

## June 21, 2021 – COT Comments

Here are some very brief comments on today's holiday-delayed COT report for the close of business on Tuesday June 15. The report this coming Friday will be much more significant, as it will encompass the sharp price take-down after the latest Fed meeting.

The only real suspense in today's report was what was behind the sharp increase in total open interest for silver over the reporting week. Did the 9400+ contract increase involve true net positioning change in which the speculators bought heavily and the commercials added aggressively to short positions, or was the increase due to spread creation? The answer was clearly spread creation, as the total commercial net short position increased by only 900 contracts.

In COMEX gold futures, the commercials reduced their total net short position by 13,600 contracts (I had guessed around 10,000 contracts). All three commercial categories bought back shorts. The big 4 covered 2875 shorts and now hold a concentrated short position of 137,796 contracts (13.8 million oz). This is the lowest big 4 short position since August. The 5 thru 8 big shorts also bought back more than 2200 short contracts and the big 8 short position is down to 209,815 contracts (21 million oz), the lowest in months. The raptors bought back 8600 shorts.

On the sell side of gold, the managed money traders sold 10,872 net contracts fairly evenly split between long liquidation and new short selling. The other large reporting traders were also net sellers of around 6500 contracts (mostly long liquidation), with the smaller non-reporting traders net buyers

With this much commercial short covering, there is bound to be a bunch more in the current reporting week, making for a very bullish market structure and providing the full explanation for why prices were tanked.

In COMEX silver futures, the commercials added 900 short contracts overall and increased their total commercial net short position to 71,000 contracts. The 4 biggest shorts did increase their short position by less than 600 contracts to 57,115 contracts (285.6 million oz) and the big 8 short position grew by nearly that same amount to 77,124 contracts (385.6 million oz). The raptors sold 300 longs.

Considering the expectations of many, the slight increase in commercial net selling was a welcomed relief over visions of much greater commercial short selling. No, that was not evident in the price action since the report's cutoff, but these are special times. With such scant net commercial shorting, I'm going to skip over the managed money traders which did buy about 2000 net contracts.

Bottom line was that there was little in the way of a surprise in this report, as the commercials bought back and the managed money traders sold in gold about as I expected and the story in silver was spread creation, also as I ventured.

The price smash since the cutoff has improved the structure markedly and it appears to me we are ready for some real fireworks on the upside whenever the last non-commercial can be duped into selling.

Ted Butler

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