

April 23, 2016 – Weekly Review

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In somewhat of a replay of the prior week's finish, the price of gold fell slightly, by \$2 (0.2%), while silver rose by a strong 72 cents (4.4%) to its highest close in nearly a year. As a result of silver's outperformance, the silver/gold price ratio tightened in by more than three full points to just under 73 to 1. In just two weeks, the ratio has tightened in by nearly 8 full points, or 10%. Is this the start of the (my) long expected dramatic readjustment in the price of silver, both on an absolute basis and relative to gold? I don't know.

Having opined that the surest trade was switching gold positions to silver and suggesting that silver could melt-up in price at the outset of this recent pop in silver, I am not about declare we're on our way. We could be, but the short term is still fraught with uncertainties, thanks to the one potential negative \hat{A} ? the market structure on the COMEX. Longer term, no sweat; but that can't be said about the short term.

After outperforming silver since the start of the New Year, up until the past two weeks, it is much closer to the truth to say that gold has stagnated over the past 11 weeks, albeit at much higher prices than it ended the year. After surging more than \$200 an ounce in little more than 5 weeks at the start of the year (its strongest start in 30 years), gold has traded in a closing weekly range of little more than \$40 for nearly two and a half months. Those are the price facts; to what cause can we attribute those facts?

The only cause I can see is futures contract positioning on the COMEX. Specifically, technically-motivated speculators bought 225,000 net gold contracts, the equivalent of 22.5 million oz., switching from an historic net short position to an equally historic net long position (with commercial speculators taking the opposite position). The position switch was largely completed by early March and gold prices have largely stagnated since then.

In the interim, we have been treated to a wide variety of stories attempting to explain the price action in gold, ranging from typical macroeconomic developments to expectations of new Chinese exchanges; but I haven't seen the direct connection between the stories and the price. Please don't misunderstand me — I'm not saying such things won't dramatically influence gold and silver prices ahead; I'm just saying they haven't yet. As much as I find it outrageously wrong, gold and silver price moves are dictated by COMEX futures contract positioning. Someday and perhaps someday soon, the COTs won't matter or will matter in ways much different than they have in the past. Up until now, however, it's been the same old song. More on this in a moment.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses picked up this week, despite a still somewhat rare zero movement day on Thursday. This week nearly 4.8 million oz were moved as total COMEX silver inventories fell a sharp 3 million oz, to 151.1 million oz, the second lowest weekly level in more than 3 years. I'm still much more concerned with the unprecedented movement in the COMEX silver warehouses than the total levels, but both seem to point to physical tightness.

Also, there has developed a recent pattern of silver coming out of the JPMorgan COMEX warehouse, as more than 3 million oz have been removed over the past two weeks. I had been expecting an inflow of nearly 5 million oz into JPM's warehouse as a result of deliveries taken by the bank in the March futures contract. I'm sensitive to any change in pattern in matters related to silver, particularly when involving the master silver crook, JPMorgan. This also suggests physical silver tightness to me and I will be quite surprised if JPM turns out to be the big stopper in the May delivery process (which starts next Friday); even though JPM has been the big, if not near exclusive stopper of COMEX silver deliveries for more than a year. I'm guessing silver is tight enough that JPM will back down from demanding more at this time.

Let me jump to another sign of physical silver tightness. The past four trading days have seen unusually high trading volume in the big silver ETF, SLV, as buyers rushed in as silver prices surged. Undoubtedly, this involved net new buying of shares of SLV, necessitating metal being deposited into the trust as dictated by the prospectus. No new metal has been deposited yet. The only way around the metal deposit is if the sellers of shares to the new buyers are borrowing existing SLV shares to sell short; thus frustrating the intent of the trust's prospectus. Regular readers know this is an important issue to me.

The next short interest report to be published late Tuesday will only include data through April 15 and I won't be surprised to see an increase in short selling in SLV, since prices were higher through that date. But any short sales this week won't be available until May 10. It's a recurring problem that sellers in SLV resort to short sales when the metal is not available to avoid having to buy metal and drive the price higher. I can't complain until the data are published, but something tells me I'll be complaining fairly soon. The bottom line, if my suspicions are realized, is that this is a strong indication of physical silver tightness. All told, based on this week's trading volume, is that 5 to 10 million oz of metal are "owed" to the SLV.

Switching over to the COMEX gold delivery process, HSBC did finally deliver a chunk of metal against the April futures contract as I speculated last week, although in an amount (945 contracts) less than the 1600 contracts I expected. With roughly 400 contracts remaining open in the April contract, there appears to be no sign of delivery congestion. Eyes should now shift to the May delivery process which involves silver more than gold.

Sales of Silver Eagles fell slightly short of a sellout this week, most likely due to some silly game played by JPMorgan to help the US Mint avoid reporting another weekly sellout. Gold Eagles sales surged, in my opinion due another game played by JPMorgan after laying off buying Gold Eagles in the previous month. I know there are commentators reporting that retail gold demand has picked up markedly, but I couldn't disagree more. Both Silver and Gold Eagle sales are dictated by JPMorgan.

http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

The changes in this week's Commitments of Traders (COT) Report were instructive, butt-ugly and, quite frankly, dangerous to the gold and silver markets. The data fully explained silver's recent rally, as it looked to me like the big increase in technical fund buying and commercial selling in the reporting week occurred on 75 cent rally on the Tuesday cutoff date. It also suggests, at least through yesterday, that more such technical fund buying and commercial selling occurred since the cutoff date.

In COMEX gold futures, the total commercial net short position increased by 8300 contracts to 240,100 contracts. It wasn't so much that the weekly increase was massive, as it was that the total is so massive on a cumulative basis. On December 29, the total commercial net short position (the headline number) was 15,300 contracts when gold was \$1060. This is the 225,000 contracts (22.5 million oz) I referenced above that the technical funds bought and the commercials sold. This is why gold rallied more than \$200. This is the largest headline number since late 2012 when gold was more than \$1600 and I'm sure most remember what happened shortly thereafter (gold fell hundreds of dollars).

This is why the current market structure must be considered dangerous; not just vulnerable for a selloff, but should some outside and unforeseen event occur, dangerous for a disorderly move to the upside as well. History and the probabilities favor a selloff, but the bigger issue is that the regulators and particularly the CME Group must be considered liable for allowing such a dangerous situation to develop (it's even more dangerous in silver).

To those who ask "what could the CFTC or the CME have done to avert such a dangerous market structure?" The answer is simple "to never have allowed such large speculative positions to develop in the first place by having instituted legitimate position limits. This where the crooked CME is most vulnerable. The minute the legal community focuses on the real manipulative issue in gold and silver the crooked COMEX the CME is a goner. And without the COMEX, the manipulation is a goner. I'll come back to this in a moment.

By commercial category in gold, the 4 biggest shorts added 4700 new shorts and the raptors (the smaller commercials) added 5300 new shorts, meaning the big 5 thru 8 shorts bought back 1700 contracts. On the buy side of gold, the technical funds in the managed money category added more than 6100 new longs and now hold their largest net and gross long position since 2011.

Gold prices fell nearly \$40 from their intraday highs on Thursday and near the close on Friday had penetrated to the downside the key 50 day moving average the most decisively in months, despite much talk during the week that China was finally taking over the price of gold. I hope China does take over and does so soon, because the COMEX commercial crooks look completely in control at week's end. Not only did the COMEX commercials clip the technical funds to the tune of \$750 million on the \$200 gold rally, these same commercial crooks are actually ahead at Friday's close on the short positions they added over the past two months. This would be an ideal time for the COTs to stop working, as so many have proclaimed has already occurred.

In COMEX silver futures, the big jump in total open interest during the reporting week coincided with a massive increase of 11,600 contracts in the total commercial net short position to 84,100 contracts. This is the largest (most bearish) headline number in a decade and among the very largest in history (I think it got to 90,000 contracts in 2004).

By commercial category, the big 4 (JPMorgan or Bank of Nova Scotia) added 4200 new shorts and the raptors sold off 7000 long contracts, meaning the big 5 thru 8 shorts added 400 new shorts. I'd peg JPMorgan to be short 25,000 contracts, but it's possible that BNS is the largest silver short, with the other short 20,000 contracts. It looks certain that between these two banks 45,000 contracts are held net short (225 million oz). I must wait until the May 6 Bank Participation Report to calibrate more closely.

I realize I haven't brought up the Bank of Nova Scotia in quite some time, but I did actively accuse the bank of manipulating silver prices (as well as AIG before them) before JPMorgan arrived on the manipulative scene in early 2008. But having just uncovered (after much search) an old article alleging BNS involvement, I thought I would bring it to your attention. This was written nine years ago, but is still remarkably timely.

http://www.investmentrarities.com/ted_butler_comentary08-21-07.shtml

On the buy side of silver, it was all managed money buying, almost to the contract of what the commercials sold, as the technical funds bought nearly 11,900 contracts, including 7760 new longs and the short covering of 4125 contracts. Managed money longs are now up to 77,534 contracts, the most by far in the history of the disaggregated report and at just under 10,000 contracts short, the funds can hardly get much less short. As opposed to the highly concentrated nature of the short position in silver, I would point out that over the past two reporting weeks, more than 20 new traders entered onto the long side in the managed money category. You can say what you wish about the mechanical technical fund traders (and I have said plenty over the years), but they don't appear to be close to as collusive and as few in number as the crooked commercials.

To make matters worse and more dangerous, the concentrated short position of the 8 largest traders looks to be the highest in the history of the COT Report and, as has been the case all along, is actually larger than the total commercial net short position (because the raptors are still long a few thousand contracts). At 87,140 contracts net short, eight crooked commercial traders are short more than 435 million oz of silver. This is the most concentrated short position, not only in COMEX silver futures, but in any commodity in history. Please stay with me on this, as it goes to the heart of the silver manipulation.

There can't be and never has been a commodity manipulation without a concentrated position. No ifs, ands or buts. Most manipulations are of the upside variety, like the Hunt Brothers in silver or the Sumitomo copper manipulation, but commodity law doesn't distinguish between a long side and a short side manipulation (remember Maine potatoes). What matters is if a concentrated position exists. The data in the current COT report indicates the largest concentrated short position in history currently exists in COMEX silver futures. Therefore, it would be impossible for silver not to be manipulated to the downside.

Not only is this week's record concentration on the short side of COMEX silver clearly visible, as I indicated last week, there exists a concentration within the concentration, in that two traders, JPMorgan and Bank of Nova Scotia, appear to hold more than 50% of the record concentrated short position or 225 million oz (out of 307 million oz held short by the 4 largest shorts). I wouldn't risk my reputation by falsely accusing anyone of something as serious as market manipulation if I had any doubts to what I was saying.

During the reporting week, the price of silver touched \$17 an ounce, a price at which most primary silver miners might be able to generate a small profit but not one at which there was any announcements of miners locking in the price of silver by shorting COMEX futures contracts or making similar hedging arrangements. Therefore, most, if not all the concentrated silver short position was held by non-producers, such as crooked banks. This makes the largest concentrated short position in history much worse and more manipulative in that the sellers aren't producers. And knowing that I allege that JPMorgan has accumulated a massive amount of physical silver over the past 5 years hardly gives it the right to further manipulate prices. In fact, it can't get much worse unless this highly manipulative concentrated short position grows (which likely occurred through yesterday).

I'm sitting here somewhat dumbfounded over what has occurred, even though it has largely gone the way it usually goes. I guess what is so strange to me is in how clear this silver manipulation has been for so many years, especially now, since so many have come to see it – yet it continues, not only unabated, but actually intensifying. It occurs to me that what has allowed the silver manipulation to last as long as it has is the difficulty in bringing the really guilty parties, the banks, the CFTC and, especially, the COMEX (owned by the CME Group), to task. I mean, how the heck do you sue the government, the big banks and the CME?

I know there have been some attempts at class action lawsuits against JPMorgan and silver and that there are currently such suits brewing as evidenced in the recent settlement with Deutsche Bank and the London Fix. But I also know those suits will only result in meaningful change if they find a way to JPMorgan and the COMEX, where the manipulation is centered. And it seems to me, as a non-lawyer, that the trick is to make it to some type of discovery before the suits are dismissed (or settled).

The biggest obstacle is that the banks and the CME are almost impregnable when they are attacked legally to get to discovery. So why not alter the attack plan? Instead of attacking the bad guys, why not seek to have them go on the attack? I have been amazed about how silent JPMorgan and the CME have been to direct and public accusations of wrongdoing.

As I hope you know, in addition to releasing quite a few public articles over the years, I send JPM and the CME just about every article in which I accuse them of being crooks (I might have missed a very few). No matter what I say about these crooks, they turn the other cheek, although, to my knowledge, that has never occurred with any other financial institution in history. I can't help but conclude that the reason they turn the other cheek is because should they press me for libel (or whatever) that might result in discovery \hat{A} ? their main objective in fighting the class action suits. Maybe they can find a way to attack me for libel without disclosing to a judge the full merits of the case, but neither JPM nor the CME have tried that yet, at least to my knowledge (and I think I would know if they had come at me for libel). That suggests they can't risk doing so without opening up a real can of worms.

This is incredible unique and specific to silver and the concentrated short position on the COMEX. No other exchange, say the New York Stock Exchange or the NASDAQ, would tolerate for a moment accusations they were running an ongoing price manipulation. Yet the CME Group sits mute in the face of repeated accusations of this kind. No important financial institution has ever turned the other cheek at open and growing allegations of impropriety, as JPMorgan has done.

And I'm aware of no such open allegations involving any other commodity market run by the CME, just the COMEX. I've never heard allegations of this type in the grains, the meats and livestock, the soft commodities or energies; just the COMEX, with particular attention on silver. If a group of traders complained about the corn futures market, would the CME bury its head in the sand and refuse to comment as it has in silver? Not on your life. Yet that is the case in silver as the crooks at JPMorgan or the CME are afraid to utter a word in their own defense -other than we stand (hide) behind what the wimps at the CFTC say.

The problem for JPMorgan and the CME is that the matter is attracting more, not fewer observers, so at some point they will be forced to answer. I have this recurring dream in which Elizabeth Warren happens upon this issue and begins to ask publicly why the heck JPMorgan is allowed to dominate the silver market or even be allowed to trade in silver at all. I solicit any and all suggestions you might have to press JPM and the CME and I certainly don't have much fear at this point of being accused of libeling either JPM or the CME, since I have done so for years already and I am confident all my allegations are based upon fact.

So what happens next in silver and gold pricewise? A dangerous market structure suggests we could go either way and do so violently. If the COMEX commercial crooks succeed in forcing the technical funds to sell on lower engineered prices, because the 50 day moving average in gold has now been violated, it would appear not to take too much to get the snowball rolling down the hill. If the commercials succeed in silver in the near term, because its 50 day moving average is about \$1.50 below current prices, any successful downside rigging would appear to have to be more violent.

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