

The holiday-delayed Commitments of Traders (COT) Report for positions held as of the close of business Nov 21, didn't feature significant net positioning changes in COMEX gold and silver futures. This was broadly expected, as prices ended the reporting week little changed, but did include the sharp high volume rally on Friday, Nov 17, as well as the equally sharp selloff the following Monday.

You also might recall that total open interest expanded dramatically in both COMEX gold and silver on the Friday rally (30,000 contracts in gold and 5000 contracts in silver), before declining by those same large amounts as a result of Monday's selloff. The sharp increase and decrease in total open interest meant the new contracts created on Friday were disposed of on Monday, as I recently speculated had likely occurred.

Therefore, the most plausible explanation was whipsawing of the speculative traders by the commercials and that would seem to be validated by this week's report. The only twist was that the managed money traders weren't the principle speculators whipsawed; this week, the other large reporting traders and the non-reporting traders did a lot of heavy lifting.

In COMEX gold futures, the commercials increased their total net short position by 9300 contracts to 225,100 contracts. This means that the commercial net short position or headline number is as largely unchanged over the past nearly two months as has been the price of gold. That's not a coincidence by any stretch of the imagination. It's true that the overall market structure in gold looks bearish based upon past readings; my point here is that has been the case since late September. In a sense, we're in a state of suspended animation as we await the eventual resolution

of market structures in both gold and silver.

By commercial categories in gold, all got the memo, as the big 4 added 3800 new shorts, the big 5 thru 8 added 4100 new short contracts and the raptors rounded off the selling by liquidating 1400 longs (the same amount they added last week).

On the buy side of gold, the managed money traders not only didn't buy any net contracts, they sold a net 2943 contracts, including the sale of 3365 long contracts and the buyback of 422 contracts they were previously short. Normally, as you know, the managed money traders line up against the commercials in net positioning changes like Frick and Frack; this week was the exception. The explanation has to do with the positioning changes not being particularly large to start with, plus net buying by the other large reporting trades and smaller traders, both in new buying and short covering.

In COMEX silver futures, there was no net change in the total commercial short position, which remained at last week's 80,400 contracts. This was somewhat of a statistical oddity, even in rounding off to the nearest hundred contracts, as is my custom. There was change by commercial category, as the big 4 added 1600 new shorts and the raptors added that same number of longs to a net long position now amounting to 22,300 contracts. The big 5 thru 8 stood pat and the total concentrated net short position of the 8 largest traders is now 102,692 contracts or more than 513 million oz.

I'd peg JPMorgan's net short position to be just about 40,000 contracts, or 200 million oz, the highest in quite some time. Even back in April of this year, when the total commercial net short position, as well as the concentrated net short position of the big 8 were much higher than they are currently, JPMorgan's share of those short

positions was much less than it is currently. It will be another two weeks before the next Bank Participation Report and when I can calibrate JPM's short position with a much higher degree of accuracy; but it does stand out that JPMorgan is holding a much larger share of the COMEX silver short position than it has in years.

I'm not going to get into it today, but one possible explanation is that the king kahuna silver short is having to assume a larger role on the short side than it has previously because another big short (ScotiaMocatta?) isn't participating as it once did. While JPMorgan has increased its short position on the COMEX, if anything, this might increase the chance of a commercial double cross by JPM, given its 650 million oz physical long position which still leaves the bank net long by 450 million oz, the most anyone has ever been net long silver in history.

Also not something that I will get into today, it seems like the pressure is building for a resolution to what must be considered extreme market structures in both COMEX gold and silver. I know full-well how it has always been eventually resolved when the commercial net short position, and especially JPMorgan's paper short position have been high, namely, to the downside.

But the jury is still out on whether the managed money traders will add aggressively to the shorts side and if they don't, it's also hard to see how the large commercial short positions can be covered without that big managed money shorting. Therefore, the odds are much higher (although unquantifiable) of a surprise to the upside instead. No matter what, JPMorgan is golden (by virtue of its long silver position).

I forgot to mention last week's money scoreboard of the big 8 in gold and silver in Saturday's review. As of Friday's close, and as a result of gold's \$6 and silver's 30 cent declines last week, the 8 big shorts in gold and silver combined made back \$300

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million in unrealized losses (\$150 million in each). As of Friday, the total open net loss to the big 8 combined was \$450 million. For those looking to plot this independently, each dollar in the price of gold is worth \$26 million and each 10 cents in silver is worth \$50 million to the big 8 combined. Next report will be Wednesday.

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Silver - \$17.01 (200 day ma - \$17.15, 50 day ma - \$17.01)

Gold - \$1294 (200 day ma - \$1267, 50 day ma - \$1287)