As a result of silver's relative outperformance, the silver/gold price ratio tightened in by three full points to 87.2 to 1 (with miles to go in terms of tightening before we get to any semblance of fair value).

Once again, the primary driver of price was positioning on the COMEX, unless anyone can make a case how this week's relatively subdued inflation reports drove prices higher. Yesterday's new Commitments of Traders (COT) report fell within broad expectations (not as much deterioration as the previous week), but a closer look revealed a bit more deterioration (managed money buying and commercial selling) in gold than expected, but a whole lot less than feared in silver (yippee!). Details in a bit.

After nearly two weeks of jury deliberation, verdicts were reached in the Justice Department's case against three former JPMorgan traders for spoofing and manipulation in COMEX gold and silver futures. I believe it to be correct that it was a split victory/defeat for both sides. Two of the three traders were convicted on some charges, with one completely acquitted and with none of the most serious (racketeering) charges accepted by the jury.

https://www.reuters.com/legal/transactional/two-former-jpmorgan-metals-traders-found-guilty-landmark-spoofing-case-2022-08-10/

Both sides claimed victory (standard procedure) and I stand by my original take that the trial was much ado about nothing, since the obvious real crime (long-term price manipulation) and the master criminal, JPMorgan itself, had long ago settled all charges and this trial's outcome had no bearing on the Godfather of gold and silver criminality. Not to rehash old allegations, but I have come to accept the Justice Department wimping out on charging JPM with manipulation, as the collateral damage to the rest of society should the DOJ have prevailed in convicting JPMorgan of long-term silver and gold price manipulation would have been too devastating to contemplate. Kind of like setting off a nuclear weapon to eliminate mosquitos. Considering the full stakes and collateral damage, I'd have wimped out as well.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses cooled off this week, as only 3 million oz were moved. Total COMEX silver holdings fell by 1.7 million oz to 333.4 million oz, which did happen to be the lowest level in two years. Holdings in the JPMorgan COMEX warehouse fell by 0.5 million oz to 174.6 million oz.

Gold holdings in the COMEX warehouses fell again, this week by 0.3 million oz to 29.3 million oz, another new two-year low. Holdings in the JPM gold warehouses slipped ever so slightly to 12.07 million oz.

Deliveries on the big August COMEX gold contract remain large at more than 32,000 total contracts issued, but appear to finally be winding down. Customers of JPM have been big on both sides of issuing and stopping, with net stops of more than 5000 contracts. However, there's not enough detailed information for me to make a guess to what it all means.

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

There were some additional outflows from the world's gold and silver ETFs, but with the turn up in prices, that should soon result in net inflows if the pattern of the past decade or so hold true. As far as the extremely large short position in SLV (47.5 million shares), I've decided not to rattle BlackRock's cage for now, but I have complained to the Securities & Exchange Commission, with the hopes and expectations that the SEC will do the cage-rattling for me. Obviously, I'll be monitoring future short reports closely.

Turning to yesterday's COT report, gold and silver prices were higher into the Tuesday cutoff, gold by $25 or so and silver by around 50 cents. Not to get too technical and adjusting for the unusually large price differential ($18) in the recent gold rollover from August to December, by my calculations, the Tuesday cutoff was the first day gold closed above its 50-day moving average, while it was the second day of upward penetration for silver. Since Tuesday and despite price softness this Wednesday and Thursday, it has now been four days that gold prices have closed above its 50-day moving average, and five days for silver.

While there has been managed money short covering, particularly in gold, the managed money traders have yet to come blasting through the saloon doors, shooting up the joint, rushing to add new longs at almost any price. Most likely, that's because the 200-day moving averages have not been threatened yet, as gold's 200-day moving average is around $25 higher than yesterday's close and, in silver, its 200-day ma is nearly $2 away.

Looking back in time, I remember countless discussions with my departed friend and silver mentor, Izzy Friedman, who was skeptical for many years about my contention that the commercials were zooming the technical funds, before he eventually became convinced – evident in his terminology of "slicing the salami" to describe the process by which the commercials gradually induced the managed money traders to buy or sell.

Before Izzy came to accept my version of things, every single time the moving averages began to be penetrated up or down, and prices didn't immediately soar or collapse, he was all over me – like white on rice – pestering me as to why prices didn't immediately do what I alleged they would do. Eventually, usually in a matter of days, prices would respond accordingly to managed money buying or selling and I was spared further questioning – until the next occasion. Eventually, Izzy, given his great innate intelligence, would stop pestering me on future slight delays. And that's the way it appears to me now, namely, the hesitancy of managed money traders, particularly in silver, to hit the "buy button" will prove to be temporary. The big question, of course, is what the former big commercial shorts will do at that point.

In COMEX gold futures, the commercials sold and increased their total net short position by 19,000 contracts to 154,600 contracts. This is in addition to the 27,100-contract increase in the commercial short position in the prior reporting week. Admittedly, there is some subjectivity that can't be avoided (due to the recent presence of a managed money trader in the big 4), but the 4 big shorts in gold now appear to be all commercials, so the straight calculation indicates the big 4 short position of 112,024 contracts is now also pure commercial.

Therefore, of the 46,100-contract increase in the total commercial short position over the past two weeks, the 4 biggest commercial shorts accounted for an astounding 39,000 contracts. This is still close to 76,000 contracts less than the 188,358 contracts the 4 largest commercial shorts held on March 8, but any time only 4 commercials account for close to 85% of the very heavy total commercial selling in two weeks should set off alarm bells off at the CFTC and the CME Group, as much as incoming enemy missiles should set off alarms at NORAD.

As to why the 4 biggest commercial shorts would sell short such enormous quantities of gold contracts in such a short period and on not that much of a price rally, around $100, the answer is because they had to – otherwise prices would have risen much more – in my estimation by double or triple the amount they did rise. Since the other commercials – the big 5 thru 8 shorts and the raptors (the smaller commercials which are long) – didn't choose to sell, the 4 big commercial shorts had no choice.

It couldn't be more obvious that the concentrated short selling of 39,000 contracts by the 4 big commercial shorts on the COMEX these past two reporting weeks was as overtly manipulative to price as is possible and I would invite the CFTC and the CME Group to explain why it wouldn't be as manipulative as I suggest (I send them all my articles) – but you'll forgive me if I don't hold my breath while awaiting a response.

Finishing up on the gold commercial categories, the big 5 thru 8 short traders didn't do much and there still appears to be a managed money trader possibly remaining in that category, but holding no more than 9000 contracts short. If that's correct the raptors (the smaller commercials) are now down to 20,000 contracts net long.

On the buy side of gold, it was mostly the managed money traders, which bought 24,879 net contracts, consisting of the purchase of 3379 new longs and the buy back and covering of 21,500 short contracts. The resultant managed money net long position of 40,734 contracts (100,013 longs versus 59,279 shorts) is far from bearish on a historical basis, but is 60,000 contracts less bullish than it was two weeks ago, when the managed money net position was just over 19,000 contracts short.

I would agree that there is a lot more room for managed money new buying based upon historical levels, but I am still-scratching my head about the disproportionate level of concentrated short selling by the big 4 over the past two weeks. Explaining the difference between what the managed money traders bought and the commercials sold this week was net selling by the other large reporting traders of 6354 contracts.

In COMEX silver futures, the commercials sold and increased their total net short position by 4500 contracts to 13,600 contracts. I did expect (hope) for less selling than occurred last week and this week's results exceeded my expectations. I did detect some new shorting by the former big 4 commercial shorts of 2000 contracts or so, and perhaps another thousand or so in the big 5 thru 8 category, whereas there was none last week. Certainly, compared to gold, the former big 4 commercial shorts in silver still appear to be standing aside and that's nothing but good news (may it continue forever). Had the biggest shorts in silver did what the biggest shorts did in gold, I would be at wits end. Of course, I can't control what these crooks do or don't do, but the shame and guilt will be on the CFTC and the CME Group should the big silver commercial shorts do in silver what they have done so far in gold.

By my reckoning, the smaller raptors sold around 1500 longs this week, leaving them net long by around 32,500 contracts. I still figure there are two managed money traders left in the big 8 shorts in silver, one in the big 4 and one in the big 8. The straight calculation of the big 4 in silver this week came to 38,801 contracts, up about 500 contracts from last week, but the commercial-only component came to 29,000 contracts, up 2000 from last week. The straight calculation for the big 8 came to 59,965 contracts, up just over 100 contracts for the week, but the commercial-only component came to 46,000 contracts (from 43,000 contracts last week).

The managed money traders in silver bought 2313 net silver contracts, much less than I feared, consisting of the sale and liquidation of 558 longs and the buyback and covering of 2871 short contracts. Whereas the managed money position in gold has flipped from net short to net long over the past two weeks to the tune of nearly 60,000 contracts, it has remained, somewhat remarkably, net short in silver to the tune of 6543 contracts (32,469 longs versus 39,012 shorts).

Over the same two reporting weeks, the manage money net short position has shrunk by 11,275 contracts versus the near-60,000 contract change in gold. Stated somewhat differently, the 4 big commercial shorts have increased their concentrated net short position by 39,000 contracts in gold, but only by 2000 contracts in silver. Of course, I'll monitor closely the changes in the future as they occur, but these are absolutely stunning changes to date.

The fact that the gross managed money silver short position has remained so large is more than notable and coupled with the fact that the number of traders in this short category dropped again, to 30, leads me to believe there are still managed money traders in both the big 4 and big 8 categories. Net buying by the smaller non-reporting traders of more than 2600 contracts explains the difference between what the commercials sold and the managed money traders bought.

After too many decades of observing and living through a silver manipulation caused by concentrated short selling by large commercial traders on the COMEX, I am both heartened, but wary of the current low level of concentrated commercial short selling. My wariness resides in what has occurred in the past and what is currently occurring in gold. However, should the former big COMEX commercials refrain from piling onto the short side of silver, there is not the slightest doubt in my mind that prices will soar. In fact, such renewed concentrated commercial short selling is the only thing that can prevent silver prices from soaring.

Even though I have done my best to identify the specifics behind the COMEX silver manipulation on every regulatory level possible, including the CFTC, CME Group, Justice Department, FBI, US Attorneys Offices, SEC and OCC and not once in at least ten years or longer have any of these regulators took issue with anything I've alleged (the CFTC disagreed up until 2008, but not thereafter), the manipulation has persisted.

I think there are strong signs that the regulators can now see the manipulation by the concentrated short position and other signs that the big former COMEX commercial shorts are reluctant to re-short aggressively, but the proof will be in the pudding of whether they re-short aggressively or not. What has transpired in COMEX gold over the past two reporting weeks is far from encouraging, but two weeks is not sufficient time to draw firm conclusions. So, I remain hopeful, but wary – and fully prepared to call out the crooks and the regulators should the current set up fizzle out due to aggressive new shorting by the COMEX crooks.

Make no mistake, we're very close to the point where we should soon learn which it will be – a continuation of the silver manipulation where a price rally is snuffed out by manipulative re-shorting by the former commercial concentrated shorts or the greatest silver rally any of us has ever seen (or imagined).

Ted Butler

August 13, 2022

Silver – $20.85   (200 day ma – $22.79, 50 day ma – $20.25, 100 day ma – $21.88)

Gold – $1818 (200 day ma – $1842, 50 day ma – $1789, 100 day ma – $1843)