

The holiday-delayed Commitments of Traders (COT) Report for positions held as of Tuesday, November 8, for COMEX gold and silver futures, indicated the expected deterioration (managed money buying and commercial selling), but a bit less than I feared. With silver up by \$2 and gold up by \$70 over the reporting week, it was virtually impossible for there not to be substantial managed money buying and commercial selling - after all, this is what determines price.

But whereas I was girding for around 20,000 contracts of net positioning in silver and a comparable amount in gold, we mostly fell short of such changes, which I found to be a great relief. And while I didn't mention it on Saturday, there were only two days of high-volume price surges in silver in the reporting week ended last Tuesday and even through today's trading (with one day to go before the cutoff tomorrow) there have been no further high-volume price surges, which suggests no big deterioration through today - even though silver has been creeping higher.

In COMEX gold futures, the commercials increased their total net short position by 16,400 contracts to 91,100 contracts. Considering the extent of the rally over the reporting week (\$70) and the fact that gold upwardly penetrated its 50-day moving average for the first time in three months, it's downright remarkable (and bullish) that the new COT report indicates a less than 100,000 contract total commercial net short position. I'm sure there has been more deterioration in gold since last Tuesday, given the stronger relative price action and higher trading volume than seen in silver, but it must be remembered just how bullish the gold market structure had become - it's just that it stayed so bullish for so long recently that it started to look normal - which it never was.

By commercial categories, it was mostly a new shorting effort by the former big

commercial shorts - not unexpected (or alarming at this point) because the commercial-only short component had gotten so low. The combined (commercial plus managed money) short position of the big 4 rose only by 3600 contracts to 106,975 contracts (10.7 million oz), while the combined big 8 short position rose to 177,315 contracts (17.7 million oz). But since the managed money traders covered short positions, the commercial-only big 4 short position rose by 16,000 contracts or so to 73,000 contracts, while the commercial-only big 8 short position rose to 129,000 contracts or so. The gold raptors didn't do much and I'd peg them at 38,000 contracts net long.

The managed money traders did buy more net gold contracts than the commercials sold, as these traders bought 25,055 net contracts, consisting of the purchase of 9846 new longs and the buying back and covering of 15,209 short contracts. The resulting net managed money short position is still notably bullish (in that it still is net short) at 16,346 contracts (88,059 longs versus 104,405 shorts). Explaining the difference between what the commercials sold and the managed money traders bought was net selling by the other large reporting traders of more than 7000 contracts and another 1300 contracts of net selling by the smaller non-reporting traders - which is fine by me.

In COMEX silver futures, the commercials sold 11,7000 contracts, increasing their total net short position to 22,100 contracts. While some might note that this is a doubling of the short position in one week, of more significance to me is how low the short position is considering silver had moved up to its 200-day moving average, having already upwardly penetrated its 50 and 100-day moving averages - all for the first time in six or seven months. Having such a low total commercial net short position with silver at or above all three of its key moving averages is quite rare and

quite bullish.

As was the case in gold, almost all the commercial selling in silver was new shorting of the former big commercial shorts - not something to be thrilled about should it continue, but OK for now. The combined (managed money plus commercial) big 4 short position actually fell by 1500 contracts to 41,569 contracts (208 million oz), while the combined big 8 short position fell to 60,107 contracts (306 million oz), but with managed money short covering and commercial selling, the big 4 commercial-only component rose from 30,000 contracts to 37,000 contracts, while the big 8 commercial-only short position came in at around 55,000 contracts. This would indicate the raptors (the smaller commercials) sold around 4000 longs, reducing their net long position to 33,000 contracts - about in line with expectations.

On the managed money side, these traders bought 14,827 net silver contracts, consisting of the purchase of 2851 new long contracts and the buying back of 11,976 short contracts. The resultant managed money net position did swing from a net short to a net long position of 9392 contracts (38,876 longs versus 29,484 shorts), but considering silver prices were at or above all three key moving averages on the cutoff day, such a low net long position is remarkably bullish in historical terms. Net selling of around 3300 contracts by the other large reporting traders accounted for the difference between what the commercials sold and the managed money traders bought, which was fine by me.

The bottom line is that both gold and silver were well-within or less than expectations at this point, is fine. Nothing in this report looks alarming to me. Considering how much potential positioning remains (as highlighted in "The Mechanics for a Price Explosion"), this report looks aces to me.

On a note apart from the latest COT report, the sudden implosion of FTX has led to all manner of finger-pointing and blame towards a wide-variety of advocates, promoters and investors in FTX and other crypto-related dealings. From my admittedly none-too-knowledgeable perch on such matters, most of the criticism looks legitimate and I hope there is some relief for innocent victims and a good measure of justice and punishment for those who prove to be guilty of what looks likely to be a monumental fraud.

It is also understandable for the criticism leveled at political figures and those in present and past regulatory positions who got caught up in the growing scandal. Unfortunately, at times like this, the nets of accusations are often cast too broadly and along partisan lines. From what I can tell, the influence that the man at the center of FTX, Sam Bankman-Fried (SBF), was quite proficient at dishing out was directed at both Democratic and Republican officials and former officials. In fact, the efforts of both bodies of Congress to enact legislation amenable to FTX and the crypto industry looked remarkably bipartisan to me - somewhat of an oddity considering the times we live in and attesting to the equal-opportunity approach of FTX in peddling influence.

But I do find it distasteful how current regulators appeared to be quite friendly with SBF and how past CFTC officials were employed or professionally engaged by FTX - pointing to the worst of the "revolving door" pattern between the regulators and the regulated. However, as I just indicated, the nets of accusation can be cast too far and without proper consideration at times like these.

Specifically, allegations of neglect or wrongful involvement by Gary Gensler, SEC chair, look particularly misplaced. From everything I have personally observed,

November 14, 2022 - COT Report Comments

Gensler has led the way in trying to protect the public and getting FTX and others in the crypto world under the tent of regulation and that he's being accused of any impropriety seems particularly misplaced and mean-spirited. Of course, I'm allowed to be wrong and if that turns out to be the case, I will acknowledge same (although I believe I have pretty good track record on human character).

Moreover, in terms of something that grates on us all - the unsavory business of the "revolving door" between the regulators and the regulated, Gensler and his sidekick, Dan Berkovitz (former General Counsel and Commissioner at the CFTC and current GC at the SEC), are shining examples of public officials dedicated to serve and not out to enrich themselves personally. Gensler was well-off as a result of having been a partner at Goldman Sachs who has eschewed any further big financial paydays for more than 25 years. I know it's rare in our increasingly material and selfish world, but sometimes people do pursue a path of helping others in the manner they are best capable, and Gensler and Berkovitz seem like such people to me.

As far as neither ever cracking down on JPMorgan and others in silver during their tenure at the CFTC, I'd chalk that up to orders from higher up at the US Treasury Dept and Federal Reserve, who arranged the takeover of Bear Stearns by JPM in 2008, before either arrived at the CFTC. The jury is still out on the current issue of the fraudulent and manipulative short selling in SLV, the big silver ETF, but dismantling that time-bomb requires more than a little finesse.

Ted Butler

November 14, 2022

Silver - \$22.08 (200 day ma - \$21.51, 50 day ma - \$19.54, 100 day ma - \$19.48)

November 14, 2022 - COT Report Comments

Gold - \$1775 (200 day ma - \$1807, 50 day ma - \$1684, 100 day ma - \$1723)