

## January 6, 2014 – COT Update

### COT Update

Just a quick update on the holiday-delayed Commitments of Traders Report (COT). For positions thru the cut-off date Tuesday, December 31, 2013, there were increases in the headline total commercial net short position in gold of 6500 contracts and a significant 5100 contracts in COMEX silver.

I'm not going to dig into the details under the hood at this time, because it may be an unwarranted exercise. In Saturday's weekly review, I mentioned that given the wild price action on the Tuesday cutoff, it was likely that all transactions would not be reported on a timely basis. It appears that was probably the case in today's release.

Therefore, I think it advisable to wait until the new COT report this week (which will also feature the new monthly Bank Participation Report) before digging into the details. Today's report was reminiscent of the COT report issued in April after the big two day \$200 price smash in gold and \$5 thumping in silver. In that report, the actual positioning was not reflected in the COT report until a week later. (Please see the Weekly Reviews in the archives for April 20 and April 27, as the earlier COT report miscounted silver by 5000 contracts and gold by 40,000 contracts).

I don't think today's COT is off by 40,000 contracts in gold, as it turned out to be in April, but neither do I feel that today's report is accurate. The price of silver had fallen by as much as \$1.40 at the lows of Tuesday and gold had fallen \$30 in two days at the lows of Tuesday (before recovering). That is not the type of price activity associated with commercial selling. Of course, the new reports on Friday should find the CFTC caught up and whatever the numbers may be, I'll report on and analyze them as published.

Today's flash crash in silver, but particularly in gold also likely featured technical fund selling and commercial buying. Barring wild changes in tomorrow's trading, we should know more in the new reports than in the report published today.

A brief word on COMEX copper which I have mentioned over the past couple of months. As recently as six weeks ago, the price of copper was close to \$3.10 per pound and the technical funds were heavily net short. Since then, the tech funds have purchased an astounding net 60,000 COMEX copper contracts or the equivalent of 750,000 tons, driving the price more than 30 cents higher at the recent peak.

Just to put the quantity into perspective it is almost double the combined total copper warehouse stocks of the COMEX and the much larger LME combined. Of course, the commercials sold the 60,000 copper contracts that the tech funds bought. With such aggressive tech fund buying and commercial selling, it is hard not to think the commercials will engineer a sell-off in copper at some point, but my point is different Â? this darn COMEX price control is not limited to gold and silver and has spread to copper as well. Paper speculators (tech funds and commercials alike) are setting the price on the COMEX and not real producers or consumers. That is deplorable and against the spirit and intent of commodity law.

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Silver – \$20.15

Gold – \$1238

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