

The holiday-delayed Commitments of Traders (COT) report for positions held as of the close of business Dec 31, were a bit larger in terms of the headline commercial net short position for gold and silver from what I had in mind, but within expectations otherwise. Once again, the report has to be considered extremely bearish in conventional historical terms, but that's been the case for months. And with only one day to go until tomorrow's cutoff for another new report on Friday, it's hard to see how I won't be saying that again in the next weekly review.

Among the expectations that were achieved in today's COT report was the setting of a new record large commercial net short position in gold, as well as new record large concentrated net short positions for the 8 largest traders in both COMEX gold and silver futures. While I'm on the topic of new record positions, there was a new record also set in the concentrated long position of the 4 largest gold traders, although the concentrated short position of the 4 largest traders towers over the concentrated long position. This, of course, is in keeping with the record total open interest in COMEX gold futures. Such increases were largely expected due to the price action over the reporting week, as discussed on Saturday.

In COMEX gold futures, the commercials increased their total net short position by a hefty 26,100 contracts to 366,500 contracts, fully 21,000 contracts more than the previous record established on Sep 24. In conventional COT market structure terms, this is the most bearish report in gold market history. And it's hard to see how the commercial net short position isn't even larger and more bearish as of today's close - again, in conventional, historical terms.

The concentrated short position of the 8 largest traders established a record at 312,108 net contracts up by more than 10,000 contracts for the reporting week, but

represented only about 40% of the increase in the total commercial short increase. By the way, the big 4 net short position is close to a record at 202,045 contracts.

While JPMorgan appears to have increased its gold short position by around 3000 or 4000 contracts to 36 to 37,000 contracts or so, I'm of the opinion it did so not just to stem the rise in gold prices, but also to give itself plausible deniability in the event gold rockets from here (just in case the DOJ noses around after a gold price explosion, JPMorgan can say - "hey, don't look at us, because we sold short"). Maybe that's wishful thinking on my part.

The managed money traders bought much less than the commercials sold in gold (and much closer to my overall expectations going into this report), in buying just under 14,000 net contracts consisting of the new purchase of 12,991 longs and the buyback and covering of 895 short contracts. The resultant managed money net long position of 232,732 contracts (258,357 longs versus 25,625 shorts) must be considered extremely bearish, even though it is not at new record highs.

The other large reporting speculators did set both new record gross and net long positions, buying more than 8300 net gold contracts this reporting week. I keep mentioning these traders because, in the past, they generally moved in opposite manner to the managed money traders. That has definitely not been the case for the past few months.

In COMEX silver futures, the commercials increased their total net short position by a very hefty 11,300 contracts to 96,700 contracts, not a record, but the highest (most bearish) net short position since the summer of 2016. However, as expected, the concentrated short position of the 8 largest traders did set a record with 110,706 contracts, while the 4 largest shorts fell just shy of a record with 74,166 contracts.

JPMorgan appears to have increased its silver short position by 3 to 4000 contracts, to 16 to 17,000 contracts and as was the case in gold, I get the feeling it did so to demonstrate it wasn't at the core of why silver exploded, if silver does explode. Of course, I could be all wet, but I would point out that JPMorgan is still holding less than half of the short positions it held when the concentrated short positions in both gold and silver were as large in the past as they are now. This week's Bank Participation Report will, hopefully, clarify JPM's short positions.

Also as was the case in gold, the silver managed money traders bought fewer contracts than the commercials sold in buying just under 6000 net contracts, comprised of 4078 new longs and the buyback and covering of 1893 short contracts. The only real difference with gold is that the other large reporting traders bought more in gold, where the smaller non-reporting traders were larger relative buyers in silver. The resultant net managed money long position in silver is now 58,868 contracts (85,816 longs versus 26,948 shorts), certainly bearish in conventional and historical terms, although not extremely close to record levels - same as has been the case for a while.

I haven't mentioned the concentrated long positions of the 4 largest traders in gold and silver for a while, as the positions hadn't changed all that much. But this week the 4 largest longs in gold did increase their position to 136,793 contracts. While this is the largest concentrated long position on record, it is still dwarfed by the more than 202,000 contracts held short by the 4 largest short traders. Certainly, the few thousand contracts bought by the big longs in gold over the past few weeks and months has not been the big driver for higher gold prices. On the other hand, the many thousands and tens of thousands of contracts sold by the concentrated shorts in silver and gold are the reason prices haven't moved much higher than they have.

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Where do we go from here? There should be little question that if we move lower in price, it will be due to the massive record concentrated short positions in both silver and gold and those few traders succeeding in driving prices lower. The few triumphing over the many - as has been the case for decades. But since the big shorts have not succeeded for months in driving prices lower and they have sustained record open losses in the interim, there is still the question of whether they can succeed in driving prices lower ahead.

I can see the big crooked shorts perhaps succeeding in inducing selling by those traders which have most recently bought on the upward penetration of the 50 day moving average over the past couple of weeks. But I have trouble seeing how the big commercial shorts could succeed in inducing selling from those traders which didn't sell over the past couple of months where they always had sold before.

In any event, the current extreme positioning must be resolved and it's hard for me to see how the coming resolution won't be a humdinger. I'm still of a mind that if we do get a price smash, it will be the last such smash, but the big shorts are so deep in the hole that it could end up with some of them covering to the upside for the first time ever.

More than ever, I am appalled at the behavior (or lack thereof) of the CFTC and Justice Department for allowing such large record and extremely dangerous concentrated short positions in gold and silver for developing in the first place. What the heck do these people do all day? It sure isn't what they should be doing. And they don't even have the guts or decency to address the matter. A pox on their houses.

Ted Butler

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Silver - \$18.18 (200 day ma - \$16.42, 50 day ma - \$17.33)

Gold - \$1568 (200 day ma - \$1425, 50 day ma - \$1486)