Weekly Review

For the sixth week in a row, not only did the price of gold and silver fall; both ended at new 5+ year weekly lows. For the week, gold ended lower by $20 (1.9%), while silver ended 10 cents (0.7%) lower. As a result of silver's relative outperformance (or gold's relative underperformance), the silver/gold price ratio tightened in by nearly a full point, to just over 75 to 1.

While the price ratio is still very high on an historical basis (indicting a deep relative undervaluation of silver compared to gold), it is noteworthy how stable the ratio has been over the past year and, particularly, over the pronounced six week price decline. Normally (whatever that is), when gold falls by more than $120, as it did over the last month or so, silver falls by more than $2. I'm trying hard not to read too much into short term price action because I know how phony and orchestrated precious metals pricing has become, but I can't help but feel silver just doesn't have much room on the downside (same with gold).

Once again, more than anything else, the tightly choreographed and synchronized gold and silver (and other metals and oil) price movement over

the past six weeks and for much longer cries out for an explanation. After all, such synchronized price movements have to have some reason causing them; and we can eliminate actual supply and demand as a common denominator. By process of elimination, if it's not actual supply and demand, then it must be something else common to all these commodities. The only connection I can see is futures contract positioning on two of the exchanges run by the CME Group □ the COMEX and the NYMEX. That's what has led me to label the CME (as well as JPMorgan) as price manipulators and crooks □ so far with no blowback.

Analysis, at least to me, is taking facts known to be verifiable and considered to be reliable and coming up with the most plausible explanations to describe and connect all the facts □ with the goal of explaining past price action and anticipating future price action. Because it is impossible to know all the facts that might influence gold or silver prices, speculation is often required to fill in the blanks. But one must be very careful in trying to stick to the facts primarily and to resort to speculation only when required; otherwise you can drift off into a speculative fantasy. Come to think of it, sticking primarily to the facts and coming up with the most plausible explanations behind them is what I try to do; and I rely on you to remind me when I drift off. Please keep that in mind as I review this week's important facts (and if I leave any facts out, please assume I don't deem them very important).

The first fact is yesterday's sudden price plunge, in which gold knifed to new price lows in a swoosh around 8 AM EST, in trading that can be traced exclusively to the COMEX. After the sudden price plunge, prices basically flat lined for the rest of the holiday shortened trading day. While those are the facts, the reporting on the plunge was mostly misleading in that it was reported or strongly implied that the commercials were selling and bombing prices, something very much at odds with other verifiable facts.

Always, always, always, on big sudden price moves down, the commercials end the day as big net buyers and managed money traders are the big net sellers, as proven in COT data. Yes, the commercials first rig prices lower, but only to induce managed money selling. That's the game and if more saw it for what it actually was, it probably wouldn't have lasted as long as it has. If there is a more plausible explanation for yesterday's price plunge away from a deliberate intent on the part of commercials to buy, then I am unaware of it.

The next fact is the turnover or physical movement of metal brought into and taken out from the six COMEX-approved silver warehouses. This holiday shortened week, just over 3.5 million oz were physically shuffled, as total

COMEX silver inventories fell by 1.3 million oz to yet another new two year low at 159 million oz. Also noteworthy was a 0.7 million oz decline in the holdings in the JPMorgan COMEX silver warehouse, something not seen in quite some time. (Making the JPM warehouse reduction even more unusual were the details concerning the first day's deliveries on the December silver and gold COMEX contracts – more in a moment).

The facts concerning this week's (and every week's) physical COMEX silver inventory movements are easily verifiable and must be considered reliable after all, what's to be gained in reporting bogus turnover data? And the fact still remains that of all metals, only COMEX silver has experienced this unusual physical turnover for the past 4.5 years. The most plausible explanation for the unprecedented inventory turnover remains a tightness in wholesale silver supplies that necessitates continuous metal being deposited to accommodate persistent demand. As always, I solicit alternative explanations.

Now to the facts of the first notice day for delivery on the big COMEX gold and silver December futures contracts. In fact, both gold and silver deliveries were unusual, but in different ways. First gold. After the non-traditional delivery month of November, in which 200 contracts remained open for delivery for nearly the entire month, the delivery was completed on the last delivery day of

November. That's a simple fact that implies physical tightness in gold, as I have commented on recently.

The first notice day for December does nothing to eliminate the tightness premise in gold, as only 2 contracts were issued for delivery against nearly 8,000 COMEX contracts still open as of the close of business yesterday. Furthermore, JPMorgan stopped one of the two gold contracts issued, which usually means it will stop many more (as and when issued). Much can and will happen as this delivery month progresses, but at this moment, the most plausible, albeit preliminary explanation surrounding it is that physical gold looks tight.

Perhaps this is speculation, but I can't help but feel, because the commercials have done such a remarkable job in reducing their total net short position over the past month by maneuvering the managed money traders onto the sell side of COMEX gold and silver, that this is the main plausible explanation in advance for a short squeeze in gold (and silver), tied to COMEX delivery circumstances. I know many point to the low levels of COMEX gold inventories and I do believe there is some truth in that; but when the commercials are favorably positioned for such a squeeze, as they are now, this positioning is many times more important. Much less important is, for some reason, the relative lack of public

pronouncements that this current delivery period will be the one in which prices soar. Up until now, there were always widespread predictions of delivery squeezes that never came to fruition.

If the deliveries were light in COMEX gold futures, that certainly wasn't the case in silver, as 2746 contracts were issued and where only 1300 contracts still remain open for delivery. Most unusual about the 2746 delivered contracts (the equivalent of more than 13.7 million oz) is that they were issued by a customer of JPMorgan and accepted (stopped) by 21 different clearing firms, including 937 contracts stopped by JPMorgan for its house or proprietary trading account. Thus, not only was JPMorgan the sole silver issuer for a customer, it was the largest stopper by far for its own account. Just to remind you, I have previously reported this year that JPMorgan has been the largest acceptor of silver deliveries on the COMEX and with this delivery has now stopped 4776 total silver contracts this year, or nearly 23.9 million oz, a small portion of the 400 million oz I estimate the bank has acquired over the past 4.5 years.

First day's deliveries (this link will change on Monday)

http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsReport.pdf

YTD deliveries

http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Undoubtedly, many of the 21 different stoppers of silver on the first notice day will redeliver (sell) their metal quickly, as this normally happens. And while it's not unusual to see only one big issuer in COMEX gold or silver on first notice day, some other facts stand out. Among them is the observation that COMEX gold and silver deliveries and trading are dominated by three banks JPMorgan, HSBC, and the Bank of Nova Scotia, with JPM as the kingfish (or king crook). Unless I've been in some deep coma, I thought there was a movement over the past 5 years and longer to rein in big banks from speculating and dominating commodity markets via Dodd-Frank and the Volcker Rule. The facts clearly document that the big banks are more dominant in gold and silver (and other commodities) than ever before, and most usually for their own house speculative trading accounts.

The whole idea behind manipulation is control and dominance by a few large traders. It's hard to imagine markets more dominated and concentrated than COMEX gold and silver; at least, that's what the facts indicate. What are the most plausible explanations for that dominance and control? I still hold the most plausible explanation is pure greed on behalf of the big banks, with the most

greedy of all being JPMorgan; but the dominance and concentration are so well-defined by the facts that there has to be government and regulator involvement of some type. Surely, the CFTC and CME have to be aware that the data they are publishing prove control and price manipulation beyond question. Not being able to refute these allegations has to be why the issue is not addressed.

I wish I knew more about the circumstances of the first delivery day in COMEX gold and silver, aside from what I just outlined, but I'll spare you completely unfounded speculation, as that would not be in keeping with my goal of presenting the facts and offering the most plausible explanation. I do know that any physical shortage will overwhelm the paper COMEX positioning manipulation, so deliveries must be closely monitored. But the glaring fact is that COMEX futures positioning is the main price sled dog and, to repeat myself, the commercials are configured like never before for an upside move.

Another easily verified fact is the number of Silver and Gold Eagles sold by the US Mint, as well as Maple Leafs sold by the Royal Canadian Mint. With sales winding down for the year, at 44 million oz of Silver Eagles already sold, it looks like another record year for Silver Eagles if any are sold in December. Gold Eagle sales zoomed late in the year, but will be nowhere near a record, despite increasing by 60% over 2014. Those are the facts and I doubt anyone disputes

the US (and Canadian) Mint's statistics.

http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

But there is another fact this year and for the past 4.5 years in Silver Eagles that most seem to be overlooking. When the vast majority of silver and gold commentators report on sales of Silver and Gold Eagles (usually accompanied by fancy graphs and charts), they focus exclusively on the reported sales from the Mint and make the assumption that the impressive sales must indicate impressive retail demand. In a word, they are wrong.

Yes, sales of Silver Eagles have been white-hot for more than 5 years, totaling more than 200 million oz over that time, but plain vanilla retail sales have been, by and large, putrid. I suppose one would only know this if one had close and longstanding connections in the retail trade, but I have such connections and can assure you that demand from retail buyers has been far from strong since silver prices began their descent in May of 2011. Sure, there have been spurts in demand, even this year when the Mint reaffirmed rationing; but by and large, retail demand has been punk overall.

So here we have two facts the unqualified fact of record Mint sales of Silver Eagles and my qualified fact that the buyers of those coins were not of the retail variety; at least to the extent that retail buyers accounted for no more than 50% of the new Silver Eagles sold over the past 5 years. There is no doubt the Mint sold the coins it reported. I understand there might be more doubt concerning my fact of tepid retail buying and many were quick to reject my findings out of hand, despite me having deep and longstanding connections to the retail trade.

I can assure you that I would never knowingly misrepresent any fact in silver and you can take my word for it that overall retail demand for silver and Silver Eagles over the past 5 years has not been strong to the very best of my knowledge. After all, aside from Silver Eagles, there are no glaring examples of possible strong retail demand in silver; including net investment flows into the public silver investment vehicles, like the big silver ETF, SLV, where holdings are unchanged over the past 5 years. Granted, silver investors have held tighter than gold investors as evidenced by the remarkable decline in the holdings of the big gold ETFs, like GLD. While silver investors appear to have held much more strongly than their gold counterparts, I detect no net new investment demand by retail buyers. This underscores my Silver Eagle premise why would investors buy gobs of Silver Eagles and not all other forms of silver?

If there are two facts here, both record sales of Silver Eagles and a lack of unusually strong retail buying demand, then what is the most plausible explanation connecting these two separate facts? It seems inescapable to me that the conclusion must be explained by a big buyer and what better candidate for the big buyer other than JPMorgan. Throw in the fact that JPM could fiddle the US Mint as easy as it could fiddle with the nitwit managed money traders on the COMEX and the fact that the Mint seems to have produced all the Silver Eagles it was capable of producing for the past five years and if you can think of a better candidate for the big buyer of Silver Eagles, please drop me a line.

I'll be reporting on the results of the holiday-delayed COT report late Monday (around 6 PM EST). But I have to tell you that the results already seem somewhat anticlimactic, given all that has already occurred in COMEX gold and silver positioning over the past few weeks. Yes, I expect further reductions in the commercial net short position and an increase in managed money selling in the reporting week ended Tuesday Nov 24, to say nothing of the trading action yesterday, particularly in gold.

Since prices were basically flat during the reporting week in Monday's report,

with a few salami slices to new lows, I'm more convinced there was no commercial selling than there were further big increases in commercial buying; but the level of commercial buying on this downturn is nothing short of extraordinary and must be drawing to an end. Seeing as I've been too timid in guessing the extent of commercial buying very recently, I won't be surprised to see more than 5000 net silver contracts and 10,000 or more gold contracts bought in Monday's report, to say nothing of what may have transpired in yesterday's mugging in gold. Again, if very recent history is any guide, I may be underestimating the level of commercial buying and managed money selling to be reported.

Therefore, it wouldn't surprise me, extrapolating through yesterday, if a total of close to 150,000 net contracts of COMEX gold futures and close to 50,000 net contracts of COMEX silver were sold by managed money traders since the COT report of Oct 27, in a combination of long liquidation and new short selling (with the commercials on the buy side). That's the equivalent of 15 million oz of gold with a notional value of $16 billion) and 250 million oz of silver (worth more than $3.5 billion).

In little more than 4 weeks, managed money traders were tricked (by the commercials) into selling the equivalent of 15% of annual world gold mine

production and 30% of world annual silver mine production. Imagine the impact on price if the equivalent of 15% or 30% of the world annual production of any other commodity were sold by one narrow group of traders in just a month. It has to be an imaginary exercise because it's never happened in any commodity away from COMEX gold and silver. In many ways, it's a miracle gold only fell by around $120 and silver by $2 over this time.

Actually, it's not a miracle; it's proof and evidence of manipulation. The agents of the manipulation are not the managed money traders — they are just the enablers and victims; the agents are the beneficiaries of the price takedowns, the commercials. Gold and silver prices went lower for only one reason — to allow the commercials to buy as many gold and silver contracts as possible. That's a fact as is evidenced in the COT reports.

Now comes the good part for investors — the only plausible explanation for why the commercials rigged prices lower was to get the managed money traders to sell, which in turn allowed the commercials to buy in prodigious quantities. And no one buys any investment asset, including futures contracts, absent the intent to sell eventually at higher prices. It comes down to who's zooming who. Based upon the continuing flow of data over many years, the commercials are the zoomers and the managed money traders are the zoomies or suckers. Yeah,

some managed money traders got lucky a year ago when a few raptors got into trouble and got bombed out on the long side (I still have my Easter Bunny costume); but the performance of the managed money traders has been pitiful since then. We could speculate all day long as to why the managed money traders are so lame, but the COT data proves they are.

On November 4, in “The Count” I highlighted how the commercials had added to a net short position by 90,000 gold contracts in 5 weeks at an average price of $1165. Now these crooked sons of guns have purchased close to 150,000 net contracts at what I would calculate at an average price of $1085. By my math, the commercials made over $700 million to the downside on gold alone (much more when factoring in silver) and now stand to benefit even more on a gold rally. I don't doubt some type of government sanctioning based upon the fact that the regulators are averting their eyes from this ongoing manipulation; but the numbers of dollars involved would appear to provide ample motivation for the commercials to manipulate prices.

The setup is still super bullish and any further commercial buying revealed in Monday's report or as a result of yesterday's trading is, well, icing on a cake that's been baked. When the market structure gets as extremely bullish as it is now, I can't see any reason not to be exposed to the long side as much as one's

financial circumstances permit. That's not intended as personal investment advice; it's just a statement of fact followed by the most plausible explanation for how to treat it.

Ted Butler

November 28, 2015

Silver – $14.05 (50 day moving average – $15.09)

Gold – $1057 (50 day moving average – $1126)