

September 29, 2018 – Weekly Review

In a fairly stark departure from recent performance, the price of silver rose for a second week, gaining 39 cents (2.7%), while the price of gold ended \$7 lower (0.6%) for the week, despite a Friday rally. As a result of silver's relative outperformance, the silver/gold price ratio tightened in by two and a half points to just under 81.5 to 1. Despite the tightening, silver still appears cheaper than dirt relative to gold. At least for the moment, all talk of silver plunging to new depths relative to gold has abated.

The real story, of course, is that this was only the second weekly gain for silver following nearly four months of consecutive weekly losses; the longest such stretch of losses in history. As I indicated on Wednesday, trying to identify the reason for the unprecedented string of losses in silver (and gold and other metals) by actual supply/demand fundamentals is a fool's game. The only possible explanation was excessive speculative selling by technical fund-type traders being hoodwinked by more sophisticated speculative buyers, led by JPMorgan.

Since there is a limit as to how much the out to lunch technical funds can sell and when that limit is reached the price bottom will be at hand, it is only natural to ask if silver's turn up in price indicates whether the bottom has been reached. In other words, could silver take off and move sharply higher from here? Sure, it could. Should it take off from here? Heck yeah, it should have taken off long ago. Will silver take off from here? I don't know, but having played it like it could and should move sharply higher at any moment for some time, I'm not about to change now. Of course, it's not up to me or you or anyone except the stone cold crooks at JPMorgan and whether they add to short positions on the next rally. But I'm sure you knew that already.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses remained very active this week as nearly 6.7 million oz. were physically moved. For the third straight week, total COMEX silver inventories fell, following the setting of all-time highs (296.3 million oz). This week, total inventories declined by 1.9 million oz to 289.7 million oz. Also for the third week running, there was a sharp decline in the JPMorgan COMEX warehouse as another 3 million oz were removed. Over the past three weeks, some 6 million oz have come out of the JPM warehouse, representing nearly all of the total COMEX inventory decline. Please don't think I'm "picking" on JPM (as if that were possible); not recognizing that JPMorgan is the 800 pound gorilla in the silver room in every way possible would be missing everything there is to know about the silver market. A couple of points on this.

As to why JPMorgan is shipping silver out of its COMEX warehouse after doing nothing but put silver in for the past seven and a half years, a number of possibilities come to mind, including the very basic explanation that the metal is needed more urgently elsewhere. But I have a different sense, namely, that JPM has gotten tired of folks pointing to its very large COMEX warehouse holdings as basic proof (which it is) of the bank's accumulation of metal. The COMEX holdings are only a fraction of the 750 million oz I calculate the bank has acquired, but that fraction is still larger than any hoard of silver previously accumulated (by the Hunt Bros. or Warren Buffett).

I have often mused on these pages as to why the heck JPMorgan would be making it so darn easy for it to be identified as accumulating physical silver by virtue of its open and repetitive practice of stopping (taking) delivery of silver in COMEX futures deliveries in its own name and then moving just about

every ounce into its COMEX warehouse over the past few years. I think it was because JPMorgan was so darn arrogant and powerful that it just didn't give a damn about what anyone saw or thought. I have to tell you that I am encouraged that this might suggest that JPM is becoming more sensitive to outside attention to its silver shenanigans and that the bank may be trying to reduce the amount of silver in its own COMEX warehouse.

In addition, as I have mentioned recently, the withdrawals of silver from the JPMorgan warehouse have been especially at odds with the bank stopping 10.6 million oz in futures contracts in the just-completed September COMEX futures delivery. Being the largest shipper out of silver while simultaneously being the largest taker of physical deliveries would seem to be in conflict, even for the 800 pound gorilla of the silver market. But yesterday's highly unusual end of quarter adjustment of 11 million silver oz from the registered category to the eligible category in four separate COMEX warehouses strongly suggests that this is the metal that JPMorgan stopped this month and it was switching from registered to eligible to save money on storage charges.

<https://www.cmegroup.com/clearing/operations-and-deliveries/nymex-delivery-notice.html>

At the very least, if this 11 million oz is the metal JPMorgan stopped in the September deliveries (as seems most plausible), it is necessary to include this amount as belonging to JPM, even if the silver stays in the other warehouses and doesn't eventually get transferred to the JPM warehouse. And if this 11 million oz doesn't get transferred into the JPM warehouse, combined with the recent shipping out of 6 million oz from that warehouse, it gives the distinct impression to me that JPM is now trying to hide its massive accumulation of silver, after apparently not giving a hoot what anyone thought for years.

But don't be fooled – JPMorgan is still accumulating massive new amounts of physical silver, not just in COMEX dealings, but via the big silver ETF, SLV, where there have been a string of highly unusual and counterintuitive deposits and withdrawals of metal – with JPMorgan as the prime acquiring suspect.

To be sure, to get an accurate measure of how much silver JPMorgan owns on the COMEX, add 11 million oz in other warehouses to the 139.5 million oz in its own warehouse and don't think for a moment that it still doesn't own the 6 million oz it recently shipped out. And don't ever play three-card Monty with these crooks.

Retail silver demand does appear to have picked up, judging by sales of Silver Eagles from the US Mint (much more so than the pickup in retail demand for Gold Eagles). Sales of Silver Eagles for September came to nearly 2.9 million coins, the highest non-January monthly total since late 2016 (January is always heavy as that's when newly-dated coins are sold). Mid to late 2016 is when JPMorgan stopped buying Silver Eagles after gorging on the coins for six years. I'm not inclined to believe that JPM has resumed buying Silver Eagles (and melting them into 1000 oz bars), as I feel it still wants to put as much time and distance in it thoroughly abusing the Mint's Bullion Coin Program as possible. This resurgence in demand looks broader-based to me than just JPMorgan.

<https://www.usmint.gov/about/production-sales-figures/bullion-sales>

The changes in this week's Commitments of Traders (COT) Report were mostly within the expected range, in that there weren't major surprises and the market structures in silver and gold remained in the extremely bullish category. One minor surprise was an improvement in gold in that there was some slight managed money net selling where I expected the opposite. In reviewing the price action for the

reporting week, however, there was a pretty decent gold selloff on Friday, Sep 21 on heavy trading volume that upon further reflection probably accounted for managed money selling. That there wasn't the same type of selloff in silver most likely accounts for the managed money buying there.

One minor and perhaps petty observation. In last week's review, I made brief mention that the concentration data in the legacy COT report was screwed up, but the same data looked fine in the disaggregated report and how it didn't matter much because the only concentration data currently of interest to me was on the long side of silver. However, I did assume the CFTC would quickly correct the concentration data when everyone got back to work on Monday. Late Tuesday, seeing how the corrections had not been made, I wrote to the agency to point out the error. The error was quickly acknowledged publicly and finally corrected the next day. I know I'm being petty by feeling I should have been sent a private acknowledgment for my head's up, but I guess that's just the way it is and that the agency will never acknowledge anything I point out. So be it. You can find the announcements [here](https://www.cftc.gov/MarketReports/CommitmentsofTraders/index.htm) –

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In COMEX gold futures, the commercials increased their total net long position (remarkably) by 5400 contracts to 7100 contracts, slightly exceeding the record net long position of Sep 4 by 500 contracts. (It still feels very weird to write about commercial long positions in gold and silver). Needless to say, this is, effectively, the most bullish market structure set up in modern gold market history. And judging by the sharp selloff in gold over the two days after the Tuesday cutoff this week, I'd be very surprised if new bullish extremes weren't achieved.

For a change, the managed money traders, while slight net sellers in gold, didn't account for the bulk of the selling this reporting week; other large non-managed money traders sold more than 5500 net gold contracts. The managed money traders only sold 1214 net contracts, including new longs of 609 contracts and the new short sale of 1823 contracts. Total managed money longs of 98,513 still look largely sold out, while total managed money shorts of 182,190 contracts are only 15,000 contracts away from the all-time highs of August 21. If anything, this source of potential rocket fuel-type buying has been added to on the Wednesday and Thursday gold price weakness.

In COMEX silver futures the commercials reduced their (still remarkable) total net long position by 3400 contracts to 5400 contracts. I still find it so amazing that I am reporting on changes in the commercial net long position that I have to catch myself and think things over when making the calculations, since I've only been used to speaking in terms of commercial short positions for decades.

Unfortunately, the data surrounding what JPMorgan was up to in the reporting week is unclear. There was net selling in the key Producer/Merchant category of more than 4800 contracts, but there was also an addition of three new traders on the short side of that category, leaving open the possibility that JPM could have been up to new double crossing tricks. I'd say JPM is anywhere from neutral to still being net long 3000 contracts as of Tuesday, but I'm fairly certain it was a big buyer on Wednesday and Thursday. What it might have done yesterday is the billion dollar question that we'll know in a short time. Next week's Bank Participation Report should be a big help in deciphering what Mr. Big (Silver Crook) was up to.

The managed money traders bought 4068 net silver contracts, comprised of new longs of 376 contracts and the buy back and covering of 3692 short contracts. I hate to see short contracts bought back as

that equates to rocket fuel buying being used up, but we did have (by recent standards) a decent price rally on Monday when this buying undoubtedly took place. I'm pretty sure much of this buying was reversed on Wednesday and Thursday and am wondering (along with everyone else who is paying attention) what took place on yesterday's even sharper rally. The possibilities are endless.

With yesterday's high volume price rally, in which the 20, 30, and 40 day moving averages were penetrated to the upside for the first time collectively in more than 3 months, it's easy to imagine technical fund buying, especially of the short covering variety, along with commercial (raptor) long liquidation. On the other hand, having rallied to close to the 50 day moving average, but not penetrating it raises the possibility of different technical fund new shorting, as the distance below the 50 day moving average was lessened and with it the risk of going short was reduced for those planning to buy back shorts when this moving average was penetrated. We've seen occasions of this over the past year or so and it's possible some technical funds may have added new shorts, while others bought back.

Looming largest over the possibilities of what occurred yesterday, of course, is whether JPMorgan added shorts. I don't know how that can be determined without having next week's reports already in hand. I know it's the key feature, I just can't know beforehand what took place for sure. I do think an actual penetration of the 50 day moving average in gold and silver, will greatly clarify JPM's role. On yesterday's close, the 50 day moving average in gold was less than \$15 away, while it was even closer in silver at no more than 10 cents away. Having decisively penetrated to the upside the 50 day moving average in copper, platinum and palladium (as well as the 200 day moving average in palladium), it would appear gold and silver might soon be joining in. By the way, we did see, as expected, significant managed money buying on copper, platinum and palladium this past reporting week.

Back to the silver COT report, the managed money shorts, at 95,255 contracts are only 9000 contracts less than the record levels of a few weeks ago and still are 20,000 contracts greater than the then-previous record of this past April. This means there is still plenty of rocket fuel buying potential in silver (and gold).

One very interesting data point in this week's report was a further 1800 contract reduction in the concentrated long position of the four largest traders in silver. Based upon data in the disaggregated report, the only category where this seemed to be reconciled was in the Producer/Merchant category and not the swap dealer and managed money categories where the concentrated long position seemed to be located. This also adds to the uncertainty of what JPMorgan may have done this week.

While it's not terribly important who was holding the concentrated long position, it is important that of the 30,000 new long contracts established from early April thru June, close to 23,000 contracts have now been liquidated (at tremendous loss) and not many more than 7000 contracts or so remain. Aside from noting the obvious that these concentrated longs were taken out in body bags, it's hard to imagine that very much financial carnage remains to be dished out (by lower silver prices). And if we do turn up from here in silver prices, then it is very easy to conclude who were the prime intended victims into what may have been the final silver price lows. I can't help but wonder if the obvious victims knew they were the targeted and intended patsies.

As far as an update on the running money scoreboard for the newly added (since June 12) technical fund shorts in gold and silver, price action being mixed since last Friday resulted in about a \$10 million erosion in the combined open profits of the technical funds to around \$705 million. This was down from

last week's \$715 million open profit and down \$70 million from Wednesday calculations. The technical funds gained nearly \$94 million on gold's \$7 weekly drop and lost more than \$101 million on silver's 39 cent gain. For those tracking this on your own, I'm using 134,000 contracts for gold and 52,000 contracts of silver shorts as having been added since June 12.

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September 29, 2018

Silver – \$14.70 (200 day ma – \$16.11, 50 day ma – \$14.79)

Gold – \$1196 (200 day ma – \$1284, 50 day ma – \$1209)

Date Created

2018/09/29