As of last night's close, the case for an unprecedented move to come in silver was still intact and this morning's sharp jump in the price of gold through its most important moving averages may promise a quicker resolution than otherwise. I's always difficult writing articles when the trading day starts off dramatically, because the tone may change just as dramatically when I hit the send button later.

To deny that there is a high level of political anxiety here in the US (and around the world) would be like denying the daybreak, but I continue to believe that when it comes to silver and gold prices, everything is a distraction from the core cause for price movement, namely, COMEX futures contract positioning. Anxiety is not what motivates the technical funds to buy or sell; only price movement. A big part of that equation, of course, is that a select group of banks control short term price movement on the COMEX and, in effect, also control technical fund buying and selling. This is the essence of my Commitments of Traders (COT) analysis.

To review, the past three reporting weeks through last Tuesday (May 9) featured the largest number of net managed money technical fund contracts in history were sold in COMEX silver futures, more than 63,000 contracts. That's the equivalent of 315 million ounces of silver, more than 35% of total annual world mine production. Never have so many contracts been sold in silver market history and never has the equivalent percentage of world production ever been sold in that time frame in any other commodity.

It's no coincidence that the record technical fund selling spree in silver, engineered by JPMorgan and the other collusive COMEX commercials, was accompanied by a record number of consecutive down days. After all, this is how it's done – rig prices lower, get the technical funds to sell; allow prices to move higher, get the technical funds to buy. The record number of consecutive down days resulted in record technical fund selling; exactly as intended (by the commercials).

As an analyst observing the repetitive cycle of COMEX positioning for more than three decades, it is fitting that I would become more cautious on price as the technical funds load up on the long side and more bullish when they abandon the long side and load up on the short side. I know many have expressed surprise that I have recently come out with the opinion that the big move in silver is close at hand, but my basic analysis demands it. If one is to be bullish after the technical funds have sold, should not he or she be most bullish after the technical funds have sold the most in history? I don't own or run the COMEX or any other whorehouse; I'm just the piano player, observing what's going on.

The question at hand is if there has been a big change in the COMEX market structure. No doubt there has been a big change in the gold market structure as a result of today's upward penetration of its most important (50 day and 200 day) moving averages, but let me set aside any structural changes based upon today's trading until later and deal with the prospective changes through yesterday's Tuesday cutoff for Friday's COT report.

Having raised the question as to what Friday's COT will show, let me answer by saying I'm not sure, especially in silver. There are some very strong crosscurrents or conflicting factors which make me undecided. That said, I don't think Friday's report will radically alter the remarkable results in silver over the past three reporting weeks. I think the best way of approaching this is to lay out the factors that I find to be in conflict and while I'll certainly offer my opinion, I'll more or less leave it up to you.

Gold's market structure is easier to describe than silver's, so let me start there. For the reporting week ended yesterday, the price of gold inched higher every trading day, ending the week about $20 higher. This would argue for a deterioration, or an increase in technical fund buying and commercial selling. However, gold prices remained well-below the key moving averages (until today) and total open interest in COMEX gold futures rose by 2000 contracts over the reporting week, suggesting not much technical fund buying and commercial selling. More to the point, were there a big shift from the technical fund selling and commercial buying in gold that occurred over the prior two reporting weeks, I would normally expect total open interest to decline, which didn't occur. This is more of a case in silver, but what I'm trying to say is that, per Saturday's review, the jump in gold prices today shouldn't be a surprise, given the significant clean out of the prior two weeks, but at least through yesterday's close, I don't see a radical change in the gold market structure.

Silver is much trickier this week. As was the case in gold, silver prices did rise higher over every trading day of the reporting week, ending an impressive 70 cents higher. Then again, prices had fallen to new successive lows over every trading day of the prior three reporting weeks. Normally, this week's successive higher prices would indicate technical fund buying and commercial selling. The big complication this week is that total open interest in COMEX silver rose a very significant 19,000 contracts over the reporting week. This kind of has my head spinning.

Perhaps there was some large increase in spread trading which, while completely non-economic and essentially phony in nature, would explain the large increase in total open interest. But if a sharp increase in spread positioning wasn't behind the large increase in total COMEX silver open interest over the reporting week, then it has to be something else. So let me preface what I am about to say with, if it turns out to have been a big increase in spread positioning behind the big increase in total silver open interest, then never mind (in my best Gilda Radner SNL imitation).

If there was technical fund buying and commercial selling in silver over the just completed reporting week, it would be expected that total open interest would decline and not rise sharply. That's because it would be most reasonable to expect managed money short covering (buying) and commercial selling, particularly raptor long liquidation on the rising prices. Both of those activities would result in a decline in total open interest, not an increase. Hence, my confusion.

Strictly in the realm of speculation, if spread trading doesn't account for the big increase in the total open interest in silver, then I can't help but think that maybe there was a further increase in managed money shorting through yesterday's close. Admittedly, there had been a much larger increase in managed money short selling through the last COT report than I would have imagined and at the recent lows, the price of silver had fallen below its important 50 and 200 day moving averages by more than $1.50. This means that new technical fund short sales that much below the key moving averages necessarily entail a much greater degree of risk as far as where a technical fund would buy back and cover a short sale that much below the moving averages.

Therefore, it seems possible to me that on the silver price rally over the reporting week ended yesterday that we may have experienced additional technical fund short selling as silver prices came closer to the moving averages, thereby reducing the risk profile on new short sales. Perhaps this is wishful thinking on my part, since additional managed money short sales would be bullish beyond imagination, but I am hard-pressed to come up with an alternative explanation (away from an increase in spreads) for the large increase in total COMEX silver open interest. The good news about my confusion is that it will only last until Friday's COT report is published.

I always want to apologize for getting so deep in the weeds concerning the details about market structure and the COT report, but considering this is what drives prices, I have little choice. I'd much rather talk about actual supply/demand fundamentals, as I did for many years, but why should I waste your time with factors that have little to no bearing on where prices are headed? COMEX futures positioning still has a vice-like grip on silver and gold price movement and to pretend otherwise seems silly.

As far as today's very high trading volume rally in silver and, particularly, in gold, the action in gold seems also easier to explain. When the commercials allow (rig) gold or silver prices to rise up through the important moving averages, technical fund buying is virtually guaranteed. Thus, we can be almost certain that managed money technical funds have gone on a buying binge in gold today, although the earliest we may see conclusive evidence of this buying will be in the following week's COT report, not this Friday.

In fact, I can't escape the impression that trading through yesterday's cutoff was relatively subdued precisely so that the visible signs of technical fund buying and commercial selling wouldn't show up in this week's COT report. Yes, I am aware that the recent political controversies seem to be powering today's gold rally, but I am even more aware that technical funds, the most active trading category, couldn't care less about such controversies. Quite literally, all these traders care about is did we penetrate the moving averages to the upside or downside? It's a helluva sick price discovery process, but what's new?

The trading volume in COMEX silver is also very high today, but the price action is much more subdued than it is in gold. Whereas gold has decisively penetrated its important moving averages, silver is still way below its key (50 and 200 day) moving averages. As such, it’s hard to imagine the technical funds buying silver as aggressively as they are buying gold futures.

It won’t show up in Friday’s COT report, but based upon today’s trading, I would imagine that nearly all the 60,000+ contracts sold by managed money traders in COMEX gold over the past two reporting weeks have been bought back in today’s trading (with the commercials pocketing $150 million or so). Were it possible to calculate the COT report as of today’s close, the market structure in gold would be back to levels that existed prior to the last two COT reports, or decidedly neutral. That’s not to say that gold prices can’t power higher should the technical funds continue to plow onto the long side, just that this will be what’s required to drive prices higher.

Once again, it’s different in silver. I can’t rule out managed money technical fund buying and commercial selling in silver today, but with prices still far below the important moving averages, it’s harder to come up with a compelling technical fund motivation to have bought. I will say this, if silver prices had penetrated its key moving averages as decisively as gold had penetrated its moving averages today and silver prices had been as contained as gold prices remained over the balance of the day, I would have been mightily disappointed.

That’s because high volume but subdued price action after an upward penetration of silver’s moving averages would have very likely indicated significant commercial selling, particularly by the super COMEX silver crook and manipulator, JPMorgan.

That would suggest the big move up in silver was less, not more likely to occur. Perhaps we will see signs that JPMorgan added to its silver short positions in this Friday's or future COT reports, but until we do, there is little reason for me to abandon my big silver move premise.

If, as and when JPMorgan adds aggressively to its COMEX silver short position, I will abandon my silver moonshot premise, as I have so many times in the past. In the meantime, please remember who's running this crooked joint, who is paying off the Keystone Kops at the CFTC, and who is playing the piano and observing the goings on in amazement.

On a housekeeping note, I'm planning to return to Maine over the next few days and as a result, Saturday's weekly review is likely to be delayed, at least by hours and possibly by a day. In addition, that review will likely concentrate on Friday's COT report and may be briefer than normal.

Ted Butler

May 17, 2017

Silver – $16.90 (200 day ma – $17.81, 50 day ma – $17.47)

Gold – $1258 (200 day ma – $1251, 50 day ma – $1247)