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# COPPER, GOLD & SILVER updates after latest COTs - THEY WON'T KNOW WHAT'S HIT THEM...

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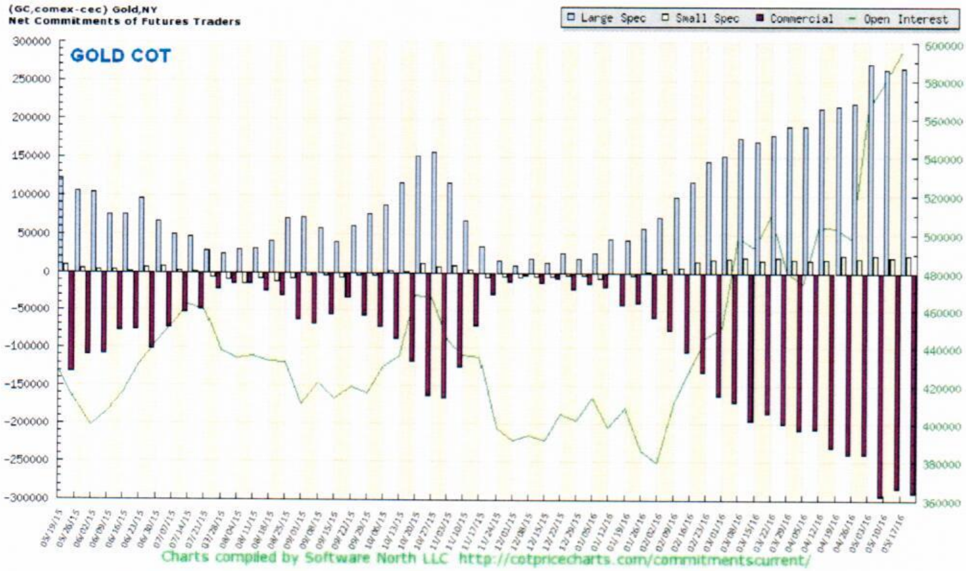
The gold price has gone nowhere for 3 months now, as is plain to see on its 6-month chart shown below, with its volume pattern rather negative leading to its volume indicators trending lower as the price has trended gently higher. Meanwhile, Commercial short and Large Spec long positions have continued to mushroom to wild extremes. This looks like the setup for an ambush, and with the mainstream media like Bloomberg becoming bullish on gold in the past 2 to 3 weeks, and playing The George Soros Card – "George Soros is buying gold, and because he is a successful billionaire he must be right, which means it's safe for you ordinary schmucks to join forces with The Great Man and buy gold yourselves.", downside risk is viewed as growing rapidly. The occasion for a nasty downdraught would be a strong dollar rally out of left field. As far as the Soros card is concerned a subscriber made the following incisive and dismissive observations – *"I was reading yesterday on a Kitco article by someone who posts there, that the "filing" ( I think they said something like "L-13" or "13 ??") was the source of the Soros buying gold thing...BUT, like everything the Big Boyz do, it can take MONTHS before such filings are made public...Soros could have bought 6 months ago and already sold!"*


Current COT extremes suggest that an intermediate top is forming in gold, a view that is reinforced by a somewhat bearish volume pattern and downtrending volume indicators. There is currently too much bullish sentiment to support significant further progress. The danger for gold is that the current fledgling dollar rally will gain traction, which could result in gold being knocked back down again - at least to the support shown.
$GOLD Gold - Spot Price (EOD) CME
© StockCharts.com
20-May-2016
Op 1256.30 Hi 1261.20 Lo 1249.60 Cl 1252.90 Vol 188.3K Chg -2.80 (-0.22%)
Accum/Dist
Accum-Distrib trending lower
$GOLD (Daily) 1252.90
MA(50) 1251.49
MA(200) 1160.14
GOLD: 6-month
SUPPORT
Despite all the media fanfare, the plain truth of the matter is that GOLD HAS GONE NOWHERE FOR 3 MONTHS NOW.
Volume 188.33K, EMA(60) 185.89K
Volume pattern negative
On Balance Vol
On-balance Volume trending lower

**Large Specs are wildly bullish, while Commercials have built up a huge short position. The message of this chart is therefore simple, it is WATCH OUT - it implies a dollar rally that will cause gold - and silver - to be smacked back down again, possibly hard. The fact that the mainstream media, like Bloomberg, have jumped on the gold bandwagon in recent weeks with stories of Soros buying gold etc is another warning to expect trouble.**




| | Large Speculators | | | | Commercial | | | | Small Speculators | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | # | Long | Short | Bullish | # | Long | Short | Bullish | Long | Short | Bullish | Intrest |
| 04/19/16 | 354 | 291,143 | 74,306 | 80% | 102 | 117,743 | 357,864 | 25% | 50205 | 26,921 | 65% | 503,331 |
| 04/26/16 | 354 | 288,173 | 67,316 | 81% | 99 | 116,445 | 356,553 | 25% | 47030 | 27,779 | 63% | 497,884 |
| 05/03/16 | 389 | 338,476 | 66,828 | 84% | 103 | 116,644 | 411,545 | 22% | 51223 | 27,970 | 65% | 565,774 |
| 05/10/16 | 387 | 337,251 | 72,353 | 82% | 106 | 123,211 | 408,207 | 23% | 51710 | 31,612 | 62% | 579,777 |
| 05/17/16 | 398 | 340,748 | 74,460 | 82% | 111 | 122,477 | 412,720 | 23% | 52715 | 28,760 | 65% | 595,077 |

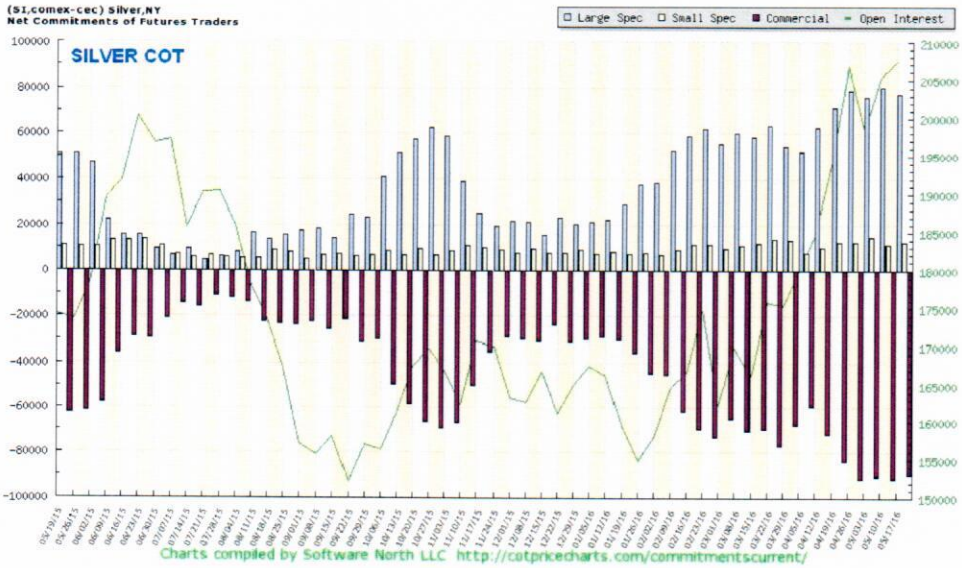
Click on chart to popup a larger clearer version.

Silver was much stronger than gold in April, which is not a recommendation for the sector, because silver outperforms gold at the end of a sector advance, as happened in early 2011. This month it has reacted back substantially, in the process largely unwinding its earlier overbought condition. In itself the 6-month silver chart looks positive, with it reacting back close to the support shown. Going on this chart alone we would consider silver to be a buy for a reversal to the upside at or just above the 1st support level shown. The problem is the weak looking gold chart and the horrendous COTs for both gold and silver.

Silver looks like it has had a normal reaction within a developing uptrend, and like it is a trading buy here, and especially if it drops back further to the support shown. However, its latest COTs remain at alarming extremes, and the volume internals of gold look weak, all of which suggest that the fledgling dollar rally now underway could gain traction and rip the rug out from under gold and silver and commodities generally. Silver's recent outperformance relative to gold is also not a good sign - that usually happens at the end of a sector rally. One tactic here is to buy silver should it drop into the support shown but place a close stop under it.


Silver's COT is another horror story with Commercial short and Large Spec long positions at very high levels.

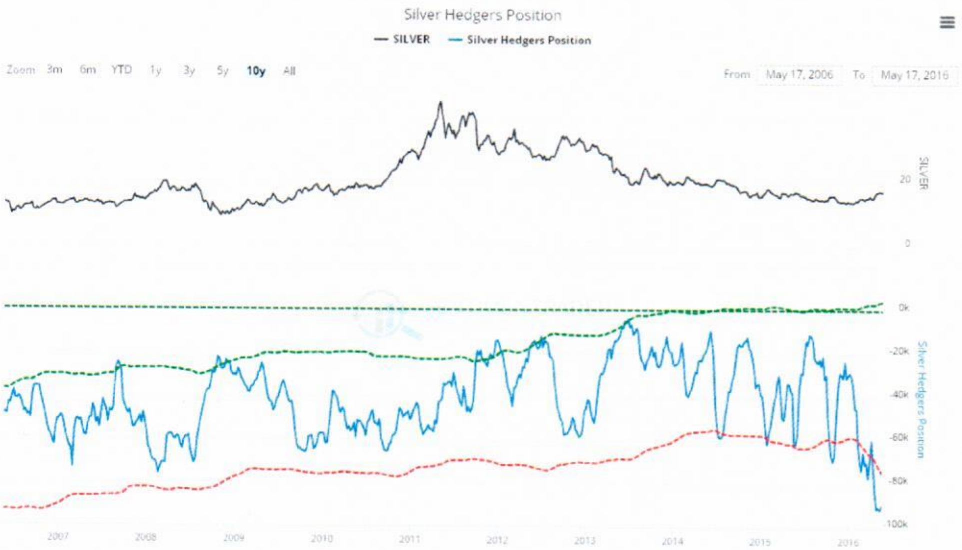
**With Commercial short and Large Spec long positions at wild record extremes, and Large Specs, whipped up by cheerleaders, "foaming at the mouth" bullish, caution is the order of the day with respect to silver - and we have already seen the price start to collapse back last week, and these COT readings suggest it could have a lot further to go - which implies that the current dollar may have quite a way to run yet.**




| | --- Large Speculators --- | | | | ------ Commercial ------ | | | | -- Small Speculators -- | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | # | Long | Short | Bullish | # | Long | Short | Bullish | Long | Short | Bullish | Intrest |
| 04/19/16 | 208 | 94,988 | 23,560 | 80% | 80 | 53,952 | 138,036 | 28% | 29798 | 17,142 | 63% | 194,510 |
| 04/26/16 | 213 | 99,774 | 21,001 | 83% | 76 | 56,700 | 148,002 | 28% | 29448 | 16,919 | 64% | 206,748 |
| 05/03/16 | 216 | 100,401 | 24,526 | 80% | 76 | 55,731 | 146,325 | 28% | 27506 | 12,787 | 68% | 198,237 |
| 05/10/16 | 220 | 107,844 | 27,573 | 80% | 75 | 53,870 | 145,602 | 27% | 27013 | 15,552 | 63% | 205,391 |
| 05/17/16 | 215 | 105,988 | 28,786 | 79% | 76 | 54,759 | 144,654 | 27% | 27750 | 15,057 | 65% | 207,394 |

Click on chart to popup a larger clearer version.

Just how serious the COT situation is for silver becomes apparent when we look at the long-term Hedgers chart, which shows positions at wild record extremes. Many observers are claiming that "it's different this time" and making various justifications why this COT and Hedgers chart data "no longer matters" or is misleading, centering on the entire financial system flying apart in the next few months. Maybe they are right but my observation on this is that it had better be different, or there's going to be trouble – for the PM sector.

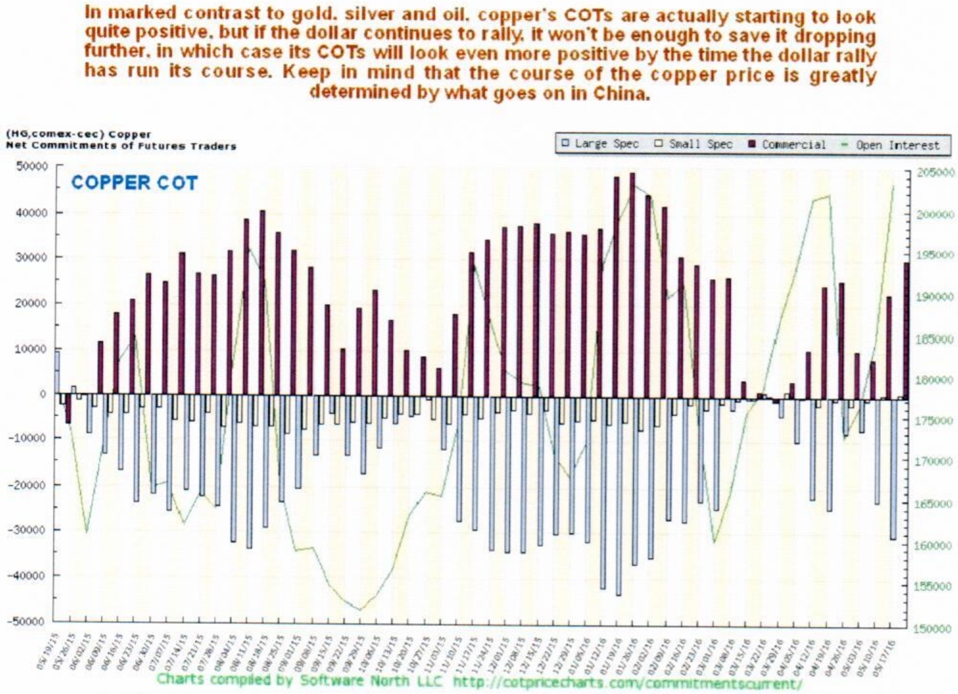



Click on chart to popup a larger clearer version.

*Chart courtesy of www.sentimentrader.com*

It's worth taking a quick look at copper, which we haven't looked for a while, because its latest COT is wildly different from the bearish COTs for gold, silver and oil. After trying to breaking above resistance, copper has dropped away sharply this month, due to bad news out of China, which is the principal consumer of copper. In recent days, it has been struggling to hold above the resistance level shown on our 6-month chart. While it is clearly likely to drop further to the lower support level shown on our chart if the dollar continues to rally, it is worth noting that its COT structure has improved significantly over the past several weeks, with the Commercials having built up a sizeable long position, although historically it can get a lot higher before a turn occurs. It's a tough call at this juncture but certainly worth keeping an eye on. Forced to decide which way it will go, I would say that it is likely to drop further with gold and silver and oil as the dollar rallies.

Copper has been hit hard in recent in recent weeks, doubtless due to negative news out of China, but it has arrived at a zone of support and Commercials have ramped up their long positions substantially over the past several weeks, so the chances of it bouncing back here are increasing. Much depends on the dollar, however, if it continues to rally then copper could drop further back to its January lows.




| | --- Large Speculators --- | | | | ------ Commercial ------ | | | | -- Small Speculators -- | | | Open |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | # | Long | Short | Bullish | # | Long | Short | Bullish | Long | Short | Bullish | Intrest |
| 04/19/16 | 267 | 66,318 | 90,834 | 42% | 88 | 86,690 | 61,270 | 59% | 16759 | 17,663 | 49% | 201,891 |
| 04/26/16 | 253 | 65,274 | 73,350 | 47% | 89 | 74,069 | 63,893 | 54% | 14555 | 16,655 | 47% | 172,378 |
| 05/03/16 | 241 | 65,651 | 73,111 | 47% | 94 | 75,186 | 66,922 | 53% | 14663 | 15,467 | 49% | 176,458 |
| 05/10/16 | 261 | 71,365 | 94,191 | 43% | 95 | 81,612 | 59,207 | 58% | 16181 | 15,760 | 51% | 184,768 |
| 05/17/16 | 303 | 79,184 | 109,830 | 42% | 97 | 88,280 | 58,337 | 60% | 16480 | 15,777 | 51% | 203,157 |

Click on charts to popup a larger clearer versions.

Finally we will take a brief look at the 6-month chart for the dollar again. On Wednesday the dollar index is believed to have broken out of the downtrend in force from early February, and it could now make another run towards its highs in 100.5 area, which of course would really take the wind out of commodities' sails, especially gold, silver and oil. The volume pattern and volume indicators for dollar index proxy UUP have been very positive so far this month. The dollar Hedgers chart continues to be quite bullish.


End of update.

*Posted at 10.50 am EDT on 22nd May 16.*