

GOLD COMEX OPTION STRUCTURE INDICATING MASSIVE PROBLEMS FOR THE GOLD SHORTS

By Adrian Douglas

On July 16 I published an article entitled "Comex Gold Option Open Interest Signals Big Gold Move "

http://www.marketforceanalysis.com/Publication08_assets/COMEX%20GOLD%20OPTION%20OI%202008.pdf

I made a further update of this article in the July 22 Midas column at www.lemetropolecafe.com. I remarked on how unusual it was that with only four trading days to go to expiry of the AUG08 Comex Gold Call options that a massive in-the-money open interest still remained despite gold having been savagely brought down from \$971 on July 15 to \$948 on July 22. One would have expected with such a brutal drop the Call option holders would have cashed in their chips before their options expired worthless or significantly devalued. I suggested that these sophisticated investors must either know something or anticipated something. With now only one trading day left in these options the plot thickens. Gold has now been taken down to \$928 yet only 1,230 contracts in-the-money have been sold since July 22 ! There still remain 21,796 contracts in the money. The total OI is a massive 71,308 contracts.

A bombshell dropped today. Two more American Banks have gone bust! When markets open on Monday the short sellers and the Gold Cartel are likely to be up to their armpits in buy orders. I would suspect a good fraction of them will come from the holders of those Gold Call options! If gold puts in a strong performance rising \$50 on the day then 35,828 contracts will be in the money. If gold puts in a stellar performance by going up \$100 in the day then 56,296 contracts will be in the money...a stunning 79% of the open interest! Such a daily gain is not outrageously big; oil and other commodities have made daily moves of up to 10% recently.

The Cartel is in serious trouble. What if they pull out all the stops and sell like crazy? There are 10,708 put options that are sitting below the market down to \$900 and a further 18,335 down to \$850. That could provide a lot of cash for entry into the long side.

The massive call position in the DEC08 contract has increased yet again to 128,038 contracts while Puts reduced by 847 contracts to 70,595.

As usual, when there is very gold bullish news, we can expect a Battle Royale from the manipulative shorts on Monday but it might be of the "Waterloo" variety.

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July 26, 2008
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