July 2, 2022 – Weekly Review

First, the bad news (for existing holders); gold and particularly silver prices fell sharply for a third straight week, with gold down $16 (0.9%) and with silver down a whopping $1.23 (5.8%). For gold, it was barely a two-month low; but for silver, it was a two-year low. As a result of silverâ??s extreme relative underperformance, the silver/gold price ratio widened out by more than 4.5 full points to 91 to 1, the cheapest silver has been relative to gold in two years.

Apart from those same results being great news to prospective new buyers, especially for silver, on the basis of the new cheaper cost basis, both metals are now poised to move significantly higher for the same reason they fell, namely, deliberate and manipulative positioning in COMEX futures. Not only was this confirmed in yesterdayâ??s Commitments of Traders (COT) report for positioning as of Tuesday, it has been confirmed in all past COT reports for decades and will, most likely, be confirmed in all future COT reports until the manipulation ends.

I understand that I get repetitive on this issue, but thatâ??s unavoidable because repetition is not misplaced when it gets to the heart and truth of the matter. What could be more important than recognizing and focusing on the prime, if not sole price force driving gold and silver prices? Do we not have an obligation to focus on the most important factor driving the price of any investment we choose to hold?

Iâ??ll get into the details of yesterdayâ??s new COT report in a bit, but whatâ??s so remarkable about the COMEX positioning is its consistency. When prices fall, itâ??s always the case that the commercial traders buy and the managed money traders sell. When prices rise, itâ??s always a case that the commercials sell and the managed money traders buy. That pattern is as reliable as the tides. All Iâ??ve done is try to apply some logic to why the pattern is so consistent. Since the managed money traders buy and sell as prices rise or fall (according to their technical approach) and the commercials take the other side of what the managed money traders do, itâ??s not hard to see that the matchup between these two sets of traders would tip heavily in favor of the commercials if the commercials had the ability to jigger prices up or down to put in motion managed money buying or selling.

Clearly, the commercials have the ability to jigger prices up or down through a variety of dirty market trading tricks like spoofing, for which itâ??s hard to recall how many times the commercials have been collectively fined billions of dollars for spoofing and other dirty trading tricks over the years. Against a list of banks being caught and fined for spoofing as long as anyoneâ??s arm, I canâ??t recall a single instance of a managed money technical fund similarly fined or censored for spoofing.

Despite the abject failure of the regulators at the CFTC and CME Group and even the Justice Department, to put two and two together and crack down on the real fraud of the COMEX commercials zooming the managed money traders for decades and in that process artificially setting prices for silver, the good news is that this latest price rig job lower by the commercials has been so successful that it has every indication of being the last rig job lower, to be followed by an up move of epic proportions.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued to surge this week as more than 11.5 million oz were physically moved, which has to be on a list of the top ten largest weekly movements over the past 11 years. Total COMEX silver warehouse holdings rose by 3.5 million oz to 337.3 million oz, while holdings in the JPMorgan COMEX warehouse rose by 2.6 million oz to 171.7 million oz.

Iâ??m not going to spend much time today wondering why the glaring and easy to verify physical turnover in the COMEX silver warehouses is continued to be overlooked, in lieu of detailed and largely meaningless commentary about the registered and eligible category changes (which donâ??t involve physical movement). The actual physical movement is a thousand times more important than the category changes and denotes physical tightness, but convincing anyone of that is not that important to future silver prices.

Holdings in the COMEX gold warehouses slipped again, this week by 0.3 million oz to 33 million oz. Holdings in the JPMorgan COMEX gold warehouses slipped about 75,000 oz to 13.65 million oz.

Deliveries in the July COMEX silver contract suggest this may be the least-delivered traditionally-large delivery month in years after three days of total delivery of less than 1900 contracts. Customers of JPMorgan have issued around 900 net contracts and JPM is a no-show in its house account, which is fine by me.

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

There were continued outflows in the world gold ETFs, mainly GLD, of around 600,000 oz this week, but only a 1.3 million oz redemption in SLV, which is somewhat counterintuitive considering the much greater relative price weakness in silver. While retail activity has been on the slow side, credible reports indicate a large retail buy order took place, capable of significantly tightening an already tight silver retail supply line.

Turning to the all-important COT report published yesterday, for positions held as of the close on Tuesday, all bullish expectations were met, along with an unexpected, but quite bullish development in silver. As a reminder, silver prices fell as much as a full dollar over the reporting week, with about a $20 decline in gold and according to the iron-clad rules of the COMEX-positioning manipulation, such price action would dictate that there would be managed money selling and commercial buying, proportionately more in silver than in gold and thatâ??s the way it played out. Of course, the very steep price declines, again proportionately more intense in silver, after the Tuesday cutoff, suggest more of the same through yesterdayâ??s trading.

In COMEX gold futures, the commercials reduced their total net short position by 4900 contracts to 182,000 contracts (there was much greater managed money selling). For all intents and considerations, the total commercial short position is lower and more bullish (except for a few thousand contracts two weeks ago) than it has been in three years â?? back when gold was around $1300.

There was a slight, but not meaningful shift in the recent commercial category changes in gold, as this reporting week the 4 largest shorts added around 1200 new shorts to a concentrated short position amounting to 122,263 contracts (12.2 million oz) as of Tuesday. However, please donâ??t lose track of just how aggressive the 4 largest gold shorts have been in buying back short positions since the gold price top of nearly $2000 in mid-April. On the subsequent $170 gold price decline and on which 100,000 total commercial contracts were bought, the 4 largest gold shorts bought back an astounding 60,000 contracts (in stark contrast to what occurred in silver â?? until this week).

The 5 thru 8 next largest gold shorts bought back nearly 2100 shorts and the big 8 gold short position fell to 205,760 contracts (20.6 million oz), a one year low. The smaller raptors added just over 4000 new longs, increasing their net long position to 23,800 contracts. Bullish positioning signals are flashing strongly in gold.

On the sell side of gold, the managed money traders were out in force, selling 13,701 net contracts, consisting of the sale and liquidation of 2370 long contracts and the surprisingly large new sale of 11,331 short contracts. There is little question that the managed money position in gold is bullish. Explaining the difference between what the commercials bought and the managed money traders sold in gold was net buying by the other large reporting traders of more than 8000 net contracts.

In COMEX silver futures, the commercials bought and reduced their total net short position by a hefty 8800 contracts to 18,500 contracts, the lowest and most bullish position in more than three years, back to when silver was around $14. In fact, the total commercial short position was so low when I first calculated it, that I reflexively thought I made an error and did it over. And this is thru Tuesday, and unless the tides no longer function or the sun no longer rises and sets, the extreme price weakness after the Tuesday cutoff has been caused by more managed money selling and commercial buying.

I was expecting (and hoping) that the managed money traders would replace most of the silver shorts they bought back and covered in the previous reporting week and that expectation and hope was met, as these traders did add more than 6000 new short contracts. The fact that the number of traders in the managed money short category only increased by one trader (to 36), coupled with the fact that both commercial categories were buyers whether they were long or short (4 total components), convinced me that there were two managed money traders in the big 8 short category â?? one in the big 4 and another in the big 5 thru 8 short categories as of Tuesday.

A very big surprise was that a straight mechanical calculation of the concentrated short positions (which doesnâ??t distinguish between commercial or non-commercial), indicated a reduction in the big 4 short position of around 3700 contracts to 46,842 contracts (234 million oz) and a big 8 concentrated short position of 69,245 contracts (346 million oz). But adjusting for what I believe is now a managed money short in the big 4 category of 10,000 contracts and another managed money short position of 3000 contracts in the big 5 thru 8 category, the true commercial-only short holdings are less than 37,000 contracts in the big 4 category and around 56,000 contracts in the big 8 â?? the lowest true commercial short positions in years.

Accordingly, the biggest surprise of this weekâ??s report was that the largest commercial shorts didthe vast bulk of the buying, accounting for close to 7000 contracts of the 8800 commercial silvercontracts purchased, with new raptor longs accounting for the balance. By the way, I would calculatethe raptor long position in silver to be between 37,000 and 38,000 contracts.

Earlier, I reported that in gold, that the 4 biggest shorts accounted for 60% of the commercial buying on the price decline since mid-April and how I found that to be particularly bullish. However, in silver, it was markedly different in that on the $6 decline in price since mid-April, the smaller raptors accounted for 75% of the total commercial buying of more than 40,000 total net contracts bought, with the 4 biggest commercial shorts only accounting for no more than 25% of the total commercial buying. It was as if the raptors were running things in silver, while the 4 big shorts were running things in gold.

However, all that changed this reporting week in silver, as the 4 (actually 3) big commercial shorts bought much more aggressively than did the raptors and, quite likely, continued to do so in trading since the Tuesday cutoff. In essence, the big commercial shorts in gold were the big buyers for months, but the big commercial shorts only came to life this past reporting week. What does this mean?

To me, it means that gold has been better positioned for a rally than silver in big 4 terms and I believe this goes a long way to explaining why gold prices have fared much better than silver to this point. But the recent aggressive â??catch upâ?• by the 4 big silver shorts in buying back short positions now means that silver has been moved to the launch pad, along with gold.

Is it possible for further aggressive buying by the big commercial silver shorts â?? beyond what was bought this reporting week and in trading over the past three days? Possibly, yes, if more braindead managed money shorts can be persuaded (tricked) into going short. Is this probable? I donâ??t think so, except for the shortest possible time frame. The truth of the matter is that weâ??ll only learn for sure when the last managed money short was established, well-after the turn up in price has occurred. Until that point, we can only guess, but my guess is that the dramatic decline in silver these past three days have all the makings of a truly significant price bottom.

In addition to the dramatic developments in managed money shorting and big commercial short covering in silver, the smallest traders in the non-reporting category now hold their lowest net long position in five years. This is not important from a number of contracts basis â?? compared to the dominant positioning between the commercials and the managed money traders â?? but is significant in sentiment terms, in that itâ??s hard to imagine a time when silver investor sentiment was more negative that it is currently. Please remember, important price bottoms occur during times of maximum pessimism, while price tops occur during times when optimism is near a zenith.

I should also mention there were significant increases in managed money shorting in copper and platinum, both through the Tuesday cutoff and most likely in trading since Tuesday.

One of the reasons Iâ??m most excited about concerning the pronounced very recent big 4 short covering in silver (as well as the more extended big 4 short covering in gold) is that it sets the stage even better for a pronounced liftoff in price should the big shorts not turn around and begin to add to short positions aggressively on a few dollars jump in price.

Letâ??s face it â?? no one buys anything, whether the buy represents a new long or the closeout of a short position, unless higher prices are expected. Since the commercials in COMEX gold and silver obviously run things compared to the idea that the managed money traders are in control, it is clear that the most dominant traders have positioned themselves for higher prices. The only unanswered questions are how much, if any, further positioning they are capable of and what are the commercials likely upside price targets? Put another way, did the commercials go to the lengths and depths of the price-rigging they just engineered in order to take a few dollars out of silver or one to two hundred dollars in gold? And if those minimal price targets are what they have in mind, what assurances do the commercials have that they will be able to replicate the near-historic positioning they did just achieve?

It’s usually insightful to put yourself in the other guyâ??s shoes in order to see things more clearly. Putting myself in the commercialsâ?? shoes, be those commercials the big shorts with a sharply reduced short position or the smaller commercials which are heavily long, Iâ??m convinced that some of them must appreciate the unique position they are in to finally set prices free – either for the purpose of minimal losses or extensive profits by simply not selling too soon or too aggressively. Certainly, the sharply reduced short positions are now also easier to hedge effectively, even if they canâ??t be closed out completely on the COMEX.

The only reason gold and particularly silver prices fell as sharply as they have, was due to commercial intent and action. Now that the intent and action have proven to be highly successful, where does the greatest payoff remain â?? on a small or large price rise?

As of Thursdayâ??s close, (the end of the second quarter and first half), the 8 big COMEX gold and silver shortsâ?? total loss was $6.7 billion, the lowest such loss in more than two years and was about the same as of yesterdayâ??s close for the week. Significantly, the quarterly loss was close to half of the $13 billion loss on March 31. I canâ??t help but think that the big shorts may have further hedged at current price levels to mitigate against the loss growing sharply again â?? a hedge that would ideally involve no new shorting.

Ted Butler

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Silver – $19.90Â Â (200 day ma – $23.31, 50 day ma – $21.92, 100 day ma – $23.43)

Gold – $1812Â Â Â Â Â (200 day ma – $1844, 50 day ma – $1852, 100 day ma – $1891)

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