COT Update

After a fairly long holiday delay, the Commitments of Traders Report (COT) for positions as of the close of business last Tuesday, December 23, was released today. Today also marked the cutoff for reporting week for the COT report to be reported next Monday. There wasn't much change in the headline number for COMEX silver futures, but some notable crosscurrents under the hood. COMEX gold futures featured a reduction in the headline number of the total commercial net short position, as well as some twists in the various commercial categories.

In COMEX gold futures and during a reporting week in which prices finished about $20 lower, the commercials reduced their total net short position by 9,900 contracts to 105,200 contracts. Despite the reduction, the total commercial net short position is still 50,000 contracts higher than the low point on Nov 11, which in turn was the lowest commercial short position since January. Since we're also about 50,000 contracts lower than the high points of the commercial net short position of the past year, it would be appropriate to call the overall gold structure neutral.

By commercial category, there was a slight twist from recent COT reports in that the raptors (the smaller commercials excepting JPMorgan in gold) were the big buyers this week, in adding 15,500 new longs; while the 8 largest commercial shorts added about 5500 new shorts. This is the first time in a month that the 8 largest gold shorts added to their short position, although this position remains low historically. I will point out that despite the increase in the concentrated short position this week, both the big 4 and big 8 short positions are less than they were on Nov 11, when the total commercial net short position was 50,000 contracts lower and that must count as a positive.

JPMorgan appears to have added more than 7000 new longs making the bank the largest single commercial buyer, although we'll have to wait a couple of weeks for the Bank Participation Report for further clarity. I'd peg JPM's net long position in gold as 17,000 contracts.

On the sell side, it was mostly a technical fund affair in gold as the traders in the managed money category sold 9600 contracts, including 5144 new short contracts, partially refilling the short covering fuel tank. If gold moves lower and takes out the recent lows, it would still appear that would only occur if the technical funds add significantly to short positions because their gross long position doesn't look excessive on an historical basis and ripe for significant liquidation.

In COMEX silver futures, the headline number barely changed with a net reduction in the total commercial net short position of less than 300 contracts, to a total of 33,700 contracts. While the weekly change in the headline number was insignificant, of more concern is the breakdown by commercial category. The raptors (or what's left of them) accounted for all the buying and then some in adding 3100 contracts to a net long position now totaling 23,900 contracts. That means, of course, that the big commercial shorts had to add to their concentrated short positions; which they did to the tune of more than 2100 new shorts for the big 4 and 600 for the big 5 thru 8 silver shorts.

What's disturbing about the increase in concentrated short selling by the 8 largest commercial crooks is that the selling is unquestionably manipulative and both JPMorgan and the CME, as well as the other collusive commercial shorts and the regulatory joke that is the CFTC should all be sent to a Russian gulag. Here we are at close to the lowest silver prices of the past five years with no silver miner even thinking about a sell hedge and these big COMEX commercial crooks are adding to their concentrated short positions. Both the big 4 and the big 5 thru 8 (unlike what has occurred in gold) now hold their largest short positions since early September when silver traded above $19.

I'd peg JPMorgan's silver short position at 12,000 contracts, up 2000 for the reporting week, which is still a pittance relative to the physical long position I believe this crooked bank has amassed. A standout feature this week was it was a commercial struggle in that the technical funds played almost no role in the buying and selling in silver. The raptors bought new longs and the 4 and 8 big commercial crooks sold short and everyone else took the week off. And considering that a good number of raptors have apparently fallen by the wayside after the big losses they took recently, I am not surprised by the recent price volatility and expect it to continue. Remember volatility exists on both down and up price moves.

Despite the blatant manipulative short selling by the big concentrated commercial shorts this week, considering all the data away from that, it is not certain that we go lower from here. We are still at stupid cheap prices for silver and the biggest crook of all, JPMorgan, is still very much positioned for the upside considering what I think they hold in physicals. Considering how my life's experience taught me that you can't call important financial institutions crooked and get away with it and seeing how that seems to be all I do with JPMorgan and the CME Group; I just wish I could add a dollar to the price of silver for every time I have done so.

I haven't seen any serious disagreement (yet) on my speculation that JPMorgan has amassed the largest privately owned stockpile of physical silver in history, even after making the article public. Of course, that doesn't mean my speculation is correct, as it is hard to prove either way beyond a doubt; that's why I've labeled it as speculation. The most serious concern that has been raised (and one that concerns me as well) is if JPMorgan will use its newly acquired silver stash to pressure prices and extend the silver manipulation indefinitely. Since I'm the one who has introduced the speculation about JPMorgan, I thought I'd share my thoughts on this matter.

First off, the possibility of JPMorgan using its silver stockpile to dampen prices clearly exists and not to acknowledge this would be unprofessional. From the comments I've received there is a perception that JPMorgan may be working hand and hand with the US Government to prevent silver (along with gold) from rising in price to head off any threat to the dollar or the financial system. I appreciate that this thought process is fairly widespread, but I'm not sure it holds up under scrutiny.

Don't misunderstand me I'm certain the US regulatory authorities looked the other way during the unprecedented takedown of silver in May 2011 and during the entire time silver has been manipulated on the COMEX □ but that was more to protect their own hides and not the dollar and financial system (although I do admit JPMorgan is a very important cog in the system).

A review of the broad signposts at the time of silver's historic price ascent, especially the climb from $27 in late January 2011 to $49 three months later, indicated no great stress in the financial system. The dollar index was low compared to where it is today, but did not weaken on the up move in silver. Interest rates were stable and stock market was at a high and double where it had been at the depths of the financial crises three years earlier. Even gold rose fairly tepidly during the time of silver's great ascent; climbing □only□ $200 (15%) to silver's $22 (80%) jump. My point is simply that there were no outward signs of genuine systemic financial stress back then and I have no reason to believe that the next time silver moves big that the move will have much, if anything, to do with the financial system.

To conclude that a big silver price move is that important to the US Government or the world at large is a stretch, either in terms of the billion or so oz in bullion inventories or in total annual world production of one billion oz (mine plus recycling). On a ten or twenty dollar move, that comes to $10 or $20 billion, not particularly large when compared to the recent $50 move in oil which equates to $1.5 trillion annually. What would JPMorgan or the US Government be saving the country or the world from in manipulating silver prices indefinitely?

First and foremost, JPMorgan is a for-profit organization. It pays lip service to civic and social responsibilities and only as its profit objectives permit. I don't fault the bank for attending to its profit seeking objectives, only in the manner in which it achieves those profits. If my speculation about the bank acquiring a massive amount of physical silver is accurate, the most plausible explanation for its motives is the ring the cash register by selling that stash at as high a price as possible.

Nearly thirty years ago, when I first uncovered the COMEX silver manipulation (and long before I was able to pinpoint JPMorgan as the big manipulator), I remember concluding and remarking to close associates that had the tables been turned and the big COMEX commercials had been long silver instead of being massively short that silver would have soared to the heavens. The only reason it didn't was because the big commercials were short. Here we are, 30 years later and JPMorgan appears to me to have achieved what I had always assumed was impossible.

Actually, JPMorgan didn't achieve what I thought was impossible in that the bank didn't get massively long on the COMEX, but in physical holdings which I never contemplated one way or another until the last year or so. What I always thought was impossible was that the big commercials could get massively net long in COMEX futures for the simple reason there were not enough non-commercial entities willing to go net short to allow an overall commercial net long position. We did come close to that this year when the technical funds established a record short position; but the 8 largest commercial shorts still had to remain big net short due to raptor (smaller commercial) net buying and a big managed money gross long positions.

Even if JPMorgan does start to sell part of its massive physical silver long position that may not be enough to dampen prices completely without the bank also adding to COMEX futures short positions (as I've maintained all along). Because a number of large trading entities (such as technical funds) don't deal in physicals but only in futures, the sale of physicals alone would not satisfy the paper buying. This is a live by the sword, die by the sword kind of thing; because paper trading on the COMEX sets the price of silver, as and when technical funds and others move to buy COMEX futures contracts, paper contracts must be sold to them, otherwise the price would soar. I'm fully aware of arbitrage opportunities that could convert physicals into futures but that shouldn't be able to cover all potential paper buying.

In addition, assuming there was a US Government/JPM working connection, the USG has attempted to dump physical silver to contain prices in the past (in the 1960's and afterward) that ended in complete failure. Were the USG to try that again and word got out, it would likely cause a worldwide rush to buy physical silver the likes of which would result in much higher silver prices than otherwise.

In fact, the biggest argument against JPMorgan trying to contain silver prices by "sacrificing" its accumulated physical silver at low prices is the opportunity it would create for big buyers around the world. Let face it, there is more concentrated wealth in the world looking for the next best investment opportunity than ever before. While the 300 million oz or so that I speculate that JPMorgan has accumulated is large for any one entity, should it become known that JPMorgan is making a market in physical silver at subsidized prices that amount could absorbed in a heartbeat. After all, at $25, 300 million oz of silver comes to $7.5 billion and there are hundreds and perhaps thousands of individuals and institutions that could gobble such an amount in a flash. And what better incentive than to sense JPMorgan will quickly run out if it sells aggressively. I'm still convinced the most likely outcome of JPMorgan owning a massive physical silver position is sharply higher prices as a result.

As a reminder, there will be no report tomorrow, but one on Saturday and again late Monday, January 5 to cover the COT report which will be delayed until then. Since this will be the last posting of 2014, please accept my wishes for health and wealth in the New Year to you and yours.

Ted Butler

December 30, 2014

Silver – $16.25

Gold – $1200