June 27, 2020 – Weekly Review

Another sharp Friday rally, this time following a sharp selloff earlier in the day, pushed gold and silver prices higher for the week. Gold finished a sharp $29 (1.7%) higher and at fresh 8 year weekly closing highs, while silver ended a more modest 13 cents (0.7%) up on the week. Goldâ??s relative outperformance pushed the silver/gold price ratio out by nearly a full point to just under 100 to 1.

As a result of the sharp rally in gold, the combined realized and unrealized losses to the 8 big shorts hit new highs, following last weekâ??s closing record loss of $8.3 billion. As of yesterdayâ??s late close, the 8 big shorts in COMEX gold and silver suffered another $700 million in total losses for the week, pushing their total losses to $9 billion. Hey, a billion here and a billion there and pretty soon youâ??re talking some real money.

I continue to believe, as I have for nearly a year, that the big COMEX shortsâ?? growing open and now, realized losses are central to what has and will occur in gold and silver pricing. Maybe Iâ??m reading too much into it, but the growing losses and still large short positions seem connected to all the unusual developments of late, including the record physical inflows into the COMEX gold warehouses and resultant record deliveries, as well as the record inflows into the gold and silver ETFs â?? to say nothing of the near record high gold prices.

Remarkably, despite record COMEX gold inventories and deliveries against futures contracts designed to close out some of the big shortsâ?? open positions, for the past two COT reporting weeks, Â Â Â Â Â Â Â Â Â the 8 big tradersâ?? gold short positions have grown, not shrunk. I used the analogy of the 8 big shorts having their backs up against the wall and of them making some type of a goal line stand and that appears to be the case. However, if their intent was to smash prices going into the quarter and first half end for more favorable mark to market purposes, then they have only two trading days left. Therefore, I am still very much of the opinion that we are at a very critical juncture and as I have intoned repetitively, the key player is still JPMorgan.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses continued the recent elevated pace, as 6.6 million oz were moved this week (340 million oz annualized) and total inventories rose by 2.7 million oz to 320 million oz. This is the highest level in two months, but itâ??s still closer to the truth to point to the relative narrow range (305 to 324 million oz) of total COMEX silver inventories over the past year.

Much more astounding is the total movement this week and for the past 9 years, a fact ignored by virtually every analyst and commentator. Besides, this weekâ??s increase wasnâ??t completely unexpected, what with first delivery day for the big July contract starting next Tuesday. To my mind, the net inflow shouldnâ??t be construed as bearish in any way, since the most plausible conclusion is that not enough existing metal in the COMEX silver warehouses was available for delivery, so that new material had to be deposited.

The tightening of the July/Sept silver spread yesterday, connotes that those short the July contract were more interested in closing out positions than the longs, but one day doesnâ??t make a market. No change in the JPMorgan COMEX silver warehouse, still stuck at 160.7 million oz (although that doesnâ??t take into account the other 100 million oz I believe JPM has stored in other COMEX warehouses).

There was another net 700,000 oz added to the COMEX gold warehouses this week, pushing total inventories to a new record of 31.7 million oz. The JPMorgan COMEX gold warehouses rose by another 150,000 oz to 11.63 million oz. Total COMEX gold warehouse inventories have now increased by 23.2 million oz over the past three months, truly an astounding amount as far as the COMEX and dollar values are concerned, but less so in terms of all the gold bullion known to exist in the world.

A couple of months ago, when it became obvious that unusually large quantities of gold were coming into the COMEX warehouses, I opined that it was due to a desire by the big shorts to bring in metal in order to make delivery to close out short positions. Since the 8 big tradersâ?? short position was around the 26 million oz level back then, we are now getting close to that amount of physical gold having been deposited into the COMEX warehouses. If much more than a few more million oz are deposited in the near future, Iâ??ll have to go back to the drawing board for an explanation.

The big COMEX June gold futures delivery has run its course and more than 55,000 total deliveries (5.5 million oz) were issued and stopped over the month, a clear record. Combined with the 3 million oz delivered in April and 1 million oz in May, 9.5 million gold oz have been delivered over the past 3 months, also a record. While the big shorts have closed out some of their concentrated gold short position through delivery, their current short position in the new COT report is 22.5 million oz, down only 3 or 4 million oz or so from their short position back in March â?? meaning more deliveries may be required.

As is typical of its controlling position in all things gold and silver, JPMorgan dominated the gold deliveries in June on both sides of the process â?? stopping and issuing dominant quantities, mostly for clients, but also for itself. JPM dictated around 45% of all gold issues and stops. Please take a moment to scroll down to the COMEXâ??s year to date gold deliveries and note the unusual names showing up on both sides of the June gold deliveries. Again, maybe Iâ??m reading too much into it, but the appearance of names not normally associated with the COMEX gold delivery process seems to support my contention of some big shorts resorting to delivery to close out short positions.

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

There continue to be net inflows into gold and silver ETFs. There also continues to be no known alternative explanation for my take that JPMorgan is the supplying source, through leasing, behind the 200 million oz flow into SLV and other silver ETFs over the past three months. I wonâ??t rehash the issue today.

The new Commitments of Traders (COT) report came in largely as expected as or a bit better than my worst fears, based upon the sharp price rallies in gold ($50) and silver (50 cents) and tremendous increases in total open interest over the reporting week of 42,500 contracts in gold and 9000 contracts in silver over the reporting week. I was hoping the positioning changes wouldnâ??t fully match the changes in total open interest, although it was a near certainty that there would be strong managed money buying and commercial selling.

In COMEX gold futures, the commercials increased their total net short position by a hefty 29,300 contracts to 287,300 contracts. This the highest commercial short position in a month, having increased by 44,000 contracts over the past two reporting weeks. It does further back up the big commercials against the wall and increases the chances they will dig in to drive prices lower. It goes without saying that there are now more corresponding managed money longs capable of being flushed out to the downside, but itâ??s also true that attempts to flush those new longs out have been unsuccessful â?? at least in trading through yesterday.

The commercial selling was fairly evenly divided between the big concentrated shorts and the raptors, with JPMorgan lending a hand, but not a strong shoulder to the commercial selling effort. The 8 big shorts added around 14,000 new shorts, bringing their concentrated short position to 225,000 contracts, while the raptors added 15,000 new shorts to 62,200 short contracts. Iâ??d peg JPMorgan as having sold its 4000 contract long gold position, leaving it flat.

On the buy side of gold, the managed money traders bought 24,827 net contracts, comprised of 25,648 new longs and the new short sale of 821 contracts. The managed money net long position of 129,515 contracts (161,593 longs versus 32,078 shorts), while no longer at the extreme low level of late, is still around 110,000 contracts less than it was just before the JPM-orchestrated selloff of mid-March. The other large traders added another 2800 contracts to their net long position, putting them closer to their all-time largest net long position. Again, I consider it bullish that there is much room for additional managed money buying and that the other large reporting traders are already near record net long positions.

Since it has been in gold that the big shorts have suffered the most, the fact that the managed money traders donâ??t appear to be particularly over-extended on the long side canâ??t be comforting to the big shorts. Whether they are close to a breaking point remains to be seen, but being $9 billion in the hole canâ??t possibly be part of some pre-determined plan. The fact that JPMorgan doesnâ??t appear to be short at all and that gold is now $300 higher than it was at the March lows with the big shorts nearly as short as they were at those price lows canâ??t strike anyone as a smooth move on the part of the big shorts.

In COMEX silver futures, the commercials increased their total net short position by 1800 contracts to 50,800 contracts (far below the 9000 contract increase in total open interest). Most of the selling came from the raptors, which reduced their net long position by 2100 contracts to 26,200 contracts. The 8 big shorts were mostly unchanged at around 77,000 contracts net short and I would peg JPM as having added 1000 contracts to a short position Iâ??d guess at 5000 contracts.

On the buy side of silver, the managed money traders bought 1505 net contracts, nearly matching the commercial selling, consisting of 3838 new longs and 2333 new shorts. The managed money net long position of 28,743 contracts (51,295 longs versus 22,552 shorts) still leaves much more room for additional buying than selling, but the big shorts canâ??t be counted out until the wooden stake is plunged into their hearts in full daylight, ala Count Dracula.

At the same time, the price of silver is $6 higher than the extreme lows of mid-March and the commercial net short position and managed money net long position are still close to 35,000 contracts less than before the price plunge. While short around 5000 contracts (maybe less in trading after the Tuesday cutoff). JPMorgan is still around 10,000 contracts less net short than it was before it rigged prices lower into March. By contrast, the other big shorts have appeared flat-footed in covering silver shorts as aggressively as JPMorgan.

And when you consider what I allege has occurred in the silver ETFs concerning JPM leasing physical silver and the other big shorts incurring what are, in effect, very large short positions by agreeing to borrow metal from JPMorgan, the vulnerability of the big shorts would appear to be extreme. Considering that vulnerability, additional desperate attempts to flush out speculators to the downside can never be ruled out, but at the same time, the tide seems to be receding for the big shorts in both silver and gold.

Sometimes lost in all of the unprecedented events swirling around us, events which invariably lead to the wisdom of owning gold and silver investments in a world spinning out of control, is why would a handful of mostly banks chose to be mega short in gold and silver? Not only does it not pass the common sense smell test, for the past year in gold, it has been impossible for those short to have incurred anything but massive losses. Thatâ??s a pretty potent combination â?? making no sense and getting your teeth kicked in at the same time.

Of course, on a much longer time frame, the big concentrated short position makes perfect sense. After all, never having once lost collectively in 35 years of shorting COMEX gold and silver futures, the big commercial shorts were on a one-way ticket to assured profits â?? or so they thought. By the way, the empirical proof that the big shorts never collectively lost once when amassing large concentrated short positions is the fact that COT data show that they never bought back shorts on rising prices â?? until very recently in gold. One would think this assertion wouldnâ??t be needed to be made to the CFTC – they would have spotted it themselves.

But not only has the CFTC (and DOJ and CME Group) refused to see the obvious pattern of manipulation and control in their own data, they wonâ??t even respond to allegations pointing it out. Worse, now that the big shorts have proven to be vulnerable to massive losses, the regulators sit by and watch these big shorts add to gold short positions. And all while there is a supposed investigation in place. Itâ??s hard to imagine a more negligent or shameful regulatory reaction. Iâ??ve reached the conclusion that when it comes to the ongoing COMEX silver and gold manipulation, we would have been much better off if the CFTC hadnâ??t existed.

Having given up on the CFTC or Justice Department ever doing the right thing, the good news is that ending the manipulation may now be out of their hands. History teaches that all manipulations must end and must end violently and it appears that is exactly what lies ahead, with no help from the regulators. Instead, it appears the big shorts will be hoisted by their own petards, as having overstayed their previously always winning hand. With or without arranging sharp selloffs ahead, it would appear too much losing water has passed under the bridge for the big shorts.

It would also appear that the newly added concentrated gold shorts, 20,000 contracts (2 million oz), over the past two reporting weeks are little more than a last gasp attempt to avoid the obvious ending of what had been a 35 year run of control over prices. Cornered animals can be dangerous, but still remain captured. Itâ??s hard for me to see, no matter what happens in the very short term, the big shorts resurrecting the COMEX scam that worked so well for them for decades. Regardless of short term price gyrations, the end would appear nigh for the big shorts. The only regret is that it didnâ??t occur much sooner.

Ted Butler

June 27, 2020

Silver – $17.95Â Â Â Â Â Â (200 day ma – $16.99, 50 day ma – $16.83)

Gold – $1784Â Â Â Â Â Â Â Â (200 day ma – $1591, 50 day ma – $1729)

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