Weekly Review

Gold and silver fell for the second week in a row; with gold down $15 (1.2%) and silver lower by 38 cents (2.2%). As a result of silver's relative underperformance, the silver/gold price ratio widened out to just under 71.5 to 1; once again remaining within a trading range extending back more than six months. By the greater weight of the evidence that I monitor, silver still looks grossly undervalued to gold, but that has no bearing on which way the ratio will move short term.

Despite a pick up on Friday, the weekly turnover, or physical movement of metal being brought into and taken out from the COMEX-approved silver warehouses slowed markedly this week. Yes, it was a holiday-shortened 4 day week, but I have trouble remembering a weekly turnover of less than one million ounces and that was the case this week as only 0.9 million ounces of silver were moved, as total inventories rose 0.5 million oz to 179.3 million oz. There was a change in classification from registered to eligible of 2.5 million oz on Friday, but that's a paper shuffling exercise and doesn't involve physical movement (which is what I focus on).

My sense is still that the great experience of the unprecedented and unique to silver frantic physical movement of metal into and out from the COMEX warehouses that erupted four years ago and that has persisted until recently, may be petering out. I know I have brought this up over the past few months, usually only to be followed by a sharp pick up in the physical silver turnover, but I still sense a change. I'm sensitive to any type of change in silver and have been for many years, simply because I expect the silver manipulation to end one day and that will be the greatest change of all.

In the case of a cooling off of the weekly COMEX silver turnover, since I trace JPMorgan's accumulation of hundreds of millions of ounces of silver as having started precisely when the unprecedented turnover began in April 2011, I can't help but think that a cessation of the unusual weekly turnover may indicate the bank has completed or is close to completing its historic silver acquisition. This is highly speculative on my part, but there are other indications this may be the case. Of course, these are matters that must involve speculation for the simple reason that there is no reason to expect JPMorgan to disclose anything.

As expected, JPMorgan did take (stop) 808 silver contracts in the just completed delivery period for the May COMEX futures contract in the bank's own proprietary or house trading account. This is in addition to the 1500 maximum

allowed amount taken in the March delivery contract. In ounces, that's 4 million oz in May and 7.5 million oz in March. This is only a tiny part of the 350 million+ oz I claim JPM has acquired, but it is highly visible and might be suggestive of conforming to my speculation that the bank is finishing up its silver accumulation.

JPMorgan did take delivery on more than 900 contracts (4.5 million oz) of silver in the May COMEX contract for customers, but unless the bank was illegally using customer accounts to acquire silver for itself on the sly, this silver shouldn't be included in metal for the bank's own interest. Since JPMorgan already has a pass from the regulators to do anything it wants in silver, why would it lie and say it was taking for customers what it was actually taking for itself? Yes, I'm being sarcastic.

One thing I will note about the May COMEX silver deliveries is that there appeared to be some tightness or congestion towards the end of the delivery period, in the form of a slight premium developing in the expiring May contract on the final days of delivery, suggesting stoppers (like JPM) were steadfast in demanding physical delivery and the issuers were reluctant (or had difficulty securing physical material) to deliver. I don't want to start screaming backwardation like many are quick to do, but the circumstance is suggestive of

physical tightness in wholesale quantities of silver.

Likewise, the start of the new delivery period in June COMEX contracts for gold and silver are somewhat noteworthy. While delivery is available for every calendar month, there are traditionally five alternating months in which COMEX gold and silver deliveries are made. June happens to be a traditional gold delivery month on the COMEX and not a traditional delivery month for silver. After two days of delivery (the first few days usually are the heaviest delivery days in most physical commodities for simple economic reasons), a most unusual development has occurred there are actually more silver deliveries in the June contract than gold deliveries.

Since there are still more than 5500 contracts still open in June gold futures and only a handful in June silver futures, final delivery figures for the month will undoubtedly look much different than the first two days' deliveries of 199 for silver and only 46 for gold. Still, two things stand out, the first being potential tightness in gold deliveries (also supported by tightening premiums, or spread differentials). The second thing is that the silver deliveries, notable for the complete absence of JPMorgan, also suggest potential physical tightness in that deliveries are the mechanism by which futures contracts are converted to physical metal and any time there are unusual deliveries, it is not unreasonable

to imagine physical tightness in silver.

The new short interest report on stocks, released after publication of Wednesday's article was a shocker to me, although I'm not completely sure if it was good or bad just not what I expected. The short positions in both SLV, the big silver ETF, and in GLD, the big gold ETF, were reduced by very large amounts as of the close of business May 15. I had been fearing large increases. In SLV, the short position was reduced by more than 7.7 million shares to just over 12.8 million shares (ounces). In GLD, the short position was reduced by more than 3.8 million shares to just under 10.2 million shares (1 million oz). http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%99

The reason I had been fearing a large increase in the short position of each is because gold and silver prices had rallied sharply into the cutoff date for the report, usually a prime opportunity for increased short selling by those interested in capping the price of these ETFs but not possessing the metal to back up their short sales. Plus, we had witnessed a shocking record increase in the COMEX commercial total net short positions in both gold and silver over roughly the same time period and whenever we have seen a big increase in commercial selling on the COMEX, we invariably see a big increase in the shorting of SLV and GLD. Not this time.

I suppose the most rational explanation for the sharp decrease in the short positions for SLV and GLD was that shorts there bought back and covered short positions and that accounted for the price rise. Perhaps the shorts being covered were not related to the commercials which simultaneously were selling heavily on the COMEX. That must be considered good news, for the simple reason there are less shares with no metal backing in these ETFs, long my only gripe about these ETFs. Also good news is that it, at least temporarily, leaves me off the hook in having to write to BlackRock about the excessive short position in SLV and riling up their Park Avenue lawyers again; since the short position is now on the low side historically.

One thing does bother me a bit, however. I'm a big believer in analyzing the data objectively and in assuming that data is correct. I know many distrust any and all official reports, including the COT reports, which I find highly reliable if not somewhat off time wise occasionally. If we distrust published data, then what do we rely on for analysis? However, I would be remiss if I didn't point out that some reports seem more reliable to me than do other reports, due to the methodology behind the various reports.

For instance, I would put the COT reports at the very top of the list in terms of reliability, due to how the reports are complied. By this same measure, I have always had doubts about how the short report on stocks is compiled. To my knowledge, every two weeks an organization I have an inherent distrust of, the Depository Trust Clearing Corporation (DTCC), issues the amount of short sales held in every stock. I don't know how the report is compiled and the DTCC is the most secretive financial organization in the world, as well as the largest, clearing (guaranteeing) more than a quadrillion dollars' worth of securities annually (one thousand trillion). So while I am happy (I think) that the short positions in SLV and GLD contracted as much as reported, I'm not jumping up and down with joy due to who the data came from.

Sales of Silver Eagles maintained the recent slow pace I've been reporting on recently and ended the month of May at the lowest monthly total, not only of 2015, but at the lowest level since last July. The funny thing is that despite Gold Eagle sales not being at the lowest level of 2015, Silver Eagles for May still outsold Gold Eagles by more than 94 times in terms of ounces and much more money was spent on Silver Eagles than Gold Eagles. Not too long ago, that amount of sales of Silver Eagles relative to Gold Eagles would have been considered impossible.
http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

Also funny was an announcement from the US Mint that it had lifted its rationing restrictions on sales of Silver Eagles and anyone could buy all the Silver Eagles it demanded without restriction. I don't mean to be disrespectful to the Mint, but is it serious or has it decided to branch out into standup comedy? Its own reported sales indicated it was finally producing more Silver Eagles than it was selling, so it was elementary that anyone could already buy as many Silver Eagles as demanded, making the announcement of availability meaningless. If any entity tried to buy more Silver Eagles than the Mint had on hand or could produce, rationing restrictions would immediately return, no matter what the Mint announced.

Instead, the real point here is why the sudden cooling off in demand for Silver Eagles? Before answering that, let me say that I detest those who always claim that whatever may be reported proves what they said was correct. I try to avoid that like the plague, because it reflects the very worst of human traits right up there with I told you so. All that said, I can't help but speculate that the Mint's unintended attempt at comedy points to the big buyer of Silver Eagles stepping aside.

After all, the Mint didn't start producing many more Silver Eagles than it had been producing; the fall-off in sales is obviously behind the end of rationing restrictions. So who stopped buying Silver Eagles suddenly? Was it the general public, as those disagreeing with my big buyer premise would contend, or was it a big buyer stepping aside? I still maintain that the public doesn't stop and start broad based buying on a dime and reports from very reliable sources over the past few years have indicated the public hasn't been the big buyer of Silver Eagles. By process of elimination, that left only a big buyer, who I claimed was JPMorgan.

Another funny thing is that very recently (the last month) it has been reported to me that sales of Silver Eagles by the public have picked up, given what was an increase in price and the resultant normal public interest. Therefore, the sudden fall off in reported Mint sales of Silver Eagles points even more to the former big buyer stepping aside. Those who have argued with me that JPMorgan was the big buyer will, undoubtedly, continue to so argue no matter what the data. But that has more to do with the human condition than it does with the data.

In fact, the falloff in sales of Silver Eagles might (I did say might) be in harmony with my speculation that JPMorgan may be close to completing its massive

accumulation of silver and with it, the lighting of the fuse as to when we finally move higher in price. However, I must concede this stepping aside by JPM may be temporary, as was the case last summer, before the bank resumed its aggressive acquisition of Silver Eagles.

Finally, it is not inconceivable that the recent publicity about my speculation that JPMorgan did buy 100 million Silver Eagles and Canadian Maple Leafs over the past four years may have prompted the bank to pull in its horns and quit buying these coins. Please remember, while I have speculated on these pages that JPMorgan was the big buyer of Silver Eagles for almost two years, only recently had the matter reached public attention. That may be why JPM stopped buying, as there is something unsavory about the nation's most important bank using the US Mint and a loophole in the law to acquire silver. In other words, maybe JPM backed off because of the newly developed attention. I have a suggestion to clear the matter up – instead of the Mint issuing moronic announcements about what is already known, how about it find out who's been buying Silver Eagles so aggressively over the past four years and report on that?

The changes in this week's Commitments of Traders Report (COT) weren't of the prior week's blockbuster variety, but then again, what we witnessed last week is

unlikely to be replicated for a very long time, if ever. I missed on my low conviction estimate in silver, but was on the mark for gold. On Wednesday, I did write that while gold had penetrated its 50 day moving average during the new reporting week, silver had failed to do so. Since the 50 day moving average is the one average most important to the technical funds, I had anticipated a much greater relative improvement in gold than in silver and that proved to be the case by an even wider margin than I expected.

In COMEX gold futures, the total commercial net short position was reduced by 22,600 contracts (I had guessed more than 20,000), to 109,700 contracts. This week's reduction reversed about 40% of the prior week's historic increase. By commercial category, it was another Three Musketeers' collusive commercial effort. The big 4 bought back 7600 short contracts, the big 5 thru 8 bought back 4500 shorts and the raptors added 10,500 new longs; about as even and collusive as the commercial routine gets.

The only slight surprise in gold was that the selling wasn't overwhelmingly by the traders in the managed money category, as these traders sold "only" less than 12,400 contracts or 55% of what the commercials bought, instead of the customary 90% or more. Managed money traders sold just over 7200 longs and added just over 5100 new shorts. If I had to describe the COT market structure

in gold in one word, it would be neutral (something I can't say for silver). This means gold could move in either price direction short term, torn between silver's bearish market structure and what could be potential tightening in the COMEX June delivery process. On the other hand, there is zero evidence of strong retail buying of gold, at least in the US and Canada.

In COMEX silver futures, the total commercial net short position only contracted by 1000 contracts (I had guessed a reduction of between 5000 and 10,000 contracts) to 61,500 contracts. By commercial category, the big 4 stood pat, while the big 5 thru 8 added 200 new shorts and the raptors bought 1200 new longs, increasing their net long position to 14,000 contracts. I'd peg JPMorgan at 20,000 net contracts short as of the cutoff date on Tuesday. Whatever occurs on Monday and Tuesday, I am expecting to be able to better pinpoint what JPM holds in the new Bank Participation Report next Friday.

Managed money longs in silver sold out 1742 contracts, reducing long positions to just over 53,100 contracts (13,000 contracts above my “core” 40,000 non-technical fund long position). Managed money shorts bought back another 1400 short positions, reducing the rocket fuel buying potential to around 10,500 contracts, barely above the “E” reading on the rocket fuel tank gauge.

In fact, this is the biggest disappointment of the anemic silver rally of $1.50 from April 28 to the highs a few weeks later, namely, that more than 27,000 contracts were bought by managed money traders buying back short contracts alone (leaving out the 10,000 contracts of new longs added). There wasn't any question that we would get close to 27,000 contracts worth of managed money short covering alone, the equivalent of 135 million oz of silver, or 37,000 contracts (when including the 10,000 new long contracts added) or 185 million oz of net buying by managed money traders.

This managed money buying was as close to a sure thing as was possible and without looking up my exact words, I am certain that I represented it as such. It was the basis for my "big one" or "Is this it?" rally. This buying had to occur on the slightest rise of the price above the key moving averages. This buying did occur exactly as advertised. The only thing that could possibly prevent this certain managed money buying from lifting the price of silver dramatically would be if the crooked and collusive commercials on the COMEX met the aggressive managed money buying with even more forceful and aggressive selling; most definitely including an increase in the concentrated short position. Raptor selling out of long positions wouldn't be enough to cap the price of silver in the face of certain managed money buying; the big commercials, like JPMorgan, would need to pile on as well if the price of silver were to be capped.

And that is exactly what occurred. Adding to the insult of blatant commercial manipulation in capping the price of silver was the fact that there was no legitimate hedging by miners in the selling; this was all financial selling by banks and other financial institutions with no economic legitimacy. If it wasn't perfectly clear then I would never be able to get away with calling JPMorgan and the CME as crooked.

The single biggest key to the silver manipulation has always been if the concentrated short position increases on any price rally and that is exactly what occurred on the latest (snuffed out) rally. The concentrated short position of the 8 largest traders in COMEX silver is now 75,529 contracts, or 377,645,000 million oz, the most in six years. Eight traders, not one of them a miner or representing miners is short almost 50% of what the CPM Group claims is world annual silver mine production (790 million oz). No other commodity has such a concentrated short position and this is why silver miners everywhere should be complaining and screaming with the loudest voices possible.

I haven't done so in a while, but let me point out something I used to bring up in the past that is more relevant today. As crazy as it is that COMEX silver has the

largest concentrated short position of any commodity traded in terms of actual world production, it's even crazier than that. Not only is the concentrated short position in COMEX silver so large as to be impossible to justify economically, the concentrated short position is almost double the size of the concentrated long position, a situation not witnessed in any other metal and few other commodities in general.

Here we have a commodity, silver, down in price for four years and nearly 70% below the peaks of four years ago; in addition to being close to or below the primary cost of production and the concentrated short position on the COMEX is not only larger than that of any other commodity in terms of actual world production, but it is almost twice as large as the corresponding concentrated long position.

Common sense should tell you that an item severely depressed in price should have a small concentrated short position, not the largest short position of all. Common sense should also tell you that a commodity so depressed in price should have a much larger concentrated lon