

After five straight weeks of gains that amounted to nearly \$100, the price of gold fell \$9 (0.7%) for the week. Silver fell 22 cents (1.3%) for the week, widening the silver/gold price ratio to 78.2 to 1. This is the most undervalued silver has been to gold in three weeks, but still within the fairly tight trading range of the past few years.

If there has been one standout feature to relative price performance between the two main precious metals over the past month's rally from the extreme lows of December, it is that gold's \$100 rally looks at this point to be a garden variety affair driven by COMEX positioning changes, while silver's \$1.50 rally seems much more labored when compared to the series of increasingly labored silver rallies over the past several years.

In other words, so far gold has rallied in proportion to its previous rallies, while silver is stinking up the joint even more than it has. It's a wonder the silver/gold price ratio hasn't blown out more. However, there are signs, some subtle and some not as much, that suggest there are other developments that might disrupt the usually rigid COMEX positioning outcome.

The turnover or physical movement of metal brought into or taken from the COMEX-approved silver warehouses cooled off in yet another four day work week, to just over 2 million oz, as total COMEX silver inventories increased by 0.2 million oz to 246.8 million oz, yet another new 20 year+ record. Holdings in the JPMorgan COMEX warehouse increased by more than 1.1 million oz, to 121.1 million oz, another all-time high.

Regardless of whether this represents JPM moving and consolidating the silver it took delivery on in the December COMEX futures delivery period, it is hard to deny

that it owns at least 133 million oz of total COMEX silver inventories or more than half total inventories. Generally speaking, when a single market participant comes to hold such large ownership percentages, someone somewhere might raise the issue of a holding being so large as to constitute a monopoly of some type. But as we all know, silver and gold are exempt from usual antitrust concerns when the entity that holds the concentrated position is JPMorgan. Man, I don't think there could ever be a better free get out of jail card than the one JPMorgan was given in matters related to silver and gold by the US Government in 2008, when it acquired Bear Stearns.

I'm including gold where I usually zero in on silver for a number of reasons. For one, JPMorgan (and Bear Stearns before it) held a manipulative COMEX gold short position, as well as in silver, when it was disclosed in the August 2008 Bank Participation Report. But the main reason for including gold at this point is due to developments this week in the COMEX gold warehouses and the large deposits into the big gold ETF, GLD.

Generally, COMEX silver warehouse data and metal flows in the big silver ETF, SLV, take center stage, but this week gold is in the limelight. You'll remember, in addition to taking (stopping) delivery of 14 million oz of silver for its own account in December, JPMorgan also took delivery of 552,000 oz of gold (5520 contracts). Both the Dec gold and silver deliveries stopped by JPMorgan were nearly twice as large as the COMEX limits allow and, while I could be wrong, I believe these were the largest amounts ever taken by a single entity. I know, I know – I'm a nasty bully and I pick on the poor and weak folk at JPMorgan incessantly; but they did take delivery of gold and silver in the manner I just recounted.

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

In at least two separate shipments this week, some 450,000 oz of gold were moved into the JPMorgan COMEX gold warehouse. A good portion, came from the HSBC COMEX gold warehouse, which makes sense considering that HSBC was the biggest issuer of both COMEX gold and silver deliveries in December dealings, mostly in its own name. (Whatever happened to banks offering checking accounts and issuing mortgages?) I recall writing of this JPM/HSBC matchup as a big boy mano y mano affair - no little guys involved. The physical movement of metal this week in the COMEX warehouses is just icing on the confirmation cake.

Over the past two days, some 430,000 oz of gold has been deposited into GLD, an unusually large amount given very recent price movement and trading volumes. Although nowhere near as conclusive as were the COMEX data above, the amounts are very similar as are some of the circumstances to conclude the gold deposits in GLD were driven by a large entity accumulating gold. With JPMorgan unquestionably the big accumulator of physical gold and silver on the COMEX, it's no great stretch to conclude JPM is behind the activity in GLD. My guess is that the deposits in GLD were made to meet the amount of new shares purchased by JPM, which leaves open the possibility that JPM will later convert its shares into metal to avoid SEC share ownership reporting requirements.

Even if I'm only partially correct, the most plausible takeaway is that, in addition to gobbling up physical silver, JPMorgan is now aggressively accumulating physical gold. Between the December COMEX gold deliveries and this week's deposits into GLD and JPM's COMEX gold warehouse, simple math points to JPM acquiring a million oz of gold, worth some \$1.3 billion at current prices. A number of thoughts come to mind.

First is that gold is a much bigger market than silver. This is shown in that JPMorgan's purchase of \$1.3 billion worth of physical gold is hardly being reported in breathtaking and widespread terms, since the data pointing to it are quite recent, occurring over just the past month or week. If JPMorgan wished to put \$1.3 billion into physical silver that would come to 75 million oz and that could not be done in a week or a month by JPM or anyone else. And it makes sense that JPMorgan would use the last 7 years scooping up every physical ounce of silver it could get its hands on and wait until it amassed the largest silver stockpile in history before turning its physical attention to gold.

I don't have time to write about it today (I want to get to the new COT Report), but JPMorgan is no stranger to manipulating the price of gold (along with silver). The absolute worst period for gold and silver investors was the first six months of 2013, when the price of gold fell by nearly \$600 from late 2012 to \$1200 in the summer of 2013. (Silver fell from near \$35 to under \$20 over this same time). I remember writing how JPMorgan was primarily responsible for the price declines and offered as proof that it held 75,000 net COMEX gold contracts short at the end of 2012 or 25% of the total net COMEX gold open interest. By the summer lows of 2013, JPM had reversed its short market corner to a long market corner of the exact same 75,000 COMEX contracts.

75,000 contracts is the equivalent of 7.5 million gold oz, so to be clear, I wrote then and now that JPMorgan went from being short 7.5 million gold oz to long 7.5 million oz six months later. JPM made more than \$1.5 billion on the decline on its COMEX short position into the lows of 2013 and then made a few hundred million dollars more on the subsequent gold rally up to \$1400. For my part, I believed that JPMorgan would drive gold prices much higher than \$1400 and was surprised when

it didn't press its advantage back then.

I've come to realize that the reason JPMorgan didn't let gold prices rip higher after it assembled its long corner of 75,000 gold contracts in mid-2013, was because it wasn't close to having completed its historic physical silver accumulation at the time. I also remember making an official complaint to the CFTC at the time under whistleblower provisions about JPM's two gold COMEX market corners, based exclusively on the agency's own data in COT and Bank Participation reports – which to no one's great surprise was dutifully ignored by whichever incompetent or corrupt regulators that were manning the con at the time. I guess I was a bully back then as well, unjustly accusing JPMorgan for just innocently establishing market corners in COMEX gold and silver on various occasions. I guess I'm just bad to the bone.

Turning to yesterday's Commitments of Traders (COT) Report, the gold report was much better than what I feared and the silver report came close to fulfilling what I hoped for. As a reminder, gold's price action was much stronger than the action in silver and there was a much larger increase in total open interest in gold than there was in silver, by a factor of 10 to 1.

In COMEX gold futures, the commercials increased their net short position by 12,200 contracts to 232,500 contracts (less than half my expectations of around 27,000 contracts). This is the largest (most bearish) headline number since Nov 28, which in turn was the largest number since Sep 19. A quick glance at a chart will indicate gold prices subsequently fell on both prior occasions, so no one can rule out a similar outcome this time. However, there may be other things in play, such as JPMorgan's sudden interest in owning physical gold, which means that no one can rule out a different outcome, as well.

By commercial category in gold, the big 4 increased their net short position by 3800 contracts, the smallest weekly increase over the past four weeks, but still putting the concentrated short position at the highest level since Sep 12. The raptors (the smaller commercials away from the big 8) sold off 13,700 long positions, reducing their net long position to 34,800 contracts, the lowest level since the Dec price lows. The big 5 thru 8 broke ranks completely with the big 4 and the raptors in buying back 5300 short contracts, which is completely at odds with big 5 thru 8 behavior over the past month and has me pondering a variety of thoughts.

On the buy side of gold, the managed money traders bought only 5482 net contracts, including 11,258 new longs and new short sales of 5,776 contracts. I had assumed the increase in total open interest of 27,000 contracts would be primarily new managed money long contracts and that was not the case. On the other hand, the increase in new managed money longs and shorts and new spreading did come close to accounting for most of the increase in total open interest (he said as he tried to deflect from being off). The increase in new shorting by the managed money traders was somewhat unusual, given the price rally, but then again, even the new level of managed money shorts, at 25,841, is still tiny by historical standards.

The net long position of the managed money traders in gold, at around 202,000 contracts, still leaves room for 50,000 to 75,000 additional contracts of new managed money buying to the upside before we hit recent historical extremes, but leaves many more contracts of potential net selling should JPMorgan and associates arrange for a gold price takedown. In short, the gold market structure is bearish enough to allow for a price rig lower, yet perhaps not quite to the extent as calling it extremely bearish. Sorry to waffle, but the gold price could go either way in clinical COT market structure terms.

In COMEX silver futures, the commercials increased their total net short position by a scant 200 contracts, to 50,100 contracts (although I refrained from a specific contract prediction, privately I feared an increase of perhaps 10,000 contracts or more). And the basically unchanged commercial headline number got even better when going through the details.

By commercial category, the big 4 (JPM) reduced their net short position by 500 contracts and the big 5 thru 8 bought back an impressive 2500 short contracts. The raptors sold off 3200 long contracts, resulting in a net long position of 44,200 contracts, still very large (and more bullish than bearish) considering past raptor behavior. I make a big deal about it whenever JPMorgan and the other big COMEX shorts increase their concentrated and manipulative short position, so it's only natural to be somewhat relieved when they don't. I'd peg JPM's short position to be 32,500 contracts, down 500 for the week.

There was an even bigger surprise on the managed money side of silver, where I was hoping for as little new net buying as possible. Not only were the managed money traders not big net buyers, they actually sold 4668 net contracts on balance, including the sale and liquidation of 6,318 long contracts and the buyback of 1650 short contracts. Privately, I was fearing a big increase in managed money longs and a much larger decline than was reported in managed money shorts.

Explaining the unusual behavior (to me) of the managed money traders this week was the net buying of nearly 5000 contracts by the other large reporting traders and the smaller non-reporting traders. This buying decisively broke a pattern that had been in effect for a few weeks, in which the managed money traders bought and the selling counterparties were not just the commercials, but included selling by these

other non-commercial traders. In fact, the pattern going into this week's COT report was so pronounced that it was mostly all I thought about before the report's release. So naturally the breaking of the pattern resonated loudly to me. Let me see if I can explain this adequately.

You've heard me talk constantly over the past few years about the growing awareness of the influence on price of COMEX positioning as reflected in the COT report. It seems wherever I look I see clear evidence of commentators and observers coming to rely on the COT report more than ever before. (I do get somewhat of a kick out of observing those fairly new to the process lecturing others as if they dreamed the whole thing up by themselves, but that's another mostly puerile matter on my part). Certainly, if you are not focused on the COT report and market structure on the COMEX, you are not at all focused on what is important to gold and silver.

Now, however, the influence has gone far beyond merely more observers than ever commenting on the COT market structure, to actual evidence that many traders are actively employing it in their own positioning. Not just in talking the talk, mind you, but in walking the walk. In other words, recent COT report data provide clear evidence that new traders are using my version of interpreting the COT report as their prime positioning tool.

At the risk of sounding presumptuous and egotistical, my version of the COT analysis is that the commercials have been snookering the brain dead mechanical technical funds for more than 30 years. That has always been the premise of my analysis and over the years the premise has remained consistent. In the beginning, it was almost an exclusive big 8 versus the technical funds match up, but as time progressed more traders joined in the fray, starting with the raptors, about ten or so years ago.



Recent COT reports, over the past year or so, now indicate that other traders, in addition to the raptors have joined the game for what have been easy pickings in taking the opposite side of the managed money technical funds. Certainly, I have used it in my own personal positioning often (always disclosed) and I know many readers have as well. Basically, this is as it should be, given the reality of the situation and the inherent common sense of the premise.

But recently, the competition to take a piece of the collective managed money trading position has reached new extremes. If you look closely, you can see it in the size and nature of the positions taken by the other large reporting traders and the smaller non-reporting traders. A good number of these traders have joined with the big commercials and the raptors in trying to skin the technical funds. And these others traders, large and small, have largely been successful in joining with the big commercials and raptors against the managed money technical funds. That is, up until this past COT report.

Perhaps I'm making a mountain out of what might be a molehill, but after loading up against the managed money traders for nearly a month, this week's COT report suggests a sudden retreat in what has been pronounced selling by the other various traders as the managed money traders bought over the past month. This week, the managed money traders sold in silver, with the various other traders buying as both sets of traders reversed their previous former behavior. What makes me sit up and take notice is that the cardinal rule of my version of COMEX positioning is that the commercials, be they the big 8 or the raptors never, never, never buy to the upside, only to the downside in price. And this is also how these other traders had behaved in their very recent excursion into plying the managed money traders; that is, until this week. This week, these other traders, consisting of both large and smaller non-

commercial traders appeared to blink and bought silver contracts after selling at lower price and after prices had advanced. If one is out to take a piece of the manage money technical fund betting action, this is decidedly not the way to do it.

One week, of course, does not establish a change in pattern, but if a pattern is going to be broken, the break usually comes abruptly. If I can see this in the data, then the actual participants, including you know who, is already fully familiar with what I just wrote. After all, JPMorgan is running this market in real time, not after the fact in studying the data as you or I would do. I can't help thinking that JPMorgan may have allowed these other traders to get a share of the technical fund action only to have set these traders up for a real surprise to the upside. Do you think JPM would be that underhanded to do such a thing? Yeah, that's a rhetorical question.

Ted Butler

January 20, 2018

Silver - \$17.03           (200 day ma - \$16.94, 50 day ma - \$16.71)

Gold - \$1331           (200 day ma - \$1277, 50 day ma - \$1289)