

November 29, 2021 – COT Comments

The Thanksgiving holiday-delayed Commitments of Traders (COT) report for positions held as of Tuesday, November 23, did indicate fairly significant managed money selling and commercial buying, but not to the extent expected or hoped for by me. The headline number for the reduction in the total commercial net short position in silver was fairly close to my estimate of 10,000 contracts, at 9200 contracts reported, but the offsetting managed money buying only came to half that amount.

It was the opposite in gold, where the reported reduction in the total commercial net short position was only less than 20,000 contracts, where I was expecting a 50,000-contract reduction, but the managed money traders sold just over 37,000 net contracts, still under, but not by the same amount I missed on the commercial side.

Once again, while I was disappointed there wasn't more commercial buying and managed money selling, it was forgone conclusion that such positioning would result on a reporting week in which gold fell by more than \$70 and silver by \$1.50. And since the biggest portion of the price decline occurred on the last two days of the reporting week, I am mindful of a past pattern of the report not capturing the full change when there is a big price and positioning change into the cutoff. Let me run through the numbers.

In COMEX gold futures, the commercials reduced their total net short position by 19,700 contracts to 267,800 contracts. Since I was expecting a total net short position closer to 240,000 contracts (per my comments on Saturday), I'm not exactly jumping up and down with same enthusiasm with which I went into the report and from my comments in the early release of last week's mid-week comments. At the same time, I find it curious that gold has held up much better than silver price-wise since that mid-week commentary, down only 6 dollars since last Tuesday's close (where silver is down closer to 75 cents).

By commercial categories in gold, the big 4 bought back 4000 contracts and hold 152,532 contracts net short (15.3 million oz). The big 5 thru 8 shorts added 1600 new shorts and the big 8 short position was 246,882 contracts (24.7 million oz). It was no surprise that the smaller raptors did most of the heavy lifting in buying back 17,300 shorts and reducing their net short position to 20,900 contracts.

On the sell side of gold, the managed money traders sold 37,046 net contracts, consisting of the sale and liquidation of 33,195 longs and the new sale of 3851 short contracts. Explaining the difference between the 19,700 contracts bought by the commercials and the 37,000 contracts sold by the managed money traders was net buying of 11,700 contracts by the other large reporting traders (including more than 12,600 contracts of short covering) and more than 5600 contracts of net buying by the smaller non-reporting traders. The other large reporting traders had added more than 13,000 contracts of new short positions in the two prior reporting weeks and appeared to play recent gold moves quite well, as well as providing stiff buying competition to the commercials.

There was only a 2700 contract net reduction in the concentrated long position of the 4 largest gold longs, close to the same level added last week, so it appears the new gold whale held onto the 38,000 contracts that I attribute to him or her, one of the few things that turned out close to expectations in this report.

In COMEX silver futures, the commercials reduced their total net short position by 9200 contracts to 57,000 contracts. The biggest surprise was that the 4 big shorts increased their net short position by nearly 1600 contracts to 47,885 contracts (239 million oz) and I am scratching my head on that for two reasons. One, even the number is large, I don't recall such new shorting on any significant price decline and two, looking at the commercial category breakdowns, I can't see where the increase came from, as both the producer/merchant and swap dealer categories indicated net buying. Let's just say I'm a bit suspicious of the report's integrity in this regard and we should know more this Friday.

Finishing up on the commercial side of silver, the big 5 thru 8 traders bought back 500 shorts and the big 8 short position was 65,992 contracts (330 million oz). It was no real surprise that the raptors were aggressive buyers of 10,300 contracts and swung back to a net long position of 9000 contracts from last week's 1300 contracts short position. The only thing wrong was the new shorting by the big 4.

On the sell side of silver, the managed money traders only sold 5477 net contracts, consisting of the sale and liquidation of 4917 longs and the new sale of 560 short contracts. Explaining the difference between the 9200 contracts bought by the commercials and the less than 5500 contracts sold by the managed money traders was net selling of 3600 contracts by the smaller non-reporting traders, who had been big buyers as silver prices rose.

I do believe there has been further commercial buying and managed money selling in silver since last Tuesday's cutoff, as well some catch up buying and selling that may not have made it into this week's report. On the other hand, perhaps the report is correct as published (including the strange increase in big 4 shorting), which opens up the possibility of more downside price action ahead.

The problem with even lower price action in silver ahead is that prices are already low enough to have created demonstrable signs of widespread physical shortage in all types of silver retail products and strong indications of telltale signs of tightness in wholesale markets. You don't have to be Albert Einstein to know that the law of supply and demand dictates higher prices to solve the type of mismatches currently being witnessed in silver with even lower prices bound to increase demand and reduce supply. And nothing comes closer to answering how we could be in such a preposterous circumstance that currently exists in silver, absent the artificial and manipulative pricing on the COMEX.

Ted Butler

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Silver – \$22.87

Gold – \$1783

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