

ERIC YEUNG

Market Pulse: Insights into Precious Metals Dynamics and the Mechanism of Price Suppression

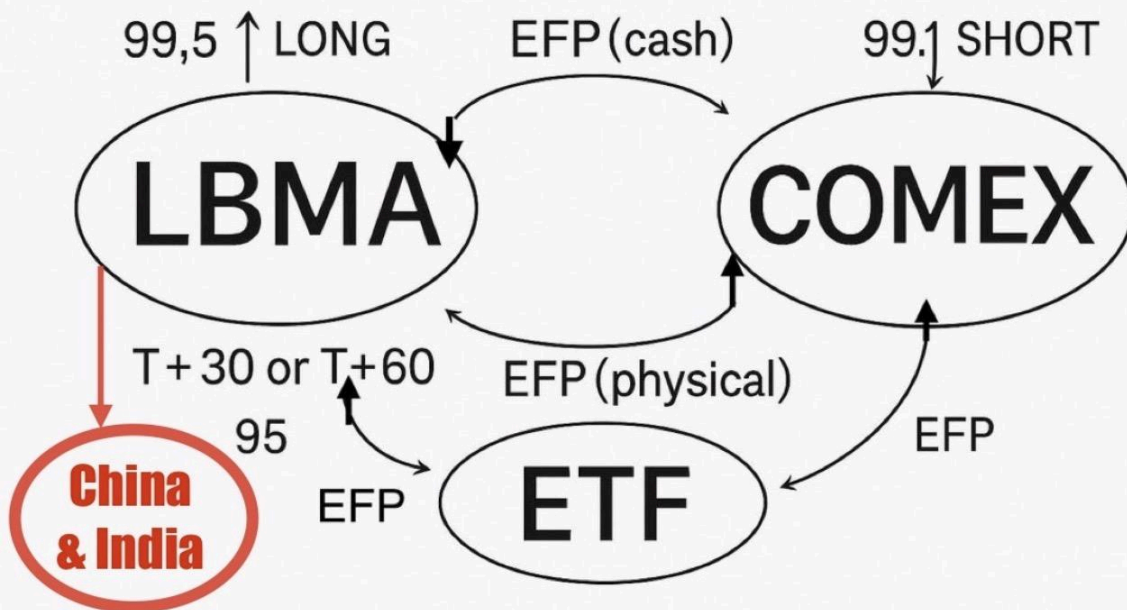
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Dear Subscribers,

In today's volatile financial landscape, understanding the mechanics behind price movements in precious metals is crucial for informed decision-making. This edition delves into the strategies employed by major financial institutions—often referred to as “Banksters”—to influence the daily openings on the COMEX for Gold and Silver. These tactics, centered around short positions and exchange-for-physical (EFP) trades, allow for significant price suppression while maintaining profitability.



Flow chart showing the interactions between Gold & Silver exchanges, OTC markets, and ETFs

To provide context, let's briefly define key concepts. Exchange-for-Physical (EFP) trades are off-exchange transactions that enable the swap of a futures position on the COMEX for a corresponding physical or unallocated position in the over-the-counter (OTC) market, typically on the LBMA, without directly impacting

exchange-traded prices. Basis trades, meanwhile, involve exploiting the price differential—or “basis”—between futures contracts (such as those on COMEX) and spot prices (prevalent on the LBMA), aiming to profit from convergence or divergence in these markets.

The relationship between COMEX and LBMA is integral to global precious metals pricing: COMEX, operated by the CME Group in New York, focuses on standardized futures and options contracts that facilitate hedging and speculation, while the LBMA in London serves as the hub for spot trading, physical bullion, and unallocated accounts, with the two markets interconnected through arbitrage opportunities and EFP mechanisms to ensure price alignment over time.

Below, we outline the process step by step.

1. The Mechanism of Price Suppression:

Initiating Short Positions on COMEX: Institutions open substantial short positions in paper Gold and Silver contracts on the COMEX. This influx of selling pressure sets the stage for downward momentum at the New York open.

2. Hedging with LBMA Unallocated Promissory Notes:

Concurrently, these entities establish long positions in a corresponding volume of unallocated promissory notes on the London Bullion Market Association (LBMA) through EFP basis trades. This acts as a hedge, balancing the COMEX exposure.

3. Coordinating with Proxies to Stabilize LBMA Prices:

To prevent excessive upward spikes in LBMA Gold and Silver prices, allied institutions may sell additional unallocated promissory notes. This collaborative effort ensures the overall market remains contained, enabling the “slam”—a sharp price decline—while allowing participants to capture spreads. Even if Gold and Silver prices rise subsequently, profitability is preserved as long as the EFP spread remains positive (i.e., COMEX prices are lower than LBMA equivalents).

4. Covering Shorts via EFP Cash Settlements:

Rather than closing shorts directly on the COMEX, which could drive prices higher through visible buying, institutions cover the majority through EFP arrangements that facilitate cash settlements off-exchange. This approach exerts minimal bullish influence on COMEX prices while allowing for efficient position unwinding.

5. Arbitrage via EFP Physical Metals Settlements:

When COMEX prices surpass those on the LBMA, EFP arrangements enable the settlement through physical metals transfers from LBMA vaults to COMEX

depositories. This process exploits the basis differential, ensuring that the institutions' spreads on EFP trades remain profitable and mitigating potential losses.

6. Leveraging ETF Redemptions for COMEX Delivery:

Authorized Participants (APs) associated with these institutions can also redeem physical metals from precious metals exchange-traded funds (ETFs), such as GLD or SLV, and deliver them to the COMEX via EFP physical metals settlements. This additional channel aids in sustaining price suppression efforts. As Jeff Currie, Goldman Sachs' head of global commodities research, once observed, "The ETFs are the shorts," highlighting how these vehicles effectively function as mechanisms for short positioning backed by physical inventory.



This sophisticated interplay between COMEX and LBMA markets highlights the tectonic shifts in global precious metals trading. As investors, staying vigilant to these dynamics can help navigate potential opportunities in Gold and Silver. For more insights, follow my X account for daily market updates and timely analysis. Best regards, Eric Yeung @KingKong9888 on X