

July 7, 2014 = COT Update

COT Update

Unfortunately, my guesstimates for the headline number of total commercial net short positions in COMEX silver and gold were pretty close to the mark in today's holiday delayed Commitments of Traders Report (COT), as of the close of business July 1. I say "unfortunately" because I would have much preferred being wrong about the expected heavy technical fund buying and commercial selling during the reporting week.

Where I guessed a 5,000 to 7,000 contract net increase in the total net commercial short position in COMEX silver, the report indicated a 9100 contract increase. I guessed a 20,000 to 30,000 contract increase in COMEX gold, while the report indicated an increase of 28,800 contracts. Let me highlight the details in this week's report before commenting a bit about what I wrote on Saturday about my "conspiracy" theory.

In COMEX gold futures, the increase of 28,800 contracts brought the total commercial net short position to 160,500 contracts, the highest level since March 2013. As it has been recently, it was primarily a raptor affair as the smaller commercial apart from the 8 largest shorts accounted for around 24,000 gold contracts sold. As a group, the gold raptors are also net short for the first time since March 2013. JPMorgan (which is classified as a raptor by me) reduced its net long position by nearly 4000 contracts and is now net long 26,000 gold contracts, also its lowest level since early 2013. Finishing off on the commercial categories in COMEX gold, the 4 largest shorts actually bought back a few hundred short contracts while the 5 thru 8 largest shorts added 5000 new shorts. The concentrated short position of all 8 large traders is the highest since November.

On the buy side in COMEX gold, it was also as it has been lately, namely, mostly a technical fund affair, as these funds bought a bit more than 26,000 contracts, including 14,656 new longs and closed out of 11,368 short contracts. All told, it was one of the largest three week changes in memory for gold, as more than 97,000 commercial contracts were sold on a \$70 gold price rally since June 10. Most notable was that the raptors accounted for 80,000 contracts of the commercial selling and the technical funds 88,000 contracts of the buy side. Never have two distinct groups controlled so much of the positioning.

In COMEX silver futures, the 9100 contract increase put the total commercial net short position at 52,000 contracts. This is highest level of commercial shorts in COMEX silver since December 18, 2012. I hope everyone knows that "highest" here means, in COT terms, most bearish. I must point out that in December 2012 silver was around \$34; whereas today the price is near \$21 and below the cost of production for many primary silver miners. In fact, it's hard to identify any silver miners that have gone short to hedge their production, as it is uneconomic to lock in losses or no profit when hedging.

By commercial category, it was primarily a raptor affair with a twist, as the raptors sold out another 5700 long contracts, reducing their net long position to 12,600 contracts, their lowest net long position since February 2013. The big 4 shorts added 1000 new shorts, with JPMorgan looking like it sold 500 new shorts increasing its net short position to 15,000 contracts. The "twist" this week was that the 5 thru 8 largest silver shorts added 2300 new shorts and this sub-category of commercials now holds the largest net short position in my memory, or more than 24,400 contracts.

The standout is how small a percentage of the big 8 net short position belongs to JPMorgan and how much now resides with the 5 thru 8. On Saturday, I wrote of my conviction that a conspiracy exists in COMEX silver, involving but not limited to the CME Group and the CFTC, and the new COT report Bank Participation Reports strengthen my conviction. There is absolutely no legitimate explanation why the concentrated short position in COMEX silver would broaden out, yet remain so large (more than 320 million oz). The silver miners aren't hedging because it would be stupid and uneconomic for them to do so. So why are banks, both domestic and foreign increasing COMEX short positions? (I mean aside from overt price capping?)

There was a story from Reuters today on gold hedging that was misleading to the point of making no sense. It talked about a 10% increase in gold hedging over the last year, but the story left it to the reader to figure out that gold hedging is down 97% over the past decade. Really "what's more significant, that gold hedging increased 10% for one year or that after that increase is still down 97%? The same goes for silver hedging being almost non-existent, yet some people still swear that the commercials are hedging and not speculating. Hedging what?

<http://www.reuters.com/article/2014/07/04/gold-hedging-idUSL6N0PF2J820140704>

On the buy side in silver it was all technical funds and then some, as these funds bought almost 11,700 net contracts, including almost 7000 new longs and the covering of 4700 shorts. Over the past 4 weeks, the commercials sold more than 42,000 net silver contracts, or the equivalent of 210 million oz. The raptors accounted for 37,500 contracts or almost 90% of the total, while the tech funds accounted for 43,800 contracts on the buy side, or more than 100% of all net contracts bought.

There's no question that technical funds are speculators and since the commercials aren't hedging but only trading against the tech funds, the commercials are speculating as well. The unmistakable conclusion is that the COMEX is a crooked speculative fraud with no legitimate hedging activity. As such, the COMEX has no reason to exist, except to enrich crooked insiders and dictate prices to the real world. This goes for COMEX copper as well as technical funds (in the managed money category) dominate prices there as well (and get skinned by the commercials).

I plan on spending a lot more time and attention proving that there is a conspiracy in the trading on the COMEX, but I intend to be very careful to lay out the conspiracy in terms of factual evidence. But I will be upping the rhetoric and accusations. One issue I would like to address up front, however, is the unease that is justifiably generated by knowing that interests in the US Government and the self-regulator (the CME) are working against higher silver prices. How can it be good news to know the USG is aligned against you, like I am contending is the case? Well, it's not good news, but it also doesn't change much as far as explaining what's really going on and the likely outcome in the end.

In the end, silver was always destined to be determined in the physical market and the clear conspiracy I see with increasing clarity doesn't change that and in many ways just sets the stage more starkly. Of more immediate concern is the rotten COT market structure, but I am still more afraid of missing the coming silver moonshot than I am of another possible downward rigging.

Ted Butler

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Silver – \$21

Gold – \$1320

Date Created

2014/07/07