

After two sharp down weeks in gold and a much sharper three weeks down in silver, prices stabilized this week with gold ending the week unchanged and silver higher by 15 cents (0.9%). As a result of silver's slight relative outperformance, the silver/gold price ratio tightened in by half a point to under 75 to 1. The ratio had widened out by 5 full points over the prior three weeks.

Considering my take on what may unfold in the relative near future, someday fairly soon the current price ratio will be viewed with disbelief. If silver does what I expect, the opportunity to switch from gold to silver at anywhere near the current ratio will be gone, perhaps for some of our lifetimes.

The main silver story this week was the same story of the past three weeks - another shockingly bullish Commitments of Traders (COT) Report. Never have the commercials bought and the managed money traders sold as many COMEX silver contracts as have been transacted over the past three reporting weeks (ended Tuesday). Then again, never in market history have we witnessed three consecutive reporting weeks in which silver prices fell to successive new lows every single trading day.

If Izzy Friedman hadn't coined the term "salami slicing" many years ago, to describe the mechanics by which the commercials induce the technical funds to sell and sell short at progressively lower prices, surely someone else would have done so this week. That's because the impact of the technical funds' mechanical behavior has reached the point where no other plausible explanations for price movement exist in silver, gold and other commodities. The literal explosion in COT commentary points to this; for an analyst, if you are not focused on the changes in market structure as

depicted in the COT report, you are not focused correctly.

Changes and prospective changes in futures market structure are all that matter currently for price. I'm not saying that's the way it will always be, but despite repeated predictions of coming COMEX irrelevance in the price discovery process, the facts show that the crooked COMEX has never been stronger as the main price influence in silver and other commodities. In fact, that's a big factor behind my recent uber-bullish take on silver. And, as I'll point out momentarily, I'm starting to see signs in the COT report that the commercial/managed money tango has become so obvious that other traders seem to be positioning around it, not something I've noticed previously.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses remained subdued this week, as "only" 4.1 million oz were moved and as total inventories rose by 0.8 million oz to 198.5 million oz, another fresh two decade high. For the first time in five weeks, no new metal flowed into the JPMorgan COMEX silver warehouse, almost fully expected as JPM had moved in nearly all the silver it took delivery on in the March delivery process in its own name (close to 14 million oz).

Thus, JPMorgan adhered to the pattern of physically shipping into its COMEX warehouse the silver it stopped on traditional month futures contracts over the previous two years. Of course, JPM has broken with that pattern in the current May COMEX delivery month and I can't help thinking that the bank may have taken all the silver it intends to take in COMEX futures contracts.

That doesn't extend to the big silver ETF, SLV, which experienced more than 6 million oz of metal deposits this week, despite no strong investment demand due to

the weaker prices. Big metal deposits in the absence of stronger prices is counterintuitive. I've come to learn in silver that whenever anything counterintuitive occurs, as seems to occur more frequently than in any other commodity – it's wise to think JPMorgan. Invariably over the past six years, when you look closely at any counterintuitive occurrence in silver, the signs of JPMorgan's involvement emerge. That's why I write so much about the bank. In this case, you can bet the 6 million oz brought into the SLV this week somehow now belong to JPMorgan. When it comes to physical silver, JPM is a taker, not a giver.

Just like JPMorgan hasn't been taking delivery of silver in this month's May delivery process, it is continuing to refrain from buying Silver Eagles, something going on now for more than six months. As a result, sales of Silver Eagles have collapsed from the levels of the prior six years when JPM was the largest buyer. I'm still waiting for a reasonable alternative explanation for the drop in Silver Eagle sales other than JPM thought it had enough. Recent reports from the Royal Canadian Mint indicate JPM has backed away from purchases of Silver Maple Leafs as well, as seems fitting with JPM's behavior in Silver Eagles.

<https://www.usmint.gov/bullion-sales>

The changes in this week's COT report were largely expected and as hoped for. I had expected a drop in the total commercial net short position in gold of 40,000 contracts and if I had been off by 10,000 contracts or so, I would have declared that was close enough by horseshoe and grenade tossing standards. But I was only off by less than 500 contracts, which is like hitting a fly with a hand thrown dart (not that there are any kewpie dolls for COT guesses). I was expecting a big decline in the commercial short position in COMEX silver, but not as big a drop as was reported, much to my

delight.

In COMEX gold futures, the commercials reduced their total net short position by 39,600 contracts to 164,400 contracts. This is the lowest commercial short position since March 28. Gold prices cratered during the reporting week, falling \$40 and penetrating both the 50 and 200 day moving averages every trading day for the first time in two months. There was no big gold news on the drop, as this was a typically exclusive COMEX positioning production.

By commercial category, all three categories were aggressive and collusive buyers, with the big 4 leading the way with 17,200 short contracts bought back and the big 5 thru 8 buying back 13,500 short contracts. The raptors (the smaller commercials bought 8900 gold contracts, increasing their net long position to 12,300 contracts. It's always a positive when the biggest shorts buy back the most.

On the sell side of gold, the managed money traders sold more than the commercials bought, as these traders sold 47, 649 net contracts, including the long liquidation of 43,912 contracts and the new short sale of 3737 contracts. I'm still convinced that gold was kicked down the stairs mostly to induce continued price pressure on silver and that's the criminal beauty of the COMEX positioning scam; the commercials often hit on all cylinders in this perfect crime - taking profits on gold shorts while inducing additional pressure on silver to do the same thing.

Primarily because I'm so bullish on silver, I'm inclined to think the worst is over in gold, as it will take new price lows to induce more managed money selling. We're close enough, around 30,000 to 40,000 contracts, from what have been the most bullish readings in the total commercial net short position in gold over the past six months that I would consider it a gold price bottom, although I could never rule out

further temporary price stabs lower. The \$80 or so gold price drop over the past month looks mostly done.

In COMEX silver futures, the commercials reduced their total net short position by a very significant 17,300 contracts to 69,300 contracts. This is the lowest (most bullish) reading in more than a year, back to April 5, 2016. Three weeks ago, the total commercial net short position was at its highest (most bearish) level in history, at 116,800 contracts. In three reporting weeks, the market structure in COMEX silver swung from its most bearish extreme ever to its most bullish in more than a year. By any measure, that is simply astounding.

What makes it even more astounding is that there wasn't a single actual supply/demand factor that accounted for the most extreme repositioning of the silver market structure in history. This was strictly a case of JPMorgan and the other collusive COMEX commercials picking up the technical fund salami and slicing it until there was no salami left to slice. It is the extreme manner by which the commercials engineered the relentless new price lows that has me most excited about a silver price explosion ahead. Not for a very long time, perhaps forever, will the commercials ever be able to induce such epic technical fund selling again.

I don't think there was anything about this week's silver COT report that wasn't a bullish surprise. By commercial category, the big 4 bought back 5700 short contracts, as did the big 5 thru 8 to the tune of 1600 contracts, although it now appears certain that there are at least one and perhaps two managed money shorts in the big 5 thru 8 category. The raptors were the biggest silver buyers of all, buying 10,000 contracts, increasing their net long position to 19,300 contracts, the most since late October.

I would now calculate JPMorgan's silver short position to be 18,000 contracts, down 6000 contracts over the reporting week and close to the lowest it has been since early 2016. This means that JPMorgan has never been more net long in silver than it is now. The 18,000 short contracts (90 million oz) it holds when subtracted from its 600 million oz physical long position means JPM is net long 510 million oz, the most ever. Make no mistake, the single biggest reason silver fell in price every day for more than three weeks was so that JPMorgan could whittle down its COMEX short position by 16,000 net contracts (80 million oz) or by nearly half. Also, please don't mistake just how bullish this is for the price of silver.

On the sell side of silver, the managed money traders sold 21,275 net contracts, including the long liquidation of 10,240 long contracts and the new short sale of 11,035 contracts. Both numbers nearly blew me away. The remaining managed money long position fell to just under 68,000 contracts and as I indicated previously, whatever this week's position was, it would represent the core non-technical fund long position that I previously estimated to be as much as 80,000 contracts. It looks to me now that the 68,000 contracts held by 40 managed money longs are not likely to be liquidated on lower prices, up from the 56,000 long contracts held at the 2016 yearend lows. The sharp increase in total open interest in COMEX silver since the Tuesday cutoff, looks either to be spread trading or existing positions expanding - meaning no deterioration yet.

The biggest surprise of the COT report, aside from the extraordinary reduction in short positions by the criminal masterminds at JPM, was the sharp rise in managed money shorts. Over the past three reporting weeks, nearly 21,000 contracts have been added to a managed money short position now just under 35,000 contracts. You may remember how I highlighted the lack of new managed money short selling last

fall, when the short position never grew above the 25,000 contract level for the first time in years.

That pattern seems to have changed, but I'm not inclined to conclude that the technical funds which decided not to add silver shorts last fall on lower prices are doing so now. Instead, I sense a whole new set of managed money traders have accounted for the sharp rise in silver shorting over the past three reporting weeks. I'm basing this on an unusual increase in short selling by managed money traders in other markets, notably platinum, copper and crude oil.

For instance, on the few dollar break in crude oil prices into last Tuesday's cutoff, managed money traders added an extraordinarily large 47,000 short contracts in NYMEX crude oil futures. Forget OPEC, anytime a single trading category sells the equivalent of 47 million barrels (be they wet or electronic barrels) "at the market", oil prices will go down. But it was the increase in the managed money short position in NYMEX platinum futures that I found stunning.

Over the past two reporting weeks, managed money traders have added nearly 19,000 short contracts in NYMEX platinum futures, a market that had a total open interest of 65,000 contracts before the managed money shorting occurred. As a result, the managed money short position in platinum futures has reached historically large gross levels (33,000 contracts) and on a net basis, the managed money traders are now net short for the first time in history. I don't follow platinum closely, but neither do the technical funds which just shorted the snot out of it. These technical funds were just reacting to a \$50 or \$60 selloff in their usual manner - if it goes down, sell the heck out of it.

I have little doubt that the new short sellers will at some point rush to buy back their

platinum shorts when prices rise, but my point is different - the sudden appearance of record shorting by managed money traders seems to be coming from a new crop of trader than typically populates the platinum futures market. And I sense the same phenomenon may be at play in silver - it's not the same technical funds that previously shorted COMEX silver futures that have shorted aggressively over the past few reporting weeks.

In any event, the outcome will be the same, namely, the new managed money shorts in platinum have about the same chance of delivering metal as do the new shorts in silver - exactly none. Therefore it's just a matter of time before these shorts get blown out to the upside. The bottom line is that shorting anything in a price hole is usually hazardous to one's financial health, as I'm sure the managed money shorts in platinum and silver (and copper and crude oil) will learn on their own. In the meantime, the commercials are welcoming all new shorts into the water, as if those waters weren't infested with hungry alligators.

One of the most remarkable developments over the past three reporting weeks is that managed money traders have sold a combined 63,205 net silver contracts, including long liquidation and new short sales. That's the equivalent of 316 million oz of silver in just three weeks. I'm trying to figure out why silver prices didn't drop more than the \$2.50 they did drop. Managed money traders, by CFTC classification standards are purely speculative traders with no legitimate claim to hedging. The equivalent of 35% of world production has been sold by managed money traders in just three weeks, so there can't possibly be any question as to why prices fell.

In fact, the managed money traders in COMEX silver sold way more contracts (63,205) than the 47,500 contracts that the commercials bought over the past three



weeks, a difference of nearly 16,000 contracts (80 million oz). Usually, it's the commercials pitted against the managed money traders on nearly a contract by contract basis, with other trader categories as minor participants. But 16,000 silver contracts can hardly be considered minor. So what gives? Why the mismatch over the past three weeks?

As it turns out, buying (new longs and short covering) by other large reporting traders (but not managed money traders) and by the smaller, non-reporting traders, accounted for the 16,000 net contracts that the managed money traders sold that was not bought by the commercials. This is mathematically derived, so the question is why so many contracts got bought by other large reporting traders and smaller non-reporting traders over the past three weeks? The answer seems inescapable to me.

Not only has the crooked COMEX futures positioning scam become obvious to more observers than ever based upon the explosion in COT commentary, we are now seeing clear signs of adjustment to it in actual trading (apart from the large core non-technical fund managed money long position). Never before have the other large reporting traders and the smaller non-reporting traders bought so aggressively on sharply lower prices than they have over the past three weeks. Clearly, these traders have seen the COMEX wash, rinse, repeat cycle often enough over the years that they know what to expect, namely, when the technical funds are done selling to the downside, then up we go in price. Same as I preach here.

Simply put, other futures traders see what is going on and are reacting to it. So here we have not only growing and widespread commentary and a substantial and growing core non-technical fund managed money long position, we now have bona

vide evidence of other traders entering the fray opposite to the technical funds. I know the CFTC pretends not to see what many more are reacting to, but let me ask you this - with such strong and varied evidence that more are reacting to the COMEX silver manipulation, does this sound like something that will reach a ripe older age or does it not have the elements of blowing up shortly?

Of course, all this was behind my recent pronouncement that the moment of truth is fast approaching in silver. Right or wrong and regardless of the outcome, a man has to declare when he feels compelled to do so and that's what I did. And I felt very lucky for having the privilege and opportunity to do so. I even made a highly edited version of Wednesday's article public because I felt so strongly about the prospects for a silver price explosion.

<http://silverseek.com/commentary/expecting-unexpected-16585>

I would direct your attention to the comments section, where there was more negative reaction to what I wrote than I recall previously, although there did seem to be multiple insulting comments by a few posters repeating themselves. After doing this as long as I have, I must tell you that I learn more from the negative criticism than the positive. In addition, one has to develop a thick skin when speaking one's mind, particularly about controversial issues.

That said, the overall reaction to my contention that silver will soon explode in price was muted, perhaps more muted than ever before. I'm not speaking for everyone, of course, but I got the sense that many were more hopeful that I would be correct than convinced of the case on the merits. After such a long time, I understand the reservations. But I also have to point out something that I learned years (decades) ago from Izzy that was just reaffirmed in spades. Whenever anyone would disagreed

May 13, 2017 - Weekly Review

with me and I'd complain to Izzy that the dissenting opinion lacked substance, he'd laugh and tell me I was lucky when anyone disagreed.

His reasoning was that it was much worse, in a sense, when others agreed with an original opinion of mine because it wouldn't be long before the agreement turned to plagiarism. Perhaps there's a natural tendency over time to forget where one learnt something, but all ideas have to originate with someone. Those who disagreed would have a much harder time plagiarizing in the future. Man, was Izzy ever correct. Anyway, according to Izzy's way of thinking, I should feel tickled pink that I wasn't greeted with widespread agreement on my premise about a silver price explosion. The crazy thing is that (finally) I do feel very fortunate. Now let's see the price of silver cooperate.

Ted Butler

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Silver - \$16.45      (200 day ma - \$17.85, 50 day ma - \$17.51)

Gold - \$1228      (200 day ma - \$1253, 50 day ma - \$1247)