While gold and silver prices closed at six week highs, a key feature has been just how tight the recent trading range has been. Gold ended the week one dollar higher, while silver added 22 cents (1.3%), resulting in the silver/gold price ratio tightening in by a full point to 86 to 1. (No matter how long silver has been this cheap relative to gold, it's something I still marvel at).

And it's not just that the trading range has been so tight for the past six weeks, what's more remarkable is that almost all of the trading has occurred at prices just slightly below the key 50 day moving averages in both gold and silver. On Thursday, gold prices closed slightly above its 50 day moving average for the first time in nearly two months, before closing slightly below (actually at) the moving average yesterday; while silver briefly traded above its 50 day moving average yesterday for the first time in as long before closing slightly below that average.

The reason I bring this up (no, I haven't converted to the Holy Church of Technical Analysis) is because this is a price performance pattern that in the past would have resulted in near-maximum managed money net short and commercial net long (or least net short) positioning in COMEX futures. Certainly, that's not the case this time, as we're much closer to maximum managed money net long positions in COMEX gold futures and to a lesser extent in silver as well – as I've pointed out for weeks, if not months.

In fact, the unusual positioning pattern was confirmed in this week's new Commitments of Traders (COT) report, which while expected (due to the slight rally in the reporting week), showed a further increase in managed money buying and commercial selling. What makes the extremely large managed money long position in gold (and to a lesser extent in silver) so unusual, of course, is that prices have been mostly lower over the past few months – formerly a reliable indicator of the opposite occurring, namely, heavy managed money selling by now. I'll get into the details in a moment.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses increased to nearly 5.3 million oz this week. Total COMEX inventories rose by 1.2 million oz to 317.5 million oz, establishing a new record in total inventories by 0.3 million oz over the previous record set in September. Normally, it's considered bearish when inventories increase, but I've always felt that was misguided in the case of silver, particularly when discussing COMEX inventories.

In any event, I would point out that the two-week increase in COMEX silver inventories of 3 million oz came against a backdrop of silver prices rising over that same time. Just sayin'. For the first time in two months there was some movement in the JPMorgan COMEX warehouse, as a bit over 0.2 million oz came in, increasing the level of silver there to a new record as well of 161.4 million oz (due to rounding).

Jumping to the COT report, there were few real surprises over a reporting week that featured nearly daily gains and in which gold advanced by about $12 and silver by 35 cents (despite remaining below the critical 50 day moving averages).

In COMEX gold futures, the commercials increased their total net short position by 16,300 contracts to 318,600 contracts. This level is only about 27,000 contracts shy of the most bearish reading on record of this past September. Importantly, the concentrated short position rose as well and the 8 largest traders (all commercials) increased their short position to 291,097 contracts, the largest since the summer of 2016, when the position was about a thousand contracts higher.

Based upon trading activity since the Tuesday cutoff, I would be surprised if a new record wasn't achieved for the 8 largest traders which is beyond unusual since gold prices are still below the 50 day moving average. I'd peg JPMorgan's gold short position to be around 30,000 contracts, which would put it in the big 5 thru 8 category, but not likely in the big 4. Back when the record concentrated short position was achieved in 2016, JPMorgan was the largest gold short seller. Yes, I would consider it unusual that the concentrated short position of the 8 largest shorts is at or close to a record, while JPMorgan is nowhere near its typical lead role in shorting (can you spell double cross?).

The managed money traders bought just over 18,000 net gold contracts, consisting of the new purchase of 15,687 longs and the buyback and covering of 2386 short contracts. The resultant managed money net long position of 201,721 contracts (228,616 longs versus 26,895 shorts) must be considered just as bearish, in historical conventional terms, as the commercial short position. In addition to not liquidating near as many long positions since the September price highs, even more notable is the near complete lack of managed money short selling since then. We can debate what caused this strange behavior by the managed money traders this time around, but not the fact that these traders haven't sold and sold short as they have in the past.

In COMEX silver futures, the commercials increased their total net short position by 7800 contracts to 71,000 contracts. Unlike the case in gold, the total commercial net short position in silver is not as close to record levels as is the corresponding gold position, as it regularly exceeded the 100,000 contract level during the summer of 2016. Or more recently, in the spring of 2017, when it approached the 120,000 contract level.

However, as was the case in gold, the concentrated short position of the 8 largest traders in silver is much closer to record highs, this week at 100,882 contracts. You can basically count on two hands (ten fingers) the number of weeks the concentrated short position has exceeded 100,000 net contracts. Also as was the case in gold, at previous times of very large total commercial and concentrated short positions, JPMorgan was always the largest short. While I would peg JPMorgan's short position for this week to be up 3000 contracts to 10,000 contracts, that's still a fraction of what it had been short when the concentrated short position was at or over 100,000 contracts in the past. Typically, JPMorgan would be short 30,000 to 40,000 contracts at similar times in the past, not 10,000 contracts.

The managed money traders bought 6267 net silver contracts, fairly evenly split between 3622 new longs and the buyback and covering of 2645 short contracts. The resultant managed money net long position of 35,479 contracts (68,153 longs versus 32,674 shorts) is on the bearish side in historical conventional terms, but not as excessively as in gold – the same as has been the case for months.

What makes to current market structures in gold and silver so unusual, as I have been reporting for weeks if not months, is that prices have remained below the critical 50 day moving averages for all that time. In the past, such a price configuration would have led to a market structure that featured massive managed money selling. Since that's obviously not the case this time, it's only natural to imagine what will occur as and when the 50 day moving average is decisively penetrated to the upside.

Trying to be objective, I suppose, particularly in gold where we are already much closer to record managed money net long positions, a decisive upward penetration of the 50 day moving average might turn out to be a bit of an anticlimax, because the managed money traders might not have much buying power left. Then again, there is no guarantee decisive new managed money buying records might not lie ahead, given the overall macroeconomic circumstances. We've never been in this particular setup before, so it's important to recognize the limits of our ability to predict the future with precision. Heck, prediction is difficult, at best, in times of familiar patterns and setups.

But because JPMorgan is so much less short than it has been at similar times in the past and because the bank is the indisputable king of the gold and silver markets, I'm inclined to imagine great financial difficulties for the remaining 7 big shorts in gold and silver. These 7 big shorts didn't have a particularly bad week, although they did end up $100 million deeper in the hole, ending the week $2.5 billion underwater in terms of open and unrealized losses.

I remember writing, sometime back in June, as gold climbed to more than $1350 or so and the big shorts had built up a very large short position, and how a $100 rally in gold would result in a $2.2 billion open loss from what was close to a neutral financial position. I'm not trying to claim I predicted the coming surge in gold prices at that time; I was stating that should gold run higher, that every $100 increase would result in a $2.2 billion increase in open losses. Gold, as you know ran up even more than that into the September highs.

Similarly, now that the big 7's gold short exposure is around 260,000 net contracts, every $100 higher from here in gold results in an additional $2.6 billion in open losses. Not only is the short exposure larger (as a result of a larger net short position), unlike the case back in June, the big 7 are starting in a $2.5 billion hole (including silver) as of yesterday's close. I don't know how much financial pain the big 7 can take, but I don't suppose it's unlimited. I also wouldn't want to be one of the big 7 shorts if JPMorgan, as I suspect, has every intention of double crossing them.

Again, I'm not telling you what will occur, because I have no way of knowing that for sure. What I do know is that the current setup is unusual in so many ways as to think something quite dramatic is likely to occur. I'm playing it as if it will be an upward price resolution and will be playing that same way if we go lower first.

Just when you think all the shoes have fallen in terms of JPMorgan precious metals traders in potential trouble for spoofing and price manipulation, yet another story comes out adding more. Yesterday, Reuters reported that additional JPM traders have been put on leave or rumored to be involved in the continuing case by the Justice Department. This time, the regulatory authorities in Singapore were mentioned.

https://www.reuters.com/article/us-jp-morgan-metals/jpmorgan-metals-traders-under-singapore-scrutiny-two-more-depart-sources-idUSKBN1YN2QG

A little while back, I sarcastically quipped and asked if there were any precious metals traders at JPMorgan who were on the up and up. This article suggests that there are only half a dozen total traders left, which would seem to be a problem for the world's largest precious metals dealer. But there is something about this latest article that bothers me; something that has bothered me all along, namely, that all these traders are about to be thrown under the bus.

For more than decade, I have written and complained about JPMorgan manipulating silver and gold prices. Of course, I had complained about a silver price manipulation for two decades before JPMorgan took over Bear Stearns in March 2008, but the events of that year turned my attention to JPMorgan. Specifically, it was the Bank Participation report of August 2008 that set off my attention to JPMorgan, because it featured an unnaturally large increase in COMEX silver and gold shorting by a US bank.

My point is that I've always relied, exclusively, on official government data in the form of the COT and Bank Participation reports to allege JPMorgan was the leading COMEX short seller and had never suffered a loss when adding shorts in gold and silver since 2008. No one, particularly the regulators, has ever challenged my allegations (I wish they would). In addition, I've relied exclusively on official public data, mostly from the CME Group, to allege that JPMorgan had amassed prodigious quantities of physical metal, mostly from deliveries on silver and gold futures contracts – all while being the largest short seller. I've also relied on data from the US Mint concerning Silver Eagle sales to allege JPM bought and melted a bunch of those.

In fact, all these developments from public data sources have gone into my official complaints to the CFTC and Justice Department about JPMorgan manipulating and abusing the precious metals markets. Therefore, I was elated when the Justice Department burst onto the scene in alleging that traders from JPMorgan had, in fact, manipulated prices. But I was bothered that the DOJ's charges and guilty pleas were narrowly focused on spoofing and not the massive physical accumulation by JPMorgan or the fact it never once took a loss when adding short positions in silver or gold for more than 10 years running.

Spoofing, while illegal and deserved of punishment, is child's play compared to the massive physical accumulation by JPMorgan at prices it suppressed or the no loss trading by the bank. The slightest bit of objective investigation by either the CFTC or the Justice Department would confirm that what I alleged was accurate. Or as an alternative, either could have come out and denied and refuted what I alleged. But none of that has been forthcoming and, I would add, never will be forthcoming.

The Justice Department has no choice but to throw the traders from JPMorgan under the bus and to spare the bank, by ignoring the physical metals accumulation and never a loss trading results, even though the public record points to bank orchestration. COT and Bank Participation report data show what JPMorgan has done over the past decade, so how is it possible that the Justice Department couldn't confirm or rebut that?

The blunt truth is that the Justice Department can't even deny the allegations that JPMorgan has accumulated metal on the down low or has never taken a loss when adding new shorts for more than a decade because such a denial would risk attention being focused on the allegations. Something has to explain the DOJ's actions (or lack thereof) and it's either outright incompetence or unprecedented corruption (not something I believe) or something else. That "something else' is the very legitimate fear of saying anything that might trip off wider attention to what JPMorgan has been up to for more than a decade, as that could lead to JPM's demise. No government regulator would ever take any action that might lead to a failure by JPMorgan and what that might do to society at large.

I know I've said all this before, but every new article about the bad traders from JPMorgan for spoofing while ignoring the much more serious crimes of the bank in full view due to government data just shows what a big deal this all is. In fact, it's bigger than any of us, including me, can imagine. That said, because it's such a big deal, that only adds to the fact it must soon end.

On a housekeeping note, because next Wednesday is Christmas, there will be no article published that day (I'm still trying to decide about the following Wednesday, New Year's Day). Because of the holiday next week and the following week, the Commitments of Traders report will be delayed until the following Monday for the next two weeks, so I'll have COT comments on the following Mondays, as well as the usual weekly reviews on Saturdays. Repeat – no report next Wednesday and possibly the following Wednesday, Jan 1.

The very best of the Holidays to you and yours.

Ted Butler

December 21, 2019

Silver – $17.22   (200 day ma – $16.31, 50 day me – $17.25)

Gold – $1481   (200 day ma – $1415, 50 day ma – $1481)