

The holiday-delayed Commitments of Traders (COT) report for positions held on the COMEX as of the close of business on Nov 9 came in quite close to my hopes and published expectations. To be sure, there were significant increases in managed money buying and commercial selling, particularly in gold, as there were significant price increases over the reporting week of as much as \$45 in gold and a full dollar in silver. Were there no increases in managed money buying and commercial selling with such price increases, that would have been really big news.

While I'm not of a mind to celebrate the increase in gold commercial shorting of 35,600 contracts and the 4800 contract increase in commercial selling in silver, I am relieved the increases were remarkably close to my hopes of 35,000 contracts in gold and 5000 contracts in silver mentioned last Wednesday. As it turned out, the 63,000 contract increase in total gold open interest over the reporting week was inflated by 29,000 contracts of phony spread creation. In addition, the commercial category breakdown largely followed my hopes that it was mostly raptor selling.

In COMEX gold futures, the commercials increased their total net short position by the aforementioned 35,600 contracts to 275,489 contracts. This is the largest (most bearish) level since mid-Feb. By commercial categories, the big 4 added 9500 new shorts to a net short position amounting to 149,609 contracts (15 million oz) as of Tuesday. The 5 thru 8 big shorts added 2000 new shorts and the big 8 short position amounted to 241,544 contracts (24.2 million oz). The smaller commercials apart from the big 8 (the raptors) did the heavy selling by adding 24,100 new shorts to a net short position amounting to 34,000 contracts. FWIW, the big 4 shorts held about 15,000 contracts less net short as they did back in mid-Feb.

On the buy side of gold, the managed money traders were net buyers of 40,371 net

contracts, consisting of the new purchase of 31,189 long contracts as well as the buyback and covering of 9182 short contracts. The other large reporting speculative traders were net sellers of 5300 contracts, mostly in the form of new short sales (4150 contracts) with lighter long liquidation (1169 contracts). Also as expected, the new big gold whale appeared to hold his big 38,000 contract net long position, as the concentrated long position of the 4 largest longs declined by less than 400 contracts.

In COMEX silver futures, the commercials increased their total net short position by 4800 contracts to 53,700 contracts. This is the largest (most bearish) short position since mid-July. By commercial categories, the big 4 added a bit more than 200 contracts and hold a net short position of 45,910 contracts (230 million oz). The next 5 thru 8 largest traders added less than 200 new shorts and the big 8 short position increased to 63,667 contracts (328 million oz). As was the case in gold and in line with my hopes, the raptors did the lion's share of the selling in silver in selling off 4400 of their longs and hold 10,000 contracts net long as of Tuesday.

On the buy side of silver, unlike what occurred in gold, the managed money traders bought less than the commercials sold, in buying 3279 net contracts, consisting of the purchase of 559 new longs and the buyback and covering of 2720 short contracts. I was somewhat surprised (and encouraged) by the small number of new longs. There was some phony spread creation, but nowhere near the number created in gold.

While I was relieved to have come so close in handicapping this COT report, there have been substantial additional increases in total open interest in gold (nearly 40,000 contracts) and silver (10,000 contracts) since the cut-off and that's not particularly comforting. However, considering what may be going on in the physical

silver market, perhaps it's the shorts who should be nervous. Additionally, I do have the feeling that if the COMEX commercial crooks do succeed in rigging a sharp selloff, all the silver investors now apparently tuned in to the manipulation will raise a ruckus more meaningful than in times past.

A quick word on copper. This week's COT report suggests we may be done or close to done in cleaning out the net managed money buying that drove prices to \$4.80 amid the run down in copper inventories on the LME, which prompted the exchange to institute emergency measures protecting the shorts (what's new?). While the physical market in copper was and is tight as a drum, managed money longs are always fair game for shorts in trouble and the combination of LME interference of the part of the shorts and a too-heavy managed money long position accounted for the copper selloff over the past few weeks.

Perhaps we'll still see an engineered downward penetration of the 200-day moving average (\$4.29) to fully cleanout the managed money traders, but the vast majority of the managed money traders long who added positions up to \$4.80 appeared to be gone. The only possible fly-in-the-ointment for much higher copper prices in the long run hinges on whether China can continue to avert an all-out collapse of its property market.

Ted Butler

November 15, 2021

Silver - \$25.15 (200 day ma - \$25.42, 50 day ma - \$23.50, 100 day ma - \$24.20)

Gold - \$1865 (200 day ma - \$1792, 50 day ma - \$1785, 100 day ma - \$1791)