COT Comments

There were no giant surprises in the just released Commitments of Traders (COT) Report covering COMEX futures contract positions as of Tuesday, Nov 24. Due to the delayed release of today's report, there's only one trading day left in the current reporting week which ends tomorrow. Please don't take that as me complaining about any delay in disseminating the data in this report, as the COT report is among the timeliest of all government reports (I remember when the COT report came out monthly and was sent by snail mail to boot).

In terms of the total commercial net short position headline number, I was quite close in making predictions I was not really all that sure about; but was off by much more in the managed money version of the headline number (not that this really matters). The bottom line, however, was that the report was somewhat anticlimactic after weeks of nothing but blockbuster changes. Anticlimactic, perhaps, but strongly bullish nevertheless.

In COMEX gold futures, the commercials reduced their total net short position by 16,500 contracts (I guessed more than 10,000) to 12,000 contracts; which I believe is the lowest (most bullish) commercial net short position in more than 12 years.

By commercial category, I was surprised that the 4 largest shorts added 4400 new short contracts and the big 5 thru 8 traders also added 700 new shorts; meaning the gold raptors (the smaller commercials) bought a hefty 21,600 new long contracts. It's possible a managed money trader may have snuck into the ranks of big 8 gold shorts, but I'm not sure since managed money shorts only grew marginally this reporting week. Another possibility is that the 4 largest gold shorts knew they were going to bomb the gold market on Friday (3 days after the cutoff) and had added a few new shorts to position themselves for the price raid.

I wasn't that close in the predictive game in terms of managed money selling, as these traders only added 3290 new gold shorts; but it does look to me like the managed money traders are now more net short (more than 16,500 contracts) than any time in the 8 years the CFTC has broken out managed money data. The only way that can get more bullish for gold is if new managed money shorts have been or are added but it most likely won't be in tremendous numbers at this point. The managed money longs actually added 500 contracts or so, reaffirming 90,000 contract non-technical fund core long position in gold which is not likely to get sold on new price lows.

In COMEX silver futures, the commercials reduced their total net short position by 6800 contracts (I guessed 5000+), to 28,700 contracts. By commercial category, the big 4 (read JPMorgan) bought back and reduced their net short position by 1200 contracts and the big 5 thru 8 also bought back 500 shorts (even though managed money traders added shorts □ meaning the commercials bought back more shorts than reported). The raptors were the big buyers in adding 5100 new longs and now hold a very large net long position of 45,600 contracts.

I'd peg JPMorgan's net silver short position at 15,000 contracts, not the lowest in the eight years this crooked bank has been the big silver manipulator; but low (and bullish) nonetheless. A big raptor net long position, coupled with a small concentrated net short position by the 8 big commercials, and further combined with a large managed money short position has been a proven prescription for a price rally in the past and I can't conceive of a valid reason why it should be different now.

The managed money traders in COMEX silver only added 3350 new shorts, but that looked fine to me considering they added close to 30,000 new shorts in the few prior COT reports. Also of interest was that the managed money longs added 1000 new longs to a gross long position now more than 52,600 contracts, making my new non-technical fund core long position of 50,000 contracts look more valid.

This new COT report does support the cake being baked premise, not just in gold and silver, but in other COMEX/NYMEX metals, like copper, platinum and palladium, as well as crude oil. Not every one of these commodities has record bullish extreme readings in every category, like gold has in its two headline numbers, but I haven't seen a better overall setup for all these commodities combined. It really is quite remarkable how this all came together.

The common denominator is excessive managed money selling which both explains the synchronized price decline as well as the most plausible reason to expect a synchronized price rally. The excessive and concerted managed money selling over the past month or so didn't occur out of thin air □ it occurred because the crooked commercials, led by JPMorgan, choreographed it every step of the way. Hey □ this is what the crooked commercials do for a living.

Finally, we didn't have to wait long to see if the US Mint would sell enough Silver Eagles to establish a new annual record in the program's 29 year history. Today's report put us over the top and even more sales may be reported before the Mint calls it quits for 2015. Considering the rotten silver price performance for the month and year and confirmed by reports from the retail field, I can assure you plain vanilla retail demand is not behind the record sales of Silver Eagles. And if JPMorgan wasn't the big buyer behind the record sales (this year and for the past 5 years) I'll eat the ears off my Easter Bunny costume.

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

Ted Butler

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Silver – $14.05

Gold – $1064