April 11, 2015 – Weekly Review

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In almost an identical outcome for the second week running, the price of gold rose slightly while silver fell. Gold ended the week higher by $5 (0.4%) and silver finished 25 cents (1.5%) lower. As a result of silver's relative underperformance, the silver/gold price ratio widened out by more than a full point once again, to 73.5 to 1. While still remaining within a fairly tight trading range for quite some time, meaning that the relative price of silver and gold has been fairly constant overall, on any objective valuation method silver also remains incredibly undervalued to gold.

As the continuing flow of verifiable data indicate, both gold and silver are artificially priced by futures contract positioning on the COMEX. I suppose if one accepted that premise it would be somewhat normal to think that the extent of the artificial price influence would be roughly equal on each. After all, the methodology behind the artificial pricing is exactly the same Â? the rinse and repeat cycle of technical fund and commercial buying and selling of COMEX futures contracts. But when one steps back and realizes that not only are the actual gold and silver market fundamentals markedly different, so is the degree of intensity of the COMEX futures positioning of each.

In simple terms, while the manner of how each are artificially priced is the same, the COMEX manipulation in silver is much more extreme than it is in gold. No matter what basis one chooses, it's always more extreme in silver when one converts to real world equivalents, like the concentrated short position relative to world production or inventories. Because COMEX futures positioning is the prime price influence on gold and silver, it follows that would also be the prime price influence on the relative price reflected in the silver/gold price ratio.

Accordingly, as the continuing evidence indicates, it makes the most sense to view silver as the key component of the gold/silver manipulation even though the gold market is much larger in terms of dollars and market capitalization. I'm convinced that gold is manipulated to assist in the silver manipulation rather than the other way around. And there's a sick sense of logic in concluding that if silver is at the epicenter of the dual artificial pricing it would be the most undervalued. And the best long term investment opportunity.

Included in the continuing flow of evidence that silver is more intensely manipulated in price than gold is the physical movement of metal into and out from the COMEX-approved silver warehouses. No other metal, gold or otherwise, gets moved like physical silver has gotten moved in the COMEX warehouses these past four years. Certainly I have featured it every week since April 2011. Recently, I have openly speculated that the physical silver turnover might be cooling off based upon declining weekly turnover totals. Last week, for example, the turnover dwindled to only 1.2 million oz, the lowest movement I can remember.

Turnover may be cooling overall, but not this week. Actual silver movement in and out from the COMEX warehouses jumped from the lowest to maybe the highest ever, as an incredible 11.1 million oz were moved this week. Just as remarkable as the high turnover total was, it was remarkable that total inventories fell by a minor 1.4 million oz to 175.1 million oz. This preserves the key observation that over the past year and a quarter, while movement was white hot, COMEX silver inventory totals hardly budged. I concluded that this was a sign of supply tightness. I still feel that way, but the physical COMEX silver movement means something more specific this week. If you are guessing it might have something to do with JPMorgan, you wouldn't be wrong.

Over the last three days, 3.4 million oz were shipped into the COMEX silver warehouse owned by JPMorgan. Since the silver physically deposited into the JPM warehouse came from other COMEX silver warehouses, the turnover unique to JPMorgan was more than 60% of the total 11.1 million oz turnover (3.4 million oz x 2 for in and out). The deposit into the JPMorgan warehouse further cemented it as the largest COMEX silver warehouse with more than 50 million oz in total reported holdings. Please remember that this was not an operating COMEX warehouse prior to April 2011 and all its deposits have occurred in the past four years. Not coincidently, this is the same time over which I have claimed that JPMorgan had turned big physical silver buyer.

The real message to this week's massive turnover and the unusually large deposit into the JPMorgan warehouse is its direct connection to last month's unusual delivery pattern in the March COMEX silver futures contract. JPMorgan stopped or took the maximum number of contracts allowed (1500), the equivalent of 7.5 million oz; all in its personal trading account. The only thing wrong with that is that JPMorgan was heavily short the COMEX silver futures market making it the prime agent for the artificially suppressed price. According to commodity law, of course, this is illegal, if the law is unenforced.

I can't know if JPMorgan will move the rest of the 7.5 million physical ounces it acquired in the March COMEX silver delivers, aside from the 3.4 million oz shipped into its warehouse the past three days, but it would make sense. That JPM secured physical ownership of the 7.5 million oz is beyond question as is the fact that the JPMorgan warehouse is the largest COMEX warehouse. Why pay another warehouse operator for storage of metal you own if you can store it in your own warehouse for free? Sure, you have to pay a one-time trucking fee to have the metal moved but the key term is one time.

It's usually hard to impossible to decipher and connect COMEX futures deliveries with resultant changes in COMEX warehouse inventories because there are too many unknowns. Because too much relevant information is unavailable, I've always refrained from such analysis. But this is a rare case where futures deliveries and warehouse movements do line up perfectly. In this case, important clues were revealed as a result of JPMorgan taking delivery in its own account (not for clients) and it owning its own warehouse, as well as the prompt timeline. Aside from being in conformity with my broader speculation that JPMorgan has acquired a massive quantity of physical silver, there are other reasonable conclusions to be made of JPMorgan shipping recently acquired silver to its own COMEX warehouse.

For one thing, it suggests JPMorgan is in position to hold its accumulated silver according to its own timetable. If it were looking to dump the metal quickly, why incur the one-time expense of moving it, as well as the loss of anonymity of ownership? It also tells us that JPMorgan, if anything, is increasing the tempo of its physical silver accumulation. And why not as the super depressed prices allow it to lower its average cost of ownership. Aside from that, there are other considerations.

Since it appears most, if not all of the metal shipped into the JPMorgan COMEX silver warehouse came from other COMEX silver warehouses, as opposed to being metal from outside the COMEX warehouse system, it doesn't point to silver being in vast general oversupply. You may remember that it took until the last delivery day in the COMEX March delivery period for JPMorgan to get all of the 1500 contracts allowed. Since those delivering against open futures contracts are better off delivering quickly, rather than later, the time JPMorgan had to wait to get its maximum number of physical deliveries suggests an unwanted and perhaps forced delivery circumstance on the part of the issuers.

While I'm talking about a reluctance to deliver physical silver against the March futures, this goes to a much broader issue. That issue is just because you can see it and count it, doesn't mean it's available. Not only is that true for the 175 million oz held in the COMEX warehouses, it is true for all the silver in the world, including the inventories in SLV and other ETF-type vehicles. Just because we can verify that a billion ounces or so exists in world inventories of 1000 oz bars and those inventories are worth less than $20 billion at current depressed price levels, does it mean anyone can buy it.

Only those who own the 175 million ounces of silver held in the COMEX warehouses or the one billion ounces of total silver bullion in the world will decide at what price it is available for sale. While this can be said of any asset, in silver it is very special because of the extremely low total valuation, due to the artificial low price. Where I make the point that $20 billion is chump change in total's financial world for a total asset class, the amount truly available for purchase is a tiny fraction of that already small total amount. That's what makes the investment potential so great in silver.

Finally, when I view the documented activity of JPMorgan in various aspects of the COMEX silver manipulation scheme, I can't help but imagine that JPM is about to break ranks with the normally cohesive commercial crime syndicate. For sure, JPMorgan and the other collusive COMEX commercials have damaged and victimized many thousands of individual investors over the years, but it doesn't seem like little guys were forced to deliver to JPM recently on the COMEX. I can live with JPMorgan turning against the other COMEX crooks in its quest to accumulate as much physical silver as possible, but signs of that are tentative at best.

The latest data on short selling for stocks indicate that not only have we seen a marked increase in commercial selling on the COMEX for silver and gold, short selling in SLV and GLD, the big silver and gold ETFs increased as well on the recently capped price rally. Shares shorted on SLV grew by 2.6 million shares to over 19.5 million shares (ounces) and by 1.6 million shares in GLD, to a total of over 14.5 million shares (1.4 million gold oz). Particularly in silver, along with the unusual physical developments related to the COMEX and JPMorgan, I view the shorted shares as related to selling because the metal is not readily available. If it weren't for the presence of more important issues, at least for now, I would be focusing on the SLV short issue. Yesterday's surprising 2.4 million oz deposit into the SLV appears related to the increase in short selling in that it may be intended to cover the increase. That will only be known in the next short report. http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%99

Since the pattern in sales of Silver Eagles from the US Mint continues the same profile of erratic but unusually high relative sales compared to Gold Eagles, this continues to be highly indicative of a single big buyer (JPM). I'm going to jump to the changes in this week's Commitments of Traders Report (COT). Once again, the data in this report confirm that prices are set on the COMEX.

Because silver prices penetrated the 50 day moving average to the upside quicker on this price go-around than gold, the massive increase in the total commercial net short position occurred quicker in silver than in gold. Whereas the COMEX commercials sold more aggressively in silver over the two previous reporting weeks, they caught up in gold this week, as gold's 50 day moving average was penetrated during the current reporting week.

In COMEX gold futures, the headline total commercial net short position increased by 27,200 contracts, to 108,300 contracts. All three commercial categories sold, in typical Three Musketeer-type collusive manner, with the smaller commercials (the raptors) selling the most Â? nearly 20,000 contracts of long positions, reducing that net long position to 37,000 contracts. The big 4 added 3000 new shorts and the big 5 thru 8 added 4200 new shorts.

On the buy side, the technical funds accounted for more than 19,500 contracts bought, including almost 9000 of new long contracts and nearly 10,700 contracts of short covering in the managed money category. You'll remember that during the reporting week when we first busted above the 50 day moving average, the key question was how much technical fund buying and commercial selling took place. This was the COT report that promised to answer that question.

Like I did in last week's review with silver, it is proper to view the last two reporting weeks in gold on a combined basis. Over the two reporting weeks, the commercials sold more than 55,000 COMEX gold contracts, the equivalent of 5.5 million oz. No other gold venue featured this quantity of change of ownership. The principal buyers were the technical funds in the managed money category, accounting for roughly 45,000 net contracts of gold bought over two weeks. There is no question that these two groups of traders on the COMEX – commercials and managed money – dictate and set prices as the COT data continuously indicate. The only question is if this is legal since it has nothing to do with any gold market fundamentals and as such would seem to be in violation of commodity and interstate laws of commerce.

In COMEX silver futures, the total commercial net short position increased by a slight 600 contracts, to 50,500 contracts, following two weeks of much more massive increases. The raptors sold out 1300 contracts of longs, reducing their net long position to 14,800 contracts. The big 4 bought back a little over 200 short contracts and the big 5 thru 8 covered 500 short contracts. As a result of the release of the monthly Bank Participation Report, I could confirm, somewhat surprisingly, that JPMorgan held the 18,000 net short contracts that I had been estimating. I say surprisingly only because I was hoping this crooked bank would have made my estimate too high.

The technical funds in silver were net sellers (not buyers) of 850 contracts, but covered 1771 short contracts, further reducing potential buying power. I can't call the current market structure in silver and gold as bullish, only neutral, at best. Gold is still relatively better than silver in terms of market structure, being 50,000 contracts away from its most bullish reading (on March 24) and 100,000 contracts away from its most bearish reading (on Jan 27). Silver is 20,000 net contracts away from its most bullish reading (March 17) and only 10,000 contracts away from its most bearish reading (Jan 27).

Of course, the standout feature is just how aggressive the commercials have been, including JPMorgan, in selling into the weakest silver rally yet; a rally of only $1.50. Even though JPMorgan has added Â?onlyÂ? 5000 contracts of new silver shorts since March 17 on total commercial sales of 20,000 contracts, JPMorgan provided the lion's share of the roughly 7000 contracts of new commercial short sales from that date. Thus, JPMorgan has continued to be the silver short seller of last resort on the COMEX (and probably in SLV as well). What makes this so rotten and crooked is the unquestioned simultaneous accumulation of physical silver by the bank at the same time it has increased its concentrated short position. It is no understatement to call JPMorgan a stone-cold manipulator when it comes to silver.

At the same time, the CEO of JPMorgan, Jamie Dimon, continues to bemoan the day the bank took over Bear Stearns (and Washington Mutual) at US government request.
http://dealbreaker.com/2015/04/jamie-dimon-wishes-he-could-say-he-was-drinking-when-he-agreed-to-buy-bear/

Mr. Dimon is quick to point out that those two acquisitions account for the vast majority of the nearly $20 billion of fines leveled against the bank as a result of wrongdoing in mortage dealings. I don't have a personal gripe with Mr. Dimon and in this case I largely agree with him that why should JPMorgan be tied up in litigation for illegalities occurring prior to the acquisitions? As I've written previously, it doesn't seem fair to punish the son for the sins of the father. But past infractions in mortage dealings are quite removed from current violations in silver.

The big difference is that wrongdoing in mortage activities by Bear Stearns were (willingly or otherwise) terminated in relatively short order once the firm was acquired by JPMorgan. In silver, JPM's acquisition of Bear Stearns appears to have set off the crime spree. The record indicates that contrary to mortage activities, JPMorgan's complete dominance of the silver market began in earnest when it acquired Bear Stearns.

In fact, after discovering that JPMorgan had assumed the title of King COMEX silver short from Bear Stearns in 2008, I was initially convinced that JPMorgan was ending its role as the main silver manipulator after it drove prices from over $20 at the time of the acquisition to under $9 near year end. After all, JPMorgan did managed to reduce its concentrated short position by nearly half on the severe price decline and this appeared to represent a perfect time to bid farewell to manipulating the price further. But the record indicates that JPMorgan had no such intent and continued to sell short on every subsequent silver price rally to this day. What did change was that after the near disaster (for them) in the run up to nearly $50 in 2011, the bank decided to continue its manipulation of the silver market for the express purpose of acquiring physical silver at artificially depressed (by them) prices.

So while I agree with Mr. Dimon that the bank not be punished for acts not committed by it; why should it not be punished for acts under its full control? And if my allegations are that far off base, why not explain why they are off base? Funny, I didn't see any reference to silver in Mr. Dimon's letter to shareholders.

In reviewing copies of letters sent by you to the CFTC's Director of Enforcement, Aitan Goelman, I have been touched by the inherent sincerity of all the letters I have been sent. Certainly, some were harsh and I can understand that. Others were polite to a fault and even more sincere. It will be interesting to see what response, if any, the letters result in. I did remark to one reader that his letter to Director Goelman was so beautifully written and unquestionably sincere that if not answered it could only mean the director was somehow in on it.

I know Director Goelman's job description probably does not include correspondence with the public (along with JPMorgan and the CME Group), but this is a very unusual circumstance created by the verifiable specificity and gravity of the matter. Market manipulation is the most serious market crime possible and protecting against it is the CFTC's number one mission. We can go no higher than the CFTC, JPM and the CME in dealing with the manipulation; that's the apex of the silver market food chain. The issues can't be clearer, including JPMorgan taking delivery of the maximum amount of physical silver allowed while holding the largest paper short position.

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