

November 7, 2015 – Weekly Review

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For the third week in a row prices for gold and silver fell, with momentum accelerating to the downside. Gold fell \$53 (4.6%) for the week, while silver ended 80 cents (5.2%) lower. A continuing oddity of the price slide is that silver has not fallen more on a relative basis to gold, as it usually does on large price dips. After hugging the 73.5 to 1 level for weeks, the silver/gold price ratio widened only slightly to 74 to 1 at this week's close. A \$53 decline in the price of gold is generally accompanied by a decline in silver of more than 80 cents.

Given that these are markets under the firm grip of COMEX price manipulation, it's important not to read too much into very short term price action, like this week's relative price change between gold and silver. When you think about it, it's downright silly to form market opinions based on short term price movements once you accept that the price is manipulated – unless you are the one doing the manipulating.

Instead, some other metric, away from the price itself, must be employed if one hopes to derive meaningful market insight. Since the forces of actual supply and demand have been overwhelmed by the manipulation of COMEX futures contract positioning, I have advanced that the best current metric is contained in the weekly Commitments of Traders (COT) report. To that end, I hope that no one is terribly surprised at the recent weakness in gold and silver, given how negative recent COT readings had become.

In fact, I am hard pressed to imagine even a plausibly sounding explanation for recent gold and silver price action apart from the COT market structure. It can't possibly be a coincidence that prices fell for any reason other than COMEX positioning. After penetrating all the critical moving averages to the upside on October 28, which resulted in the culmination of massive managed money buying and commercial selling; over the past 8 trading days gold and silver prices have collapsed and prices have now penetrated all the critical moving averages to the downside. Maybe there is some precedent for such an abrupt about face, but I am unaware of it.

From the price highs on Oct 28, gold has fallen by close to \$100 and silver by \$1.50. This was the largest price decline in gold in the shortest time since the near epic price crashes of 2013. Not only is this fully explained by changes in the new COT report and what has likely occurred since Tuesday's cut-off, the positioning changes in gold were even more dramatic than I expected, as I'll get into after the usual format.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses picked up this week to 4.8 million oz. I wanted to say that's close to the "normal" average weekly movement over the past 4.5 years, but I caught myself; as how could a physical inventory movement equal to 30% of world mine production possibly be considered normal, particularly when it occurs in only a few warehouses around NYC? Total COMEX silver inventories fell by a slight 0.3 million oz., but set another two-year low water mark.

While on the topic of COMEX warehouses, 76,500 oz of gold were moved into the COMEX warehouse of JPMorgan, undoubtedly reflecting the gold deliveries taken by the bank during the October gold delivery process on futures contracts. These are not big quantities but JPM was the only net gold stopper last month on the COMEX and this is the same pattern that JPMorgan employed this year in COMEX silver, in taking 20 million oz of silver on futures contract deliveries and moving it all into the bank's COMEX facility. Not that it needs mentioning, but this is further evidence that JPM is the lead sled dog in everything related to gold and silver (and other commodities), most particularly in manipulating prices.

Sticking with gold, the past week has seen sizable withdrawals from the big gold ETF, GLD, on the order of 750,000 oz, worth more than \$850 million. While sizable in dollar terms (\$850 million would buy more than 55 million oz of silver), the reduction in the holdings of GLD looks like plain vanilla investor liquidation. In contrast, holdings in the big silver ETF are only down slightly (so far). I do believe that the GLD investor selling was in reaction to the downward price manipulation on the COMEX; with my point being that the manipulation affects more things than you can shake a stick at. That's why price manipulation is the number one market crime, even if the CFTC continues to look away.

Sales of American Eagle bullion coins from the US Mint seem to be consistent with very recent trends, namely, a sharp fall-off in demand for Gold Eagles and continuing strong demand for Silver Eagles, even if that strong demand is just under the Mint's ability to produce, effectively ending the rationing of Silver Eagles. I am convinced the recent sales patterns can be traced to the crooks at JPMorgan. To be sure, retail demand is just about non-existent.

First, the bank suddenly stopped buying Gold Eagles since it knew it would soon drive gold prices lower and will probably resume buying when prices bottom (which could be soon). JPMorgan is still buying as many Silver Eagles as it can but it is not interested in seeing the Mint struggle to keep up with its demand and inflame talk of retail shortage. Therefore, JPM is buying Silver Eagles at a pace that won't cause the Mint to ration, but will allow the bank to add to its massive actual silver holdings. I never said this bank was stupid, just cunning and crooked.

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

Onto the changes in this week's COT report, which were quite dramatic in gold and decidedly less so in silver. I knew (or believed I knew) that there would be a near record amount of managed money selling and commercial buying in gold and I was not disappointed. This is so in keeping with recent price action as to be unnerving. As always, it is all about the Δ count.

In COMEX gold futures, the headline number of the total commercial net short position was reduced by a very significant 40,900 contracts to 125,000 contracts (more than the 30,000 contracts I predicted). By commercial category, it was back to Three Musketeers mode, as all three commercial categories bought on the price decline of near \$50 during the reporting week ended Tuesday. I guess they all got the office memo. The big 4 bought back 7600 short contracts, the big 5 thru 8 bought back 6500 short contracts and the raptors (the smaller commercials apart from the big 8) added a hefty 26,500 new long contracts.

It was even more dramatic on managed money sell side of COMEX gold futures. As I believe I indicated some time ago, there are really two headline numbers Δ the total commercial net short position and the net managed money position (mostly, but not always a net long position). This is in keeping with the growing price dominance of the two groups of speculative traders which account for position changes.

It also accounts for the terminology I have used recently in making predictions for what upcoming COT reports may indicate. Because COMEX positioning is usually solely dependent on what these two groups of traders do during any reporting week, the headline number can be expressed in terms of either the commercials or managed money traders. Mostly the change in the net position of the commercials is the reciprocal of what the managed money technical funds did, underscoring the fact that these two groups of speculators determine the price of gold and silver. However, mostly is not the same as always.

This week, the managed money traders in gold sold even more than the commercials bought; nearly 47,000 contracts, including the sale of 30,958 long contracts and the addition of 15,927 new short contracts. These massive managed money sales during the reporting week, plus what likely occurred since the Tuesday cutoff may have radically changed the market structure in gold from strongly bearish to no worse than neutral and perhaps even to bullish. I'm somewhat surprised at my own conclusion, but not only has gold fallen the most in the last 8 trading days than in years, during those same 8 trading days it flipped from an upward penetration off all its moving averages to a downward penetration of all its moving averages. I don't know if that ever occurred before.

This is where the count comes in. In the COT report of September 15, the managed money traders were net long around 10,000 gold contracts with the price of gold just above \$1100. On the run up to almost \$1190, the managed money traders bought a little over 100,000 net gold contracts (which is what caused gold to go up in price). This week, these technical funds have sold 47,000 net contracts or close to half of what they added on the price run up. I would estimate that since the Tuesday cutoff these funds have sold at least an additional 30,000 net contracts and maybe more (remember I underestimated this week).

The bottom line is that the managed money traders appear to have sold at least 75% of what they bought on the gold price run up and maybe even more than that. Further, the long side of managed money, extrapolating through yesterday is likely back to close to the core long position of around 100,000 contracts seen over the past five years and longer (this week's report indicated less than 117,000 contracts gross long). What that means is that any big additional managed money selling from here in gold most likely must come from additional short sales, not long liquidation.

But there may be a problem in getting a big increase in managed money shorting in gold on lower prices. I could turn out to be very wrong here, but the decline in the price of gold over the past 8 trading days has been so deep and quick that we are already \$50 under the 50 day moving average and any technical fund shorting at current prices would necessarily entail a much larger risk than these traders normally accept. And I'm fairly sure that if we drop sharply from here in the price of gold, it wouldn't be long before new managed money shorting dried up completely.

I guess what I'm saying is that there has been a remarkable change in the market structure of COMEX gold and no longer is that structure bearish. As I hope you realize, I am neither a gold bull nor bear; I am an agnostic and I believe that makes me more objective than a gold promoter or basher. (I'm more inclined towards silver, to put it mildly). Relying strictly on the COT contract count and extrapolating for what occurred since the cutoff, most of the gold selling may be behind us.

Given the speed and momentum of the decline, lower prices from here wouldn't surprise me; but I am also of the opinion that even if we do move lower in gold, it shouldn't be terribly long before we rise above current price levels once again, to say nothing of climbing above any new price lows set ahead.

In COMEX silver futures, the commercials reduced their total net short position by a scant 2200 contracts, to 67,100 contracts (I had guessed 5000 contracts, but came much closer on the reciprocal headline managed money amount). There wasn't much feature by commercial category, as the big 4 added 500 short contracts, the big 5 thru 8 bought back 1000 short contracts and the raptors added 1700 new long contracts.

Yesterday's release of the monthly Bank Participation Report allowed me to calibrate that JPMorgan held just about what I had been reporting, or close to 25,500 net short silver contracts. It appears to me that JPMorgan functioned as it usually does on silver price run ups, namely, in selling just as many additional short contracts as were needed to contain prices in combination with other commercial selling. And I believe this crooked bank is doing this in order to keep adding to its actual ownership of silver at prices as low it can manage.

On the counterparty sell side by the managed money traders, some 4757 net contracts were sold, including the long liquidation of 4320 contracts. While close to the levels I had expected, I can't possibly speak in the same terms about silver that I spoke of in gold. I would estimate that since the cutoff on Tuesday, perhaps 15,000 net contracts of silver were sold by managed money traders and bought by the commercials. I would hope I am underestimating in silver this week as much as I underestimated in gold last week, but I have to call them as I see them.

As I have previously indicated, the liquidation process in gold is much more advanced than it is in silver, by virtue of gold's price falling relatively more and on heavier trading volume than in silver. Where the managed money liquidation in gold looks to be well over 75% complete compared to what was added since September 15; in silver, I'd be stretching it to say it was 40% complete through yesterday. All things being equal and strictly in COT terms, silver would appear to have some catching up compared to gold in price and contract count.

Of course, all things are never equal and there is no guarantee prices must follow COT positioning changes religiously (although it usually turns out that way). I think the probabilities still favor lower silver prices due to further managed money selling, but one possibility is always a double cross by JPMorgan against the other collusive commercials.

Since JPMorgan has accumulated, by my estimates, more than 400 million oz of actual silver, it is still big net long even after accounting for the 125 million oz of short COMEX silver contracts that it holds. I believe this creates the possibility that if it can bring that short position done to levels it held a couple of months ago (around 90 million oz or 18,000 contracts), it may decide that is enough to let silver prices rip to the upside. Admittedly, this is speculation on my part.

What's not speculation is what just occurred over the past 8 trading days and before that. What occurred was that gold and silver prices first rose by \$100 and \$1.50 respectively because of managed money buying and commercial selling and then prices fell by those amounts on managed money selling and commercial buying. The data supporting that statement are irrefutable and so clear that every day I seem to read new commentary about the COT report from those who have come to see what a powerful influence COMEX positioning has on price movement. Quite simply, any analyst or commentator not focusing on the COT report is missing the boat. Even if one focusses on other aspects of gold or silver, such as what's happening in China or India, or to actual production and consumption developments, there is no excuse for not seeing what's transpiring on the COMEX since so many are explaining it.

Even more puzzling is that the deniers that a price manipulation exists won't address that there is something fundamentally wrong with traders who are purely speculative by nature (the managed money traders and the commercials which prey on them) are setting the price of gold and silver by excluding real producers and consumers. I would certainly include the regulators in the denial camp.

I'd like to get something off my chest. As recalcitrant and stuck in the mud as the manipulation deniers have become, many of those who accept the manipulation tend to wander off the reservation in describing it and, in effect, damage the prospects of ending it. It's important to recognize that allegations of price manipulation are unique to silver and gold. To my knowledge, there are no such manipulation allegations in other commodities away from precious metals, like the grains, the meats or in any other commodity — just the precious metals. Yes, I know some traders have been found to have manipulated other markets, like LIBOR, foreign exchange and swaps, but I am aware of no widespread allegations about these markets beforehand, like exist in silver and gold.

The problem is that many of those alleging manipulation in silver and gold aren't focusing on the nuts and bolts and mechanics of the manipulation. Instead of sticking to the basic facts of COMEX futures contract positioning between the managed money traders and the commercials, many wander off into the weeds and talk about registered vs eligible COMEX inventories, what the Fed is up to, how many COMEX contracts were sold in a short period of time or any manner of other topics not germane to the actual price manipulation. And I read all sorts of wacky representations about the history of the silver (and gold) manipulation.

The history of the silver manipulation is not like the creation of the universe or the origin of the species; and it certainly doesn't stem from the philosophical concept of infinity in that it had no beginning or end. Common sense tells us that someone had to first introduce the premise for it to take hold and while I hope this doesn't sound terribly egotistical; I introduced the silver (and gold) manipulation premise, and that's easy to prove.

Not only have I explained it as stemming from a challenge from Izzy Freidman to explain low silver prices in the face of a long term structural consumption deficit; I went one step further and started to officially complain about it to the CFTC and the COMEX close to 30 years ago. Yet every day I seem to read some crazy interpretation to the contrary, including the emergence of whistleblowers, allegedly blowing the whistle on what I alleged decades earlier. I'm not obsessed with the misrepresentation of the historical record because, as I said, the matter is easy to prove. But I am amazed about how deceptive and deceitful some people can be. Shame on them.

Subscribers know that I would never cast up or remind anyone when I get things right and will always readily admit when I get things wrong (This doesn't apply to the frequent guesses on what a new COT report may show based upon trading and price activity during a reporting week, as that's cut and dry). This has everything to do with knowing that if everyone were on the same page as to what's really behind the manipulation, the odds of ending it would be greatly enhanced. But if everyone has a different twist, the message gets twisted. I hope you receive this in the manner I intended.

To summarize, the recent dramatic change in the COMEX gold market structure is beyond noteworthy and throws a curveball on what looked like a sure price path lower. I would imagine that prices could still be headed lower, particularly in silver, but, unless my extrapolations are way off base, gold looks to have most of its positioning behind it. Of course, this still remains primarily a contract count and there's no telling what prices can do as the final count develops. Maybe we get thin price slices to the downside to complete the managed money and commercial positioning in a somewhat orderly basis; or maybe the commercials rig thicker price slices and it gets uglier to the downside. Considering how fast and far prices have fallen, we could even get a sharp countertrend rally.

But if things play out as they have in the past, it would appear we need more managed money selling in silver and it's hard for me to see how that can occur without lower prices. If I could possible do so,

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