

COT Comments

The holiday-delayed Commitments of Traders (COT) Report for positions as of last Tuesday (Nov 22) and released today was mostly as hoped for, in terms of affirming some recent unusual developments. I hadn't offered any predictions for this report. While price action was mostly lower during the reporting week, the price declines weren't sharp and trading volumes weren't heavy, until we crossed into the reporting week to be covered in this coming Friday's report.

In COMEX gold futures, the commercials reduced their total net short position by 7800 contracts to 192,200 contracts, another new low water mark extending to March. By commercial category, the big 4 did the heavy lifting in buying back 9100 short contracts, while the big 5 thru 8 bought back an additional 3300 short contracts. This left the raptors as not receiving the Three Musketeers' buy memo, as the smaller commercials increased their short position by 4600 new contracts.

Both the big 4 and the big 8 hold their smallest concentrated short positions since spring. If the gold (or any) market is manipulated in price, then it must be

manipulated by a handful of large traders. That's why I focus on the concentrated short positions. Therefore, to see the prime candidates for manipulation greatly reduce their concentrated positions is always good news.

On the sell side in COMEX gold futures, it was all managed money selling as is usually the case, with these traders selling nearly 10,300 contracts, including the liquidation of 6268 long contracts and the new short sale of 4023 contracts.

The standout features to the COT gold report was the continued and disproportionately large relative amount of big 4 and big 8 short covering and the relatively small amount of managed money shorting. As you will recall, these were the standout features of the prior gold COT report.

In COMEX silver futures, the total commercial net short position was reduced by only 300 contracts to 78,200 contracts. By commercial category, the big 4 added 700 new shorts and the raptors sold 100 long contracts, meaning the big 5 thru 8 bought back 1100 short contracts. These weren't big numbers, but I was (slightly) disappointed in that the big 4 short increase probably meant JPMorgan added slightly to its short position, which I'd peg around 20,500

contracts.

On the sell side in COMEX silver futures, the managed money traders sold a hefty 5320 net contracts, including the sale of 6085 long contracts and (big drumroll) the actual buyback of 765 short contracts. The gross long position of the managed money traders is down to just under 58,000 contracts and the gross short position is down to only 15,412 contracts.

I went out of my way a week ago to highlight two key features of the previous COT report - the reduction in the concentrated short position of the big 4 (JPMorgan) in gold and silver and the highly unusual light new short selling by the managed money traders on what were always clear technical signals to go short. Going into today's release, I was wondering if last week was a fluke and there would be big new shorting by the managed money traders in today's report. Now, more than ever, a paradigm shift looks to have occurred □ for some reason and for the very first time, the managed money traders are not adding to the short side.

Over the past two weeks, managed money traders have added less than 9500

short contracts in gold where they would normally add many tens of thousands of new short contracts given the price decline that occurred. In silver, the managed money traders actually bought back 400 shorts, where I would have expected them to add 10,000 to 20,000 new shorts.

I've described why this is so important □ the less the managed money traders add to short positions, the less the commercials can buy back their own shorts and the less reason for prices to drop further. Try as I might, I can't see how this is not a new powerfully bullish factor; a factor, quite frankly, that I didn't anticipate beforehand. Now that it has been confirmed for the second week running, I'm convinced it was no fluke and I'm glad to have jumped on it initially. The commercials may slice prices lower, but they appear to have lost a formerly reliable source of paper supply.

Ted Butler

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Silver - \$16.63 (200 day ma - \$17.65, 50 day ma - \$17.94)

Gold - \$1194 (200 day ma - \$1281, 50 day ma - \$1270)