

Gold and silver prices fell for the third straight week, with both metals closing at two month lows. This, after establishing significant price highs just three weeks ago. For the week, gold ended \$17 (1.3%) lower, while silver finished 30 cents (1.8%) lower. As a result of silver's relative underperformance, the silver/gold price ratio widened out by nearly half a point to just under 77 to 1. Even more notable than the recent relative silver price weakness is the lockstep pattern of price movement between gold and silver and other metals - all courtesy of the artificial price control on the COMEX.

So obvious is the price control on metals due to COMEX paper contract positioning that I spend more time than ever wondering what it is that prevents the few remaining commentators that don't or won't see it, from seeing what is right in front of them. For sure, I get it when thinking of those with a direct motive for not seeing the obvious, like those cleaning up financially from the COMEX price rig (JPMorgan, the CME Group and the commercials), as well as the regulators who've missed it for decades, but I can't help but ponder how everyone without a vested interest can't grasp the scam, even as it plays out again and again.

The saddest thing is the feeling of helplessness that emanates from observing that which shouldn't be occurring, continuing to occur. To know that the world's metals producers and investors are at the price mercy of a relative handful of large paper speculative traders on the COMEX, in full view of a federal regulator (the CFTC) created to prevent just a circumstance, is deeply troubling. On the other hand, it is also quite exhilarating to know how the scam is run and, therefore, that it must end and for me to have the opportunity to write of it beforehand.

The key price development for the week, once again, was the change in COMEX futures contract positioning, both in the latest COT report (mostly expected) and the change which occurred after the Tuesday cutoff. If there is anything influencing gold and silver prices more than positioning in COMEX paper contracts, then I confess to being out to lunch and I wish someone would straighten me out. Price action is solely dependent on what stage the commercials are at in their maneuvering of the managed money traders. In other words, are the commercials planting managed money positions or are they harvesting them? Hopefully, everyone is aware that the latest harvesting season started three weeks ago.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses cooled off to just 2 million oz this week, as total inventories rose by 1.6 million oz to 219.8 million oz, a fresh 20+ year high. I understand the gut-level reaction to connect record inventories to lower prices, but if there is any real connection between the level of COMEX silver inventories and the price of silver, then don't ask me because I must be still out to lunch.

I've followed the daily changes in COMEX silver inventories for more than 30 years and have never detected any meaningful connection to price (except on the rarest occasions, like when Warren Buffett bought and shipped 100 million oz of COMEX silver to London in 1997-98). The incredible and unprecedented turnover that started in April 2011 is something else and still of great interest to me. For the fourth week in a row, there were no changes in the JPMorgan silver warehouse, still stuck at a record 115.8 million oz.

I don't see anything new to report on COMEX deliveries or with the holdings in the big metal ETFs, SLV or GLD, since recent commentary. However, it's hard to come

up with the proper adjectives to describe just how weak sales of Silver and Gold Eagles have been this month. Yesterday should have been month's end for sales and unless the US Mint forgot to update sales, you would have to go back quite a few years to uncover a slower month than the 320,000 Silver Eagles reported sold last month. Not that long ago, there were many, many days when JPMorgan bought that many Silver Eagles for itself.

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

The changes in this week's Commitments of Traders (COT) Report were mostly expected, although there were some surprises. Not at all surprising was the strong theme of commercial buying and managed money selling, given price action during the reporting week. It wasn't so much the steepness of the price decline (gold ended off by \$10 and silver by 40 cents), but the days of new price slices to the downside and the penetration of silver's key moving averages.

In COMEX gold futures, the commercials reduced their total net short position by 19,600 contracts, to 233,500 contracts (I had guessed 20,000 contracts and couldn't have been closer, although the managed money traders sold nearly twice that amount). By commercial category, it was an extremely coordinated (collusive) effort, as all three commercial categories bought remarkably similar numbers of gold contracts. The big 4 bought back 6200 short contracts, the big 5 thru 8 traders bought back 6500 shorts and the raptors (the smaller commercials apart from the big 8) added 6900 new longs to a net long position now amounting to 28,700 contracts. It was as if the amounts bought by each group had been negotiated and agreed upon in advance.

The biggest surprise in this week's report was the surge in managed money selling,

as these traders sold 37,406 net gold contracts, including the sale and liquidation of 32,601 long contracts, as well as the new short sale of 4,805 contracts. Undoubtedly, there has been continued managed money selling since the Tuesday cutoff.

In COMEX silver futures, the commercials reduced their total net short position by 6,100 contracts to 72,600 contracts (I guessed up to 10,000 contracts and came much closer in terms of reciprocal managed money selling). By commercial category, all three categories bought, but the raptors did the heavy lifting. The big 4 bought back 600 shorts, the big 5 thru 8 bought back 900 short contracts and the raptors added 4600 new longs to a net long position now amounting to 22,900 contracts. I'd peg JPMorgan's short position to be 36,000 contracts, down a thousand contracts for the week (definitely rounding off).

On the sell side of silver, the managed money traders sold 9,845 net contracts, including the sale and liquidation of 8,773 long contracts and the new short sale of 1072 contracts. I was somewhat surprised at how large the long liquidation was and with how small was the increase in short positions. With managed money longs now at just under 70,000 contracts, should the recent low-water mark of 56,000 contracts continue to represent the core non-technical fund long position, it would seem there are only 14,000 contracts or so of managed money long liquidation left to be sold (minus what's already been sold since Tuesday). The big question facing silver, gold, platinum and copper is how much new managed money shorting will come into the market, as I'll dig into in a moment.

As expected, yesterday's COT report was the second reporting week for commercial buying and managed money selling, which followed eight straight reporting weeks of commercial selling and managed money buying. Prices have responded by falling for

the past three weeks, just as they had risen for the eight previous weeks. There should be no surprise in any of this, no more than the movement of the tides following the pull of the moon. Therefore, it would appear to be instructive to attempt to plot what happens from here in the confines of the previous up move in price and the deteriorating market structure that created the price advance. What's it going to take to make the market structure in COMEX gold and silver bullish or extremely bullish again?

Since it is managed money buying or selling that causes prices to rise or fall, I'll choose that positioning to project (rather than the reciprocal commercial positioning). From the previous price bottom on July 18 (all COT cutoff dates), gold rose around \$150, as the managed money traders bought 225,000 net gold contracts (22.5 million oz), including both new longs and the buyback of shorts. Over the past two reporting weeks, the managed money traders sold 57,500 net gold contracts, causing gold prices to fall \$50 from the price top on Sep 12 (thru this past Tuesday). In simple terms, gold prices had given back a third of the previous gains on a roughly comparable 25% unwind of the previous managed money buying (with more since Tuesday).

In silver, from the price bottom of July 18, the price rose around \$2.75 to the price highs of September as 83,000 net managed money contracts (415 million oz) were bought, clearly causing the rally. Over the past two weeks, the managed money traders have sold 18,200 net contracts, or 22% of what they previously purchased over the previous eight weeks, on a price drop of \$1.30 or close to a 50% drop from the September highs.

Please don't focus too closely on the differences in the relative price drops and the

percentages of managed money selling in gold and silver from the price highs of September and instead look at them as almost one and the same. This is the model for trying to predict when the current selloff will result in a complete flushing out and repositioning of the managed money traders and a bullish market structure (and price bottom). And with minor differences, this holds true for copper and platinum as well (palladium is somewhat different).

First question – does the entire previous buying of the managed money traders need to be unwound before a price bottom is established? Not necessarily, but most often that is the case and, in fact, new positioning extremes can also be established. So, do we need to see a further 167,500 net gold contracts and 65,000 additional net silver contracts sold before we bottom out in price (as of Tuesday)? Maybe, but I just don't know, as each cycle is different. I do believe that the liquidation and repositioning process is well-underway, but I don't see at this point the signs that it is near completion.

One thing I would consider to be the wild card is the extent of new managed money shorting ahead. This is particularly true in silver, gold and platinum (not so much in copper). Both gold and copper have plenty of potential managed money long liquidation ahead, with perhaps another 100,000 contracts of long liquidation possible in gold were we to get back to the levels of July. It's different in silver and platinum, with silver needing "only" a further 14,000 contracts of managed money long liquidation to get to previous core long levels and with platinum already at previous lows in managed money longs. With silver and platinum (somewhat less so in gold), the key question is how many new managed money short positions can the commercials and other traders persuade the technical funds into selling?

Should the managed money technical funds be hoodwinked by the commercials into shorting the number of contracts they held in July (at the price bottom), there is room for 55,000 new short contracts in silver, 20,000 contracts in platinum and 70,000 contracts in gold (in addition to the 100,000 contracts of potential long liquidation in gold). That is an awful lot of potential new short contracts, so the impact will be great if those short sales are realized. The problem is that trying to predict whether the managed money traders will add aggressively to short positions is a dicey proposition. Sometimes they do, other times they don't, as regular readers should attest. I would imagine the prudent course is observe and react as it all becomes clearer.

One thing appears certain and that is that many traders and not just commercials have based their trading on milking the technical funds and more than ever are expecting the managed money traders to add greatly to short positions. This definitely includes JPMorgan in silver, which has only been able to buyback 2000 of its short contracts from the 18,000 contracts sold by the technical funds over the past two reporting weeks. On the previous price rally, JPM added 23,000 new short contracts, so it has only been able to buyback less than 10% of the new shorts it added and only 5% of the 38,000 contracts it was short at the peak two reporting weeks ago.

Thus, it is clear that there is real competition for any contracts that may be sold by the managed money traders, so much so that some buyers are likely to end up with fewer contracts than they would desire. Should the managed money traders not add short positions comparable to recent peak levels, more buying by the commercials becomes impossible. While the commercial buyers, to this point, have remained disciplined and collusive in not bidding prices higher and instead have waited for the

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managed money sellers to come to them, as and when the managed money traders run out of contracts to sell short, further big commercial buying becomes impossible. As usual, that will mark the precise point of the coming price bottom, whenever it occurs. The real question is how the commercial buying will have been distributed to that point and will JPMorgan again succeed in reducing its short position sharply.

This was another good week for the eight big commercial crooks in COMEX gold and silver, making it three (trading) weeks in a row. This week, my running financial scoreboard indicated that the eight big crooks were better off to the tune of \$600 million and reduced their total unrealized combined loss in COMEX gold and silver to \$200 million. That's \$2.5 billion that the eight big crooks have regained from the peak of \$2.7 billion they held in unrealized open losses three Fridays ago. To be sure, the eight big crooks have started to close out short positions now that they have succeeded in manipulating prices lower and inducing managed money selling.

It would appear likely that this process will continue until the commercials can no longer trick the managed money traders into selling short additional contracts. That's not a guarantee, of course, just the most probable outcome. Unfortunately, I am aware of no way that the commercials can hope to trick the managed money traders into aggressively selling short in the absence of lower prices. That this isn't about what's best for the rest of the world, just the eight big COMEX crooks and assorted hangers on should be obvious at this point.

Ted Butler

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Silver - \$16.70 (200 day ma - \$17.12, 50 day ma - \$17.10)

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Gold - \$1283 (200 day ma - \$1248, 50 day ma - \$1297)