January 3, 2022 – COT Report Comments

The holiday-delayed Commitments of Traders (COT) report, for positions held as of the close of business Dec 28, published a short while ago featured the expected deterioration (managed money buying and commercial selling) as both gold and silver rallied over the reporting week â?? gold by more than $30 and silver by 90 cents at the price peaks. It would have been unusual indeed had there been no such positioning, as this is the main price force.

Fortunately, the deterioration was not extreme, even though it likely continued after last Tuesdayâ??s cutoff. Todayâ??s unexpected price smash seems to me to have rectified or undone much of the deterioration, but I am more than aggravated at the brazenness of the commercial crooks on the COMEX â?? a sentiment I sense is widely-shared. I donâ??t think that there is another exchange, apart from the COMEX, held in lower esteem than the this exchange and regardless of whether it matters much to those running the exchange, it canâ??t be good for them to be held in such a low opinion by the investing public. A pox on their house.

In COMEX gold futures, the commercials increased their total net short position by a fairly moderate 9600 contracts to 245,700 contracts. Once again, the 4 and 8 big shorts werenâ??t the main sellers. The big 4 added less than 1200 new shorts to a short position amounting to 137,406 contracts (13.7 million oz). The net 5 thru 8 big shorts were flat and the big 8 short position came in at 233,591 contracts (23,4 million oz). The raptors, the smaller commercials sold 8500 contracts, increasing their short position to 12,100 contracts.

On the buy side of gold, the managed money traders bought 11,915 net contracts, consisting of the purchase of 6269 new longs and the buyback and covering of 5646 short contracts. Making up the difference between what the managed money traders bought and the commercials sold was net selling by the other large reporting traders of roughly 4500 contracts, including 5552 contracts of new short sales. The gold whale held rock-steady at 40,000 net contracts.

In COMEX silver futures, the commercials increased their total net short position by 5500 contracts to 41,900 contracts. While the amount of commercial selling is quantifiable, Iâ??m not sure at all about that which I am most interested in, namely, what the big commercial shorts did or did not do. Thatâ??s because, while there was managed money short covering in the amount of 4733 contracts, there was also a rather large drop in the number of traders in the managed money short category (from 31 to 26), so I canâ??t tell if there is still a big trader in the big 4 short category which is a manged money trader and perhaps still another managed money trader in the big 5 thru 8 short category.

Iâ??m sorry to not be more definitive, particularly since this is perhaps the most important positioning issue of all, namely, are the big commercial shorts increasing their concentrated short position or not. The good news is that this wonâ??t remain unclear for long, although I canâ??t say if it will become clear in the next COT report or two. And itâ??s also good news in the sense that the big commercials shorts havenâ??t really tipped their hand yet if they will be attempting to cap silver prices by adding aggressively to short positions as and when silver prices rally.

I donâ??t ever recall being so befuddled by a silver COT report in the past, but this too shall pass. I still feel the market structures in both gold and silver are extremely bullish and todayâ??s price smash added to that bullishness. It is still remarkable how little overall deterioration to market structure there has been on the budding rallies in gold and silver compared to the improvements in market structure on the price takedowns since mid-November.

Of course, this positioning business might be made secondary by the still-developing news that Bank of America might be loaded up on the short side of silver in the OTC market. Iâ??ll certainly have some new thoughts on this on Wednesday.

Finally, whether it is attributable to a â??brain-freezeâ?• on my part or some other malfunction, for some unintended reason, I completely forgot to post the financial standings of the 8 big COMEX gold and silver shorts at the end of Saturdayâ??s weekly review. I had the numbers prepared, so it wasnâ??t that I didnâ??t make the calculations â?? I just forgot to post them. Worse, it was the end of the quarter and year, making the calculations among the most important of the year. Sorry about that.

For the record, the big 8â??s losses widened out by close to $600 million to $9.5 billion last week. Thatâ??s down significantly from the yearend close of $14 billion for 2020, but close to what the big 8â??s loss has been for the balance of 2021. Of course, todayâ??s sharp decline in gold and silver prices has worked to the big 8â??s advantage, but that will be reflected in future calculations (barring any other brain-freezes). Once again, the whole purpose of this running scoreboard since June 2019 is to monitor how much better off the big shorts would have been had they not held such big short positions in COMEX gold and silver.

Ted Butler

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Silver – $22.92Â Â Â Â Â (200 day ma – $24.80, 50 day ma – $23.43, 100 day ma – $23.37)

Gold – $1801Â Â Â Â Â Â Â Â (200 day ma – $1798, 50 day ma – $1805, 100 day ma – $1792)

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