March 30, 2019 – Weekly Review

As a result of an across-the-board metals price blast to the downside on Thursday, the price of gold ended the week down by $21 (1.6%), while silver finished the week lower by 31 cents (2%). As a result of silverâ??s underperformance, the silver/gold price ratio widened out to 85.5 to 1 (and a bit wider when adjusting to the switch to June for gold prices).

Thursdayâ??s price smash had it all, including a night move lower before the opening COMEX session, a blast below key moving averages, salami-slicing, extremely high trading volume and I even detected a bit of spoofing, no doubt thrown in for good measure and old timesâ?? sake. Gold closed at 10 week lows, while silver made it to 13 week lows.

However, there can be little doubt that silver has been much weaker than gold, both since the price bottom in each in November and since the start of the year. On Thursday, silver recorded its lowest price since year end, while gold held well above its previous year-to-date daily price lows. In the perverse world of COMEX futures positioning, the ultimate setter of price, silverâ??s relatively worse price performance also has resulted in a better relative positioning set up.

I felt a twinge of trepidation on Wednesdayâ??s close since gold closed only a dollar above its 50 day moving average and silver only a dime or so above its 200 day moving average. I would have felt even more ominous had I known that yesterdayâ??s COT report would show more than the moderate increase in managed money buying that I expected in gold (silver was pretty close to expectations). I wouldnâ??t have abandoned any long positions, just felt more concerned about a selloff.

While yesterdayâ??s COT report helped explain the price smash on Thursday, this time there was no real advance warning, as opposed to the times when the COT market structure can remain bearish or bullish for many weeks and months before a price resolution. The COT report always explains price moves, but is unreliable as to specific timing. The good news is that Thursdayâ??s price smash completely undoes the deterioration featured in yesterdayâ??s report and may indicate the worst is over. Iâ??ll get into yesterdayâ??s report and what I think happened subsequently shortly.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses returned to the weekly average recorded over the past 8 years, as nearly 4.3 million oz were moved and total inventories rose by 2.5 million oz to 304.9 million oz, yet another new all-time record high. There was no change again in the JPMorgan COMEX silver warehouse, which remained at 147.8 million oz.

Last week, I described how I believed that the reason that the JPMorgan warehouse had not grown much over the past six months or so was because it may have reached the capacity limits of what it could hold (or alternatively, how much JPMorgan wished to show). Despite the lack of growth in the JPM warehouse, against the backdrop of overall growth in total COMEX silver inventories, JPMorgan was the outstanding stopper of physical metal in the December and March COMEX futures deliveries, taking a combined (both for its own account and on behalf of clients) total of 30 million oz over the last two delivery periods.

It was a break in pattern for JPMorgan to stop so much silver (keep in mind, this involves physical metal) and not to move it into its own COMEX warehouse. Therefore, I concluded that JPMorgan had taken to storing silver it either owned or controlled, not only in its own COMEX warehouse, but also in other COMEX warehouses. I put a number of at least 50 million oz on the other warehouse holdings, in addition to the roughly 150 million oz JPM held in its own warehouse, meaning that JPM owned or controlled 200 million oz of the 305 million oz in total COMEX silver inventories.

In a development supporting my contention, this week there were 7 million oz of silver reported in two separate COMEX warehouses (Brinks and CNT) to have changed category from registered to eligible. Normally I tend not to pay much attention to category changes, since they donâ??t involve physical silver movement, but this time is a bit different. A big difference between registered and eligible metal is that eligible is a bit cheaper to store, so if someone intended to store silver for an extended period, it would be cheaper to hold it in eligible form, rather than registered. The cheapest form of all would be to store it in your own warehouse, which explains why JPMorgan has so much metal in its own COMEX warehouse. But if that warehouse reached its capacity and JPM wanted even more silver (they are greedy pigs, after all), they would have to store it in other warehouses, but at the cheapest cost possible. Thatâ??s the basis of my thinking.

To be sure, it is impossible for me to prove any of this beyond the facts and reasoning Iâ??ve provided. Thatâ??s because the actual owners or controllers of the metal in the COMEX warehouses are not fully disclosed. I can tell you that it would not be proper in any way for me to make false allegations against JPMorgan and I promise I would never knowingly do so.

So hereâ??s a simple solution to determine if what I am saying is true about JPMorgan storing silver that it owns or controls, not only in its own COMEX warehouse, but now in other COMEX warehouses as well. Either the CFTC or the CME or the Justice Department (which has claimed it is investigating) can easily determine whether the 7 million oz transferred this week from registered to eligible is owned of controlled by JPMorgan. It might take a few phone calls or letters (and perhaps the threat of a subpoena), but any of them could quickly prove if my allegations are correct. No big investigation of all 300 million oz in the COMEX warehouses, just the 7 million oz in question this week. Thereâ??s no question that if it turns out that I am wrong, I will admit to that. The only question is if the regulators will even ask.

The first two days of the April gold deliveries on the COMEX suggest that this delivery period may already be over â?? barring some new buying demand over the remainder of the month. JPMorgan hasnâ??t appeared in its own account as either a stopper or issuer and a JPM customer(s) has issued 1595 of the 1780 total gold contracts issued. The two largest stoppers have been Citigroup with 1150 contracts and Morgan Stanley with 432 contracts in their house accounts. In February, Citi was one of the biggest gold stoppers early in that month, with 2474 contracts, only to turn around and redeliver 2450 contracts by monthâ??s end. JPMorgan appears to be â??lying lowâ?• this delivery month and thereâ??s not much I can read into that â?? even though I know JPM is the ringmaster.

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

As far as yesterdayâ??s Commitments of Traders (COT) report, please understand that while the positioning changes reported as of Tuesdayâ??s close explained the big selloff on Thursday, the positioning changes that occurred since Tuesday that will be reported next week loom larger at this time. This is very much a tale of two COT reports. First, yesterdayâ??s report.

I had expected moderate managed money buying in gold and silver, given the price action in the reporting week that ended Tuesday, although I chose not to offer contract predictions due to possible distortions as goldâ??s first delivery day approached. The price of gold did close above both its key moving averages for the last four days of the reporting week, so it was reasonable to expect managed money buying. I didnâ??t say so on Wednesday, but I will say now that by â??moderateâ?• I was thinking about 10,000 to 15,000 contracts of managed money buying and commercial selling in gold and maybe a couple of thousand contracts in silver, hopefully less. The actual numbers in gold were much more than I was thinking.

In COMEX gold futures, the commercials increased their total net short position by 35,800 contracts, to 151,400 contracts. This is the third largest (most bearish) total commercial net short position since yearend and before that in nearly a full year. It is still well below historically bearish commercial short positions, but, in hindsight, was large enough to account for Thursdayâ??s price smash. There was an increase in the concentrated short position of the 4 and 8 largest traders, now assumed by me to being back to all commercials. But based upon changes in the Producer/Merchant versus Swap Dealers categories, I got the impression JPMorgan added few new gold shorts â?? definitely a plus in an otherwise negative report.

The managed money traders bought about 6000 contracts less than the commercials sold, but at 27,512 net gold contracts bought, was still much higher than my private expectations of 10 to 15,000 contracts. The net buying by the managed money traders consisted of 11,464 contracts of new longs and 16,048 contracts of short covering. The resultant net long position of the managed money traders was just shy of 58,000 contracts (135,373 longs and 77,386 shorts). While this was a big increase for the week, on a longer historical basis still leaves much more room for additional buying than selling.

Most importantly, there can be little doubt that in trading since the cutoff, not only was this weekâ??s increase in managed money buying completely reversed, I would estimate that as of yesterdayâ??s close of business the managed money traders held no net long position at all â?? having likely sold as many as 60,000 net gold contracts since the Tuesday cutoff.

In COMEX silver futures, the commercials increased their total net short position by 4800 contracts to 48,500 contracts (fortunately, the managed money traders bought only about half of what the commercials sold). Unlike the case in gold, the total commercial net short position in silver, despite this weekâ??s increase, is much closer to the lows in the commercial short position than it is to the highs since yearend – a testament to silverâ??s better relative positioning structure. There was actually a slight reduction in the concentrated short positions of the four and eight largest shorts, but I think that was more a result of short covering by a big managed money trader rather than commercial short covering.

The managed money traders bought 2590 net silver contracts, consisting of 435 new longs and the buying and covering of 2155 short contracts. The net long position of the managed money traders was 12,306 contracts (52,510 longs versus 40,204 shorts). As was the case in gold, in trading since the Tuesday cutoff, I believe the managed money silver traders are not only no longer net long, but may hold a net short position approaching 10,000 contracts.

After testing, but not really penetrating to the upside silverâ??s 50 day moving average thru Tuesday, there was not only a dramatic downside penetration of the 200 day moving average on Thursday, but also a new 2019 daily price low. This is the precise formula for significant managed money selling, both long liquidation and new short selling. I get the feeling that although there was standout managed money selling in every metal (gold, copper, platinum and palladium) on Thursday, the main target of the orchestrated selling was silver.

Iâ??ve saved the expected changes by JPMorgan until now. Itâ??s possible that JPMorgan may have increased its silver short position by 2000 contracts or so to 10,000 contracts as of Tuesdayâ??s cutoff date. But I feel that matters little because in trading since Tuesday, JPM has completely eliminated its entire short position and sits flat in COMEX futures holdings as of yesterday. Admittedly, JPMorgan buying back 10,000 short silver contracts in one reporting week is no small feat, but by my reckoning, this will be the third time it has done so in the past 6 months.

It did so in the reporting week ended Nov 13 (after the DOJ announcement on Nov 6) when it bought back 10,000 contracts of silver shorts. JPM bought back 16,000 silver shorts during the reporting week ended March 5 and the 10,000 contracts (or more) that I believe it bought back since Tuesday is very much a part of the short covering began since Feb 26 when it held 28,000 short silver contracts versus the 0 short contracts I believe it holds as of yesterday. If my analysis is correct, JPMorgan went from being 140 million ounces short in COMEX silver futures on Feb 26 to no short position today.

That also means that the 850 million physical silver ounces that JPMorgan owns or controls is a pure net long position, completely unencumbered by any paper short position that I am aware of. Again, if my analysis is correct, this means that JPMorgan has never been better positioned for an immediate and dramatic rise in the price of silver (and gold) than it is now.

Yes, I fully admit and stipulate to having made similar statements in the past whenever JPMorgan had achieved notable milestones of then-record silver net long positions â?? starting at 300 million oz five years ago on up through 850 million oz today. And each and every time, JPMorgan has foregone letting silver rip to the upside and cashing in on some really big bucks by instead selling short into every subsequent rally that developed; in the process eventually buying back the added short positions at a profit and, more importantly, greatly increasing its stockpile of physical metal.

So here we are, with JPMorgan once again holding more physical silver (and gold) than ever before on both a gross and net basis and in position to let prices rip to the upside by doing absolutely and quite literally, nothing (not adding to shorts). And I have also fully stipulated that each and every time in the past when JPMorgan has been in a similar position, it has chosen to extend the game by capping the next rally by adding shorts. Therefore, I canâ??t and wonâ??t guarantee that JPMorgan wonâ??t do the same thing whenever the next silver rally commences. Or even that it is done buying on additional price weakness.

What I can say is that the big payday for the greediest pigs in the world will come when JPMorgan is positioned as it is now and chooses to let the price rip higher. There is no secret or magic financial alchemy in this rather simple formula other than the price of silver and gold rising much higher than the price at which JPMorgan acquired the metal and it then selling or otherwise disposing of the acquired metal at sharply higher prices. I accept that the timing has proven to be more extended than I could ever have imagined, but in addition to owning more silver and gold than anyone, JPMorgan also owns the timeline. The fact is that it is better positioned at this time than ever before and it is unknowable if JPM will be better positioned in the future.

More frequently than before, I envision this situation as a Mexican Standoff of sorts, which Wikipedia defines as a confrontation in which no strategy exists that allows a solution until some outside development occurs to resolve the standoff. Not for a heartbeat am I considering myself to be anything more than less than a flea on a flea on the butt of the elephant JPMorgan, but the fact is that I have been openly and publicly referring to it as a stone cold crook and greedy pig for more than ten years and there is nothing it can do about it, short of suing me and risking the whole silver scam becoming public. Iâ??ve been very careful to go the proper authorities and not threaten to extort JPMorgan â?? I just want them to stop manipulating the market. Thatâ??s my right as a citizen.

On the other hand, I canâ??t do much more than publicly describe how JPMorgan continues to manipulate silver and gold and complain to the authorities. Even if I had the financial resources to take JPMorgan on legally (I donâ??t), I believe the resources would be much better deployed by buying silver. Therefore, I canâ??t do more than bring attention to what JPMorgan is up to, although I do know that it would much prefer I not do so. I do believe JPMorgan runs a some risk from the constant negative exposure (what other bank would tolerate being called crooked?) and in time, when it feels it has enough physical metal in its control to ring the cash register, it knows that in addition to the coming profits hard to calculate because theyâ??ll be so large, all the negative publicity will disappear as well when prices rise. I guess you could say that Iâ??m just encouraging JPMorgan to hasten that inevitable day and make some really big money.

(On a housekeeping note, I am switching to the June COMEX futures contract from the April contract, which adds about $5 to the price)

Ted Butler

March 30, 2019

Silver – $15.11Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $15.14, 50 day ma – $15.54)

Gold – $1297Â Â Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $1252, 50 day ma – $1308)

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