

## August 6, 2022 – Weekly Review

Despite a Friday selloff, gold managed to close higher for a third straight week, ending the week higher by \$7 (0.4%). Silver couldn't make it two straight weeks higher after last week's sharp gains and ended the week down by 48 cents (2.4%).

As a result of silver's relative underperformance (or gold's outperformance), the silver/gold price ratio widened out by around 3.5 points to just over 90 to 1, about half of what the ratio had tightened in by last week (although some of the widening this week was attributable to the rollover in gold from the August contract to the December contract, which added close to \$18 to the gold price).

Amid a slew of reasons offered to explain, in very logically-sounding and convincing terms, why gold and silver prices did what they did on a moment-by-moment basis, after considering everything for close to a half-century, the only thing that matters to price is positioning on the COMEX, as seemed to be borne out in yesterday's new Commitments of Traders (COT) report. Why, for example, a strong employment report would sink gold and silver prices may sound reasonable until you actually think about it, is just a symptom of the collective demand for instant explanation and analysis.

At the same time, we await a verdict in the Justice Department's criminal case against the former traders from JPMorgan for rigging gold and silver prices for nearly a decade – which proves prices are set by paper trading shenanigans of all types (according to the DOJ) – we are supposed to believe yesterday's price swoon was caused by some conscious and well-thought-out consensus that prices needed to be adjusted lower due to the employment report? Are we all that stupid?

Of course, it's not right (or even legal) that gold and silver prices are set by a relative handful of large paper traders on the COMEX, but lots of things in the world aren't the way they should be. The good news is that nothing in yesterday's report contradicted my premise that the 40-year manipulation in silver may be on its last legs. Let me run through the usual weekly format before digging into yesterday's COT report.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained strong, as just over 5.8 million oz were physically moved and as total holdings fell by 1.7 million oz to 335.1 million oz. Silver holdings in the JPMorgan COMEX warehouse bucked the trend and rose by 0.6 million oz to 175.2 million oz.

Over the past five months or so, as silver prices declined by more than \$8 (30%), total COMEX silver warehouse holdings are, essentially, the same, although increasing fanfare has been made about there being less registered and more eligible (which is supposed to be bullish, from what I gather). At the same time, the collusive COMEX commercials (some of which are awaiting a possible criminal verdict) have induced the hapless managed money traders into selling more than 300 million oz of paper silver, which I claim is why silver prices fell and not because of the unchanged COMEX inventories. Think about this for a moment.

About as much paper silver as exists in the COMEX warehouses in actual physical form was sold over the past five months due to the chicanery of crooked bank traders inducing technical type traders into selling more than 300 million oz of paper silver and I'm supposed to focus on the 20 or 30 million oz that was transferred (not physically moved) from registered to eligible as being more significant to

price? Yeah, when cows jump over the moon.

Total gold holdings in the COMEX warehouses fell for the 12<sup>th</sup> straight week, this week by 700,000 oz to 29.6 million oz, another multi-year low. Not to be contrary (and ornery) about everything, I still have trouble attaching great significance to the recent declines in the COMEX gold warehouse holdings as a prime price influence for a number of reasons. One, total COMEX gold warehouse holdings are less than one percent of total world gold bullion inventories and two, I'm still trying to get my head around the sudden increase from 8 million oz to 38 million oz that COMEX inventories increased over several months in 2020. I'm still not sure what caused the sudden inflow of 30 million oz back then and it's hard for me to get excited about the recent and much smaller changes.

Nor do I have much to shed on this month's large deliveries against the August COMEX gold contract, now up to 28,000 total contracts, as to whether the large deliveries are bullish or bearish. I am glad to see customers of JPMorgan as the biggest net stoppers of more than 5700 net contracts, but that's just due to me still being convinced that JPM is the biggest metal crook in the world and I'd rather see anyone associated with JPM as stoppers and not issuers. I admit to being prejudiced in this regard.

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

The flows of metal being redeemed in the world's gold and silver ETFs abated this week, although it looks like it will take more consistent upside price action before new investment buying results in inflows. That's how it has always worked, namely, when prices are set higher by COMEX paper positioning, physical inflows develop in the ETFs. I still feel that the pronounced outflows in SLV were the result of conversions and not net investor liquidation. The only real investor selling has been by the managed money traders on the COMEX, and they're not real investors to begin with - just paper jockeys trading numbers in a wide variety of markets in which they have no real belief or conviction. It's just unfortunate the managed money traders have been allowed to grow as significant to price as they have.

Turning to yesterday's COT report, in many ways, I came quite close in my predictions for silver, but was quite wide of the mark in estimating the degree of deterioration (managed money buying and commercial selling) in gold. To be sure, I didn't get the basics wrong, namely, that there would be managed money buying and commercial selling on the sharp jump in prices over the reporting week, as that would be very hard to do. After all, I can't recall a time when prices rose and the managed money traders didn't buy and the commercial didn't sell and vice versa on falling prices. This is precisely what makes COMEX paper positioning the sole price force.

In COMEX gold futures, the commercials sold and increased their total net short position by 27,100 contracts to 135,600 contracts. You have to go back six months, or before the deliberate price swoon in gold commenced in March and April to find a larger weekly level of commercial selling. While this week's commercial selling was significant, the commercial buying from March 8 to last week was more than 200,000 contracts (20 million oz), so some measure of proportion is required. There is still much more price room to the upside than to the downside.

Where it gets a little tricky in gold is by commercial category. This week's disaggregated COT report indicates heavy new short selling by the former big 4 commercial shorts and buying by the largest managed money shorts. As a result, I would estimate that nearly all the commercial selling in gold this

week was by the 4 largest former commercial shorts (not something that occurred in silver).

By a straight arithmetic calculation, not distinguishing between managed money and commercial trader breakdowns, the concentrated short position of the 4 largest gold shorts rose by a bit over 6000 contracts this week to 108,937 contracts (10.9 million oz). However, the commercial-only component rose by around 25,000 contracts to around 100,000 contracts, due to the combination of significant managed money short covering and new big commercial shorting. Practically all the new commercial shorting appeared to be by the 4 largest commercial shorts, meaning the large commercial traders in the 5 thru 8 category, as well as the raptors (the smaller commercials apart from the big 8) didn't do hardly anything. Very strange, indeed and if this had occurred in silver, I might have slit my throat.

On the buy side of gold, the managed money traders bought just under 35,000 net contracts, consisting of the new purchase of 4418 longs and the buyback and covering of 30,530 short contracts. This flipped last week's net short position of the managed money traders into a net long position of nearly 16,000 contracts (96,634 longs versus 80,779 shorts), but on a historical basis, this is still quite low and bullish. Explaining the difference between what the managed money traders bought and what the commercials sold was more than 8000 contracts of net selling by the other large reporting traders and the smaller non-reporting traders. The resulting non-reporting trader net long position of 11,000 contracts is now the lowest in more than three years and must be considered bullish on a sentiment washout basis.

In COMEX silver futures, the commercials only sold 6400 net contracts, increasing their total net short position to 9100 contracts, which aside from the two prior reporting weeks is still the lowest (most bullish) reading in years. (I had estimated net commercial selling and managed money buying of between 10,000 and 15,000 contracts and was delighted by the low amount of commercial selling, but I did come much closer on a managed money buying basis).

By commercial categories in silver, I was relieved (actually, delighted) to see that the raptors did all the selling, meaning the big 4 and 8 former commercial shorts did nothing in terms of selling (completely unlike what occurred in gold). While I do admit to some disappointment that there was so much big 4 shorting in gold, my premise about the big 4 not adding to shorts will cause prices to explode is mainly a silver-centric premise.

One other expectation that I mentioned on Wednesday did come to fruition, namely, the likelihood that as a result of managed money short covering, there would be a dramatic reduction in the posted big 4 short position, on a straight arithmetic calculation (no commercial/managed money considerations). The big 4 short position plunged by more than 6300 contracts this week to 38,291 contracts (191 million oz), the lowest such level in 8 years. Since it appears to me that the big commercials did next to nothing this week, the commercial-only component of the big 4 position was little changed at 27,000 contracts. Likewise, the straight calculation of 59,821 contracts for the big 8 short position remains at 43,000 contracts for the commercial-only component or thereabouts. This makes it increasingly critical as to whether the former big commercial shorts put their heads back in the lion's mouth and re-short aggressively, as and when silver prices rise.

On the managed money buy side in silver, these traders did buyback 12,656 short contracts (nearly splitting the difference between my 10,000 to 15,000 contracts guesstimate), but other managed money longs sold 3694 longs, somewhat surprisingly, and limiting the net managed money buying to just-under 9000 contracts. After some further thought, it appears to me that the managed money long

liquidation most likely involved liquidation of silver/gold ratio spreads, as the price ratio declined sharply in the reporting week, as normally, managed money longs add to positions on higher prices. Finally, the difference between what the commercials sold and the managed money traders bought was mostly a function of net selling by the other large reporting traders.

The managed money net short position of close to 9000 contracts (33,027 longs versus 41,883 shorts) is still exceedingly bullish, as there had been no such net short position for years, aside from the past six weeks or so. Despite the sharp drop in managed money shorting this week, the even sharper drop in the number of traders in the managed money short category (to 31) persuades me to think the still-large managed money short position is still highly concentrated.

Back on April 26, when silver prices were around \$23.50 (more than \$3.50 higher than currently, there were 31 managed money short traders when the managed money short position was a little over 18,000 contracts or 23,000 contracts less than in the latest COT report. Seeing as we have a much greater managed money short position today than back then, but with the same number of traders tells me the position is more concentrated, particularly when considering the number of managed money traders short had grown to 44 in the interim. Remember, concentration is little more than a large position held by a small number of traders.

My sense is that one or two large managed money traders, despite buying back and covering a significant number of short contracts, are still short and prone to cover on higher prices. As and when that occurs, the issue of whether the former big commercial shorts step in to cap and contain prices becomes even more critical. As it is, the managed money shorts have seen their large open and unrealized profits suddenly vanish by at least half or more and would hate to see those remaining open profits turn into actual realized losses, which is precisely what will occur if they wait until the 200-day moving average (now at \$22.89) to completely close out all their added shorts. I'm still of the opinion that the managed money shorts will and can never extract a decent realized profit on a collective basis ever in silver, because the collusive commercials have arranged the game to prevent that expressly.

Recently, I've raised the issue of the 50 day moving averages in both gold and silver. In silver, it's rather cut and dry, in that we did get up to its 50-day moving average (now down to \$20.39), but never decisively penetrating it on a closing basis. So, we await the combination of rising prices/falling moving average to resolve the issue in time. In gold, it's a bit more confusing, thanks to the recent rollover from the August contract to the December contract, which added, effectively around \$18 to the price. Most chart services (such as [www.stockcharts.com](http://www.stockcharts.com)) don't adequately reflect such large rollover changes in their moving average calculations, so it has appeared that the new higher-adjusted gold price may have upwardly penetrated the 50-day moving average, but that's not quite true. A simple solution to this problem on a temporary basis is to monitor the price and moving average for GLD to see if an upside penetration occurs (since no price rollover adjustments apply to GLD).

While I was somewhat disheartened at the aggressive new short selling by the large former commercial shorts in gold, in that it might suggest the same will eventually occur in silver as well and the manipulation will live on, despite the plethora of signs still pointing to its coming end, there is still a good number of raptor longs in silver likely to be sold before the former big COMEX commercial crooks have to resort to aggressive new shorting. The same situation didn't exist in gold, where the raptor long position has remained around 25,000 contracts for weeks. In silver, I'd estimate the remaining

raptor net long position after this week's selling of around 6000 contracts is at 34,000 contracts and can easily supply close to 25,000 contracts of selling (into managed money buying) before the big former commercial shorts have to resort to aggressive new shorting.

Finally, here's another observation about moving averages, from a certified non-believer (me) in such averages. If you look back over the past 5 years, in both gold and silver, whenever their 50-day moving averages have been substantially below their respective 200-day moving averages, as is the case now, and you can buy gold or silver below either's 50-day moving average, also as is the case now, there's never been a time when a profit wouldn't have presented itself. I'm a supply and demand song and dance man myself, but the logic of buying either when the 50-day moving average is below the 200-day moving average and the price is below the 50-day moving average, does stand out to me on the charts and logically. Check it out on the stockcharts link above, just make sure you stick to daily moving averages.

Ted Butler

August 6, 2022

Silver – \$19.85 (200 day ma – \$22.89, 50 day ma – \$20.39, 100 day ma – \$22.11)

Gold – \$1791 (200 day ma – \$1842, 50 day ma – \$1792, 100 day ma – \$1849)

**Date Created**

2022/08/06