

February 23, 2019 – Weekly Review

Gold and silver prices finished moderately higher for the week, with gold notching fresh ten-month weekly closing highs and with silver just missing closing at seven month weekly highs. For the week, gold ended \$6 (0.5%) higher, while silver finished 13 cents (0.8%) higher. As a result of silver's slight relative outperformance, the silver/gold price ratio ended slightly below 84 to 1, from just over that level the prior week. Compared to just how shockingly cheap silver is compared to gold on a long term basis and where it should be, the weekly fluctuations in the price ratio these past few years are mostly meaningless. I just report them because one day that will change radically.

In reporting the moderate weekly gains, I would be remiss if I didn't comment on the sharp price rally that occurred on Tuesday and Wednesday, which pushed gold up \$25 to \$1350 and silver up 45 cents to near \$16.20, before a sharp sell-off on Thursday. What was that all about? One thing it wasn't about was spoofing, the now-disgraced trading practice in which large orders are entered and immediately canceled with the sole intent of artificially moving prices. I haven't observed a clear case of spoofing since a week after the Nov 6 Justice Department announcement of a criminal guilty plea from the former trader from JPMorgan. So if the sharp Thursday selloff wasn't due to spoofing, then what was it due to?

As I've tried to explain in my open appeal to the Justice Department since its announcement, spoofing is just one of the dirty tricks in the manipulative tool kit of the crooked commercial traders on the COMEX and how it would be a real shame for the DOJ to focus simply on spoofing and miss the big manipulative picture. Late Wednesday night (after the close of most active trading), the commercial crooks employed another of their dirty trading tricks; actually selling small quantities of gold and silver contracts with the express intent (and success) of driving prices lower during the most illiquid period of what is, essentially, 24 hour continuous COMEX trading.

The Wednesday overnight COMEX sell orders were real in that they were intended to be executed (unlike spoofing), but they also had the same net effect as spoofing, namely, they were primarily intended to cause prices to fall. Had these same sell orders been entered instead during the active prime time trading hours of Tuesday and Wednesday, they would have been executed at much more advantageous prices to the sellers but wouldn't have had any effect on driving prices lower. This deliberate and intentional selling at the most illiquid trading times may not have a catchy term, such as spoofing, but it is every bit as manipulative. (I call it "night moves").

The intent and players behind these "night moves" are unmistakable. The only traders that could possibly benefit from sudden sharp moves down are those holding short positions and (as I'll describe again in a moment) there are only a handful of traders holding most of the COMEX gold and silver short positions, so they are easily identified. Thursday's \$20+ drop in gold and 30+ cent drop in silver gave a \$500 million (half a billion) temporary reprieve to the 8 big COMEX gold and silver shorts. I know that a half a billion bucks overnight is ample motive for someone in the hole for \$1.8 billion to try the "night moves" dirty trick because I've seen it pulled off more times than I care to count. The question is will the Justice Department see it?

The jury is still out on that question and also whether this week's night moves prove to be successful. Knocking the price down suddenly is something always in the crooked commercials' toolbox.

tool box, whether by spoofing or night moves; but it remains to be seen whether any such dirty trick succeeds in starting a full-fledged managed money selling spree. If the commercial dirty tricks succeed, then weâ??re headed for yet another price flush out to the downside. On the other hand, if the commercials fail to rig such a managed money selling spree to the downside, for the first time ever, then watch out to the upside. Fridayâ??s slight bounce back is encouraging, but my main expectation for this time being different is DOJ involvement. I can give the Justice Department the paint-by-the-numbers price fixing coloring book, but they have to provide their own crayons.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses â??cooled offâ?• a bit this week to just under 3.5 million oz, but it was also a four day work week, given Mondayâ??s Presidents Day holiday. Total COMEX silver inventories rose by 1.3 million oz to 297.3 million oz and it wouldnâ??t be terribly surprising if we set new records in total inventories given next weekâ??s approach of first deliver day for the traditionally big March COMEX contract. All eyes (or at least mine) will be on what JPMorgan does or doesnâ??t do in the upcoming silver delivery period. For the week there was no change in the JPMorgan COMEX silver warehouse, which stood at 147.7 million oz.

I canâ??t say it was expected at the beginning of the February COMEX gold delivery that Citibank would be a big stopper (taker) of nearly 2500 gold contracts (250,000 ounces), because Citi had rarely dealt in gold or silver deliveries heretofore. But after stopping the contracts (all in its house name) in the beginning of the month, it has, effectively, redelivered nearly all it had stopped. So that makes Citi flat for the month and observers scratching their heads. Earlier in the Feb delivery, Goldman Sachs issued just over 4000 gold contracts, the entire amount it stopped in December.

In terms of net futures contract positioning on the COMEX, the quantities stopped and reissued by Citi and Goldman are not particularly large, but in terms of physical gold (which COMEX deliveries involve), the quantities are much more meaningful, since all deliveries involve the exchange of physical metal for cash. Such quick turnovers of physical metal for cash and vice versaÂ are little more than day trading physical gold, exercises not normally considered practical. After much huffing and puffing and stopping and reissuing such quantities of physical gold and cash, one has to wonder what (as Alfie might say) itâ??s all about?

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

About the only thing I can begin to fathom for what itâ??s all about is that it somehow involves JPMorgan, which has (once again) emerged as about the only net stopper of gold in a very active February delivery period. JPMorgan took delivery of 2899 gold contracts in its own name and 4802 for customers (with other or the same customersâ?? also issuing 2866 deliveries). When the dust settles on this delivery month, it would appear that JPMorgan increased its holdings of physical gold by somewhere between 300,000 and perhaps 800,000 oz. (Maybe my estimate of JPMâ??s total physical gold holding of 20 million oz is too low?).

There were meaningful positioning changes in yesterday's Commitments of Traders (COT) report for positions held as of Feb 5. This report includes the first run up to \$1330 in gold and \$16.20 in silver and brings us closer to getting caught up COT-wise. As might be expected, the run up to new price highs was driven by managed money buying and commercial selling, particularly of the concentrated variety. (Although the price highs were hit in the first two days of the reporting week and then retreated into the Feb 5 cutoff).

I've heard comments that the recent COT data have been near worthless because they are so out of date. It's hard to believe now, but in the "old days" the COT report was issued only monthly and transmitted by postal mail; to say nothing of being nowhere near as detailed as currently. Yet despite those handicaps, I found the data were always meaningful. I guess it has a lot to do with what you get accustomed to, but despite the recent delays caused by the government shutdown, I continue to be grateful that the data contained in the COT report are provided. How else would one determine detailed positioning information? (And no, I didn't have to walk to school for miles in the snow in the old days either).

In COMEX gold futures, the commercials increased their total net short position by 12,600 contracts to 131,200 contracts as of Feb 5. Two thoughts strike me, one being that on the \$130 gold price advance from Nov 13, the fact that the commercials only increased their total net short position by 130,000 contracts is a remarkably small increase and quite bullish overall for higher prices. The bullish case resides in there being very substantial capacity for additional counterparty buying by managed money traders based upon historical parameters.

The other thought that strikes me is that an astoundingly large percentage of the commercial selling has been of the concentrated short sale variety by the 4 and 8 largest traders. This can turn out to be either bullish or bearish for gold prices depending on whether the 8 big gold shorts succeed in rigging lower price or get run over to the upside. The situation is much more acute in silver, as I'll describe in a moment, but let me stick to gold for now.

Back on Nov 13, the 8 largest traders in gold held a concentrated short position of 153,224 contracts versus 197,651 contracts as of Feb 5. But it's not the additional 44,000+ contracts that matters so much as it is the composition of the shorts. Back on Nov 13, the managed money traders were the biggest short category by every measure and made up a good and likely leading share of the concentrated short position. In 12 weeks' time, there doesn't appear to be a remaining managed money trader in the big 8 gold short position, only commercials. So it's much more than the additional 44,000 short contracts in the big 8 category; it's much closer to the truth to say 8 big commercials added nearly 200,000 new short contracts on gold's \$130 rally from Nov 13 to Feb 5.

Eight crooked banks added close to 200,000 contracts, the equivalent of 20 million oz of gold shorts in 12 weeks. Even if you knock it down to 150,000 contracts (which I think is too low), that's still 15 million ounces of gold sold short by 8 traders - all crooked banks. I see all sorts of commentary about a million ounces of gold coming out of GLD, or possibly being sold by Venezuela or bought by China or Russia or the man on the moon, but absolutely no talk of the 15 or 20 million ounces sold short by 8 crooked COMEX traders as certified and documented by a US Government agency.

Of the 12,600 commercial contracts sold short for the week ended Feb 5, more than 10,500 contracts were sold short by the 8 largest traders; very much in line with what has occurred since Nov 13. And

while JPMorgan may have sold short more silver contracts than I have been attributing to it, I still get the strong impression JPM has accounted for very little of the concentrated short selling in gold, which I find remarkably bullish (along with its accumulation of physical gold). I am still struck by how much greater the short selling has been in the swap dealer category than in the producer/merchant category where JPMorgan is carried.

To finish up on the gold COT report, the managed money traders accounted for nearly all of the commercial selling (actually, the other way around), as these traders bought 12,478 net contracts, comprised of 8550 contracts of new longs and the buy back and short covering of 3928 contracts.

In COMEX silver futures as of Feb 5, the commercials increased their total net short position by 5700 contracts to 78,200 contracts. While this is the largest commercial net short position since Nov 2017 and, therefore, must be considered bearish on its face, it only tells a part of the story. The full story can only be seen in the concentrated short position which again increased notably this reporting week. The concentrated net short position of the 8 largest traders increased by nearly 4000 contracts to 100,237 contracts, the equivalent of just over 500 million silver ounces. That's half a billion ounces held short by just 8 traders, or 62.5 million oz per trader on average.

Just so you understand, it might be only 7 traders holding 500 million oz of COMEX silver futures short or perhaps as many as 12 or so. There's nothing magic about the number 8. That's because the concentration data published by the CFTC in the COT report is provided only in the form of the 4 and 8 largest traders. The actual number of traders is not as important as the quantity held short. Half a billion silver ounces held short by a small number traders is the problem, not whether the number of traders is seven or twelve. Plus, we can rule out any of these traders being legitimately hedging because any actual producer of silver would never short at such low prices. By ruling out legitimate hedging, the only thing left is illegitimate price fixing.

And it's not just that 7 or 8 or 12 crooked banks hold more than 500 million ounces of silver short on the COMEX, it's more the fact that these crooked traders have, essentially, added close to the entire 500 million oz short position in the twelve weeks since Nov 13 to Feb 5. Back on Nov 13, the concentrated short position of the 8 largest shorts was 71,118 contracts, so the uninformed might say "hey, the concentrated short position only increased by less than 30,000 contracts since then" (even though that's still 150 million oz).

But as was the case in gold, back on Nov 13, there was a massive managed money short position and managed money traders made up a good percentage of the concentrated short position. On Feb 5, there were no managed money traders remaining in the ranks of the big 8 silver shorts, only commercials (and specifically, banks). Therefore, a very large chunk of the fully-documented 500 million ounce concentrated short position on Feb 5 was added since Nov 13. Maybe not the full 500 million ounces, but at least 350 to 400 million oz, if not more.

A reasonable person (and, hopefully, more than one at the Justice Department) might be concerned about the motivation behind the short sale of up to 500 million ounces over 12 weeks and what effect such a short sale might have on the price of silver. Here I have to ask "are you kidding me?" (Actually, I had a different word in mind). There can only be one motivation possible, namely, to cap a price rise. And considering that the price of silver rose by barely more than \$2 since Nov 13, it must be said that the price capping was extremely successful to this point.

But it's a far cry to conclude that the price capping will prove to be as successful in the end as it has been to date. That's because the concentrated commercial short sales (as well as the opposing counter party long position) are still very much open positions that must and will be closed at some point. Only then will it be known how this current monumental match up will be decided. We do know that this is an either/or circumstance. The big commercial short crooks will rig prices lower and get the longs to puke up positions at losses to the longs and profits to the shorts, as has always occurred in the past or the shorts will get caught and have to buy back at higher prices for the first time ever (and we all live happily ever after). I'm trying my best to enlist the Justice Department to do the right thing, but I'm far from the boss of them.

While there is no question that the 8 largest traders are net short 100,237 silver contracts and the 4 largest shorts hold 72,071 contracts net short as of Feb 5 (501.2 million oz and 360.4 million oz respectively), I am less sure of what share JPMorgan holds. Yesterday's Bank Participation report for Feb 5 gives me pause for what JPM holds short. I want to say around 26,000 contracts, but it could be more or it could be less. The concentration data are accurate to the contract, my guess about what JPMorgan holds has always been a guess. The great thing is if the Justice Department wants to know, it can just call the CFTC, as that information is known on a daily basis.

Stuck in the back of my mind as I was writing this review was knowing that I have written about concentration a gazillion times before, including this article from a year and a half ago, aptly titled, "Eight Crooks Against the World". Amazingly, the concentration on the short side of silver is even greater today than it was then.

<http://silverseek.com/commentary/eight-crooks-against-world-16846>

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Silver – \$15.88 (200 day ma – \$15.29, 50 day ma – \$15.50)

Gold – \$1331 (200 day ma – \$1251, 50 day ma – \$1291)

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