

When the dust settled after a strong bout of price volatility following the Fed's actions, gold ended the week at fresh 6 year highs, up \$21 (1.5%), while silver ended the week lower by 18 cents (1.1%). This pushed the silver/gold price ratio out by 2.5 points, to nearly 89 to 1. As is always the case, COMEX futures trading and positioning accounted for all the action.

There was some confusion about the actual price of gold due to this week's first notice of delivery day in the big COMEX August contract. As the vast majority of open contracts are rolled out of the August contract and into a more deferred month, most price reporting and charting services automatically switch to the contract with the most open interest- but do so with little announcement. This results in a sudden apparent jump in price as the more deferred months are most often more expensive. In the adjustment this week, the big new contract for gold is December, which is an unusually long 5 months from now and trades \$12 over the expiring August (spot) month. Gold ended \$21 higher and at new six year weekly closing highs, just not the \$33 higher widely reported gain (although I will start reporting December this week).

Rollover adjustments aside, one of the standout features of the week was the continued strength in the price of gold in the face of a bearish COMEX market structure and the fact that the 7 largest commercial shorts (ex-JPMorgan) were out an additional combined \$350 million in open and unrealized losses, despite the lower price of silver. As of yesterday's close, the 7 big shorts in COMEX gold and silver are in the hole for \$2.15 billion, or an average of just over \$300 million per trader, the most since the summer of 2016. I still maintain the resolution of this concentrated short position will determine gold and silver prices ahead.

While COMEX positioning is still the controlling factor for price, there are many other factors warming up in the wings for both gold and silver, almost all of them decidedly bullish. At the same time, there is only one potential bearish factor in existence – the current COMEX market structure, which is bearish for both gold and silver, with very large managed money long and commercial short positions. In the past, the commercials have never failed to eventually rig lower prices and escape large open losses, so to dismiss this outcome occurring again is somewhat foolhardy. On the other hand, if there ever has been a time for the commercials to finally get overrun to the upside than now, I'm not aware of it. Like the saying goes, you pay your money and take your chances.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses increased a bit this week to just under 3 million oz, as total COMEX silver inventories increased by another 1.7 million oz to 310.4 million oz, yet another all-time record high. Still, the recent increases in COMEX silver warehouse inventories look minor compared to the absolutely staggering increases in the metal holdings of the leading silver ETFs, which have been ten times larger than the increase in COMEX warehouse inventories over the past few months.

Despite the slight increase in COMEX physical turnover this week, the 5 week average movement is still just under 2.5 million oz, about half the weekly average of the past 8+ years. Moreover, there were three days of nearly zero movement this week, with one day of movement of more than 2.3 million oz. As I've indicated previously, there is no way to anticipate or predict future weekly movement; all one can do is observe and analyze.

I am sensitive to a slowdown in the unprecedented and frantic physical turnover in

the COMEX silver warehouses because it suggests to me that JPMorgan may have secured enough physical silver by skimming off the movement over the past 8 years and that change might indicate it intends to let silver prices finally rise. That, of course, is speculation on my part, but is based upon a running analysis of the data. By the way, the JPMorgan COMEX silver warehouse was unchanged once again at 153.8 million oz.

As far as the deliveries so far for August in both gold (a traditional delivery month) and silver (not traditional), JPMorgan is missing-in-action, once again, as far as its house account is concerned but is a net stopper for clients in both gold and silver. Citibank has been the largest stopper in gold so far, but the last two times it has appeared as a large stopper in gold this year, it has ended up redelivering what gold contracts it stopped (maybe on behalf of you know who). Overall, however, COMEX gold and silver deliveries don't look particularly instructive at this point. Then again, the month is young.

The standout physical feature in precious metals is still, by far, the unusually large physical deposits in the silver ETFs. I know there are many who disbelieve the data about the silver ETFs, particularly the largest, SLV, but I have never been in that camp. I could care less if anyone buys or doesn't buy SLV or other silver ETFs, but not to report on the data for the world's largest physical holding of silver would be inexcusable as an analyst. Certainly, if I had the slightest hint that anything was wrong with the ETF data, I would speak up – just like I speak up about the crooks at JPMorgan and the CME Group.

Yes, I know that JPM is the custodian of the SLV, but I also know that BlackRock, the world's largest money manager, is the sponsor (owner) and the thought that

BlackRock would jeopardize its \$5 trillion (yes, trillion) of assets under management business by letting someone screw with a fund that represents roughly one-tenth of one percent of its total assets is preposterous, at least to me.

Besides, the more you think the flow of data through, things begin to make sense. In addition to the standout feature of the massive physical deposits into the world's silver ETFs, there is the easily documented rise and more recent decline in the concentrated long position in COMEX silver futures. These are two facts easy to document and I think they are connected, not only because they have occurred on what must be considered a reasonably-connected timeline, but based upon other things as well.

Let me jump ahead and first discuss one aspect of this week's Commitments of Traders (COT) report, before digging into the new report in a moment. The concentrated long position of the 4 largest traders in COMEX silver futures declined this week by just over 3000 contracts, despite an overall increase in managed money long positions. After increasing by nearly 18,000 contracts (90 million oz) from May 28 to 67,328 contracts on June 25, the concentrated long position has declined by more than 9200 contracts (46 million oz) to 58,091 contracts as of last Tuesday, July 30.

The numbers of actual contracts and equivalent ounces are hard facts, but the explanation for what occurred can't be as hard – some speculation or analysis is required. The simplest explanation could be a large trader or traders (no more than 4) first bought 18,000 additional COMEX silver futures contracts and then sold half of them and took profits of close to \$50 million. Another explanation (and the one I favor) is that it only looks like a large trader liquidated 9200 long contracts in a

straight sale, but the liquidation was actually a conversion of COMEX futures contracts into physical silver via the silver ETFs.

The initial increase and subsequent decrease in the COMEX silver futures concentrated long position occurred just as several silver ETFs experienced sudden and massive increases in trading volume and immediate metal deposits. It now appears highly unlikely that the burst of buying in the silver ETFs was caused by many small traders acting collectively, since there is very little data to suggest many investors suddenly went on a silver buying spree. If there was a collective buying spree in silver, it would be reflected in other forms of silver investment and not strictly confined to the silver ETFs.

Therefore, the most plausible explanation for the burst of silver ETF buying and the massive physical deposits that followed was that the buying was by a single big entity or just a few entities at most. Since we know that there was first very big concentrated buying in COMEX silver futures, followed by a hefty (50%) reduction of that buying, what are the odds that the big buyer in the silver ETFs was completely unrelated to the big buyer in COMEX silver futures? In other words, in order to believe that the big buyer in COMEX silver futures was unrelated to the big buyer in the silver ETFs, you have to believe a completely new silver ETF buyer appeared just as the big concentrated COMEX long was selling. After years of no big silver buyer emerging (other than JPMorgan), suddenly two appear - one that bought and quickly sold and another one that quickly bought what the first big buyer sold? I don't think so.

Much more likely is that the big buyer of COMEX futures didn't sell, but converted 9000 or more of his or her futures contracts into shares of SLV and other silver ETFs,

like SIVR and the Deutsche Bank silver ETF. Certainly, the quantities are reasonably close. In total, I think a big buyer bought 20,000 to 25,000 COMEX silver futures, the equivalent of 100 to 125 million oz and around \$1.5 to \$2 billion in total dollar value. About half that amount, 9200 contracts (46 million oz) has already been converted to shares of the silver ETFs.

A couple of points. One, I wouldn't be surprised if in the future, the big buyer didn't turn around and convert the shares of the silver ETFs just acquired by conversion of futures contract into pure physical silver by redeeming ETF shares. Thus, we just might see a big decline in the total shares outstanding and physical holdings ahead. Such a large buyer would likely be able to negotiate a cheaper storage fee than the standard 0.5% fee charged by the ETFs. Plus, by holding pure physical metal in storage and not ETF shares, no public reporting requirements apply.

While I may have mentioned this previously (I simply can't remember), the almost immediate deposits of metal into the ETFs, while at first surprising to me as far as their timeliness, make much more sense in light of there likely being a single big buyer. If there were many buyers of the silver ETFs and not just one or very few, the many buyers wouldn't know how much physical metal needed to be deposited and the sellers could resort to share short sales and delay physical metal deposits. But with a big buyer, that buyer would know precisely how much physical silver would need to be deposited and would scream to BlackRock if the deposits weren't made quickly.

I'm sure that all the silver that has been deposited in the silver ETFs over the past month or so (75 million oz) came from JPMorgan, one way or another. After all, it was the only buyer over the past 8+ years. What we can't know is if JPMorgan just

sold the physical silver that was deposited into the ETFs or leased it to other sellers. Left on its own, I think JPMorgan is diabolic enough to where it would prefer to lease the silver to other ETF sellers, thereby retaining claims to the metal and further setting up other commercials for a monster double cross.

But supposedly, JPM is still under investigation by the Justice Department and may be inches away from being slammed hard, although my confidence is not high that the DOJ knows what it is doing. Seeing the non-prosecution agreement the DOJ extracted from Bank America/Merrill Lynch for spoofing and knowing that what JPM did in spoofing was at least a thousand times more egregious, the possibility exists that JPM has been forced to give up physical silver on a straight sale and not on a lease.

One final comment on the big concentrated long in COMEX silver futures in regard to a conversion of that position to physical silver via the silver ETFS is that one benefit of the price of silver lagging this week is that it should hold off any regulator pressure for the big buyer to abandon the position or the conversion process. On sharply higher silver prices I would expect such regulatory pressure, but not at current or lower prices. After all, the CFTC was very clear in its public letters of 2004 and 2008 denying a silver price manipulation by the big concentrated shorts that the longs were free to buy all the silver they wished to buy. It would be real hard for the agency to do an about face before silver prices rose substantially.

Turning to the COT report released yesterday, the results were pretty much in line with my expectations, although a bit larger than I would have preferred in silver when it came to managed money buying and commercial selling. Although I refrained from actual contract predictions, I did expect managed money buying and

commercial selling in silver to come in less than in the prior two weeks and that turned out to be the case, but not by as less that I hoped for. I didn't expect nor was there much change in gold.

In COMEX gold futures, the commercials reduced their total net short position by a miniscule hundred or so contracts to 288,000 contracts. This is still a very large and, therefore, bearish market structure on a historical basis. One surprise was an increase in the concentrated short position by 7000 contracts, although my sense (from the reduction in the Producer/Merchant net short position) is that JPMorgan didn't increase its gold short position. And despite the increase in selling by the 4 big shorts this reporting week, the concentrated short position is still 22,000 contracts less than it was on July 2, which is bullish on its face.

The managed money traders did buy 7540 net gold contracts, comprised of the purchase of 7428 new long contracts and the buyback and covering of 112 short contracts. Once again, other reportable and non-reportable traders sold. The resultant managed money net long position of 185,713 contracts (215,581 longs versus 29,868 shorts) is much closer to historic bearish extremes than bullish extremes and remains the one bearish potential for lower prices.

In COMEX silver futures, the commercials increased their total net short position by a hefty 7800 contracts to 83,900 contracts. This is the largest (most bearish) commercial net short position in almost 2 years (Sep 2017), when silver traded as high as \$18, before falling to \$15.50 within a few months. Incidentally, JPMorgan's short position back then was 38,000 contracts. Currently, I would peg JPMorgan's silver short position to be somewhere around 25,000 to 28,000 net contracts, up 3,000 to 5000 contracts in the reporting week.

Thus, the stone-cold crooks at JPMorgan are, once again, the biggest short in COMEX silver and have increased their seller of last resort short position by more than any other entity (by 25,000 contracts) on the \$1.50 rally over the past three reporting weeks. Without JPMorgan's new COMEX short sales, the price of silver would have increased by much more than the \$1.50 seen. It makes you wonder how incompetent and clueless the regulators, including the Justice Department, can be. The DOJ is hot and heavy on the spoofing trail, but the real crime in silver is not spoofing, but concentrated short selling.

COT data clearly indicate that a big concentrated long reduced its long position over the past few weeks, so new concentrated buying wasn't responsible for the silver rally. Instead, other much smaller managed money traders added to long positions and covered shorts. The only large concentrated trader to dramatically increase its position was on the short side and all indications point to that trader being JPMorgan. As I discussed above, JPMorgan is also supplying all the physical metal being demanded by the silver ETFs, although there is some question about whether JPM is selling that silver on a straightforward basis or with the strings of leasing encumbering the metal.

The new chairman of the CFTC, Dr. Heath Tarbert, appears to be as sharp as a tack and concerned about position limits and market corners. His appointment comes at a super-critical time, just as JPMorgan is overtly manipulating the silver market (again). Perhaps it's a fault on my part, but I always assume the best in people until proven otherwise. Thus, I assume Chairman Tarbert will rise to the occasion and do the right thing.

I will admit that the former agency chairmen and chairwomen over the past 35 years

had failed to deal with the concentrated short selling and manipulation in COMEX silver and because of that collective failure, the problem today is more severe. Quite frankly, it's not fair that Chairman Tarbert has been thrust into a problem not of his making, but then again, little in life is fair (including the suffering of silver investors for decades). It's also true, of course, that the greatest achievements come where others have tried and failed, so the rewards to Tarbert will be that much greater should he succeed in ending the silver manipulation. It sure looks like some type of resolution will come on his watch and I, for one, wish him well.

Finishing up on the COT report, the managed money traders bought a very hefty 10,906 net silver contracts, comprised of the new purchase of 3975 long contracts and the buyback and covering of 6931 short contracts. The resultant managed money net long position of 62,562 contracts (94,899 longs versus 32,337 shorts) is the largest (most bearish) in nearly two years and while there is still room for further managed money buying, there is now much more room for managed money selling on lower prices.

So what's it going to be - the inevitable gold and silver price smash based upon the same and sole bearish factor that has accounted for every selloff over the decades, or will the 7 big concentrated shorts finally get overrun and be forced to buy back shorts to the upside for the very first time? I don't know the answer to that question and would distrust anyone who claimed to know. I make the claim that the big shorts have never been forced to buy back to the upside and that constitutes the core of the manipulation. Unless I've missed it, I've yet to see anyone challenge my assertion.

Yes, the crooks at JPMorgan appear to leaning heavily on the short side of COMEX silver and are supplying physical metal to the ETFs, one way or another. But JPM is

still very much in a position to double cross the other big commercial shorts and allow prices to rip higher. The recent hard evidence of a big silver buyer emerging, first in COMEX silver futures and later into physicals via the ETFs has to be considered an unexpected bullish development. Will it be enough to overcome JPMorgan's efforts to cap silver prices or even if JPM is truly interested in capping prices are questions that will be answered in the fullness of time and likely fairly soon. A new CFTC chairman unexpectedly espousing legitimate position limits has to be considered a welcome surprise. The crooks at JPMorgan may take prices down once again, but all things considered, I can't play it any way other than they won't.

(On a housekeeping note, a reminder that I am switching to the December gold contract from August for closing price purposes. This, effectively, adds \$12 to the price of gold)

Ted Butler

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Silver - \$16.22 (200 day ma - \$15.13, 50 day ma - \$15.35)

Gold - \$1452 (200 day ma - \$1303, 50 day ma - \$1381)