

## April 29, 2020 – Uncanny Parallels

What is it about gold and silver that seem to embroil these precious metals in a never-ending series of fraudulent pricing schemes? The principle fraudulent scheme, a price suppression caused by the concentrated short selling by a handful of banks on the COMEX futures market, has endured since I first discovered it in silver the mid-1980s, despite repeated petitions to the regulators. But in addition to the ongoing short selling scam on the COMEX, there have been other fraudulent pricing schemes along the way.

In fact, it was one of those other schemes that occupied my interest when I first started writing on the Internet in 1996. My main purpose in all my writings is always to focus in on whatever happens to be the most important influence on price at the time. Why mess around with less important things that only tend to confuse people and dilute the main message? Back in 1996, the most important price influence was the fraud of precious metals leasing/forward selling, which was all the rage in the 1990s to the early 2000s. The reason precious metals leasing/forward selling was the most important influence on price was because it allowed massive quantities of physical gold and silver to be, quite literally, dumped on the market with no real economic logic or justification.

The way leasing/forward selling worked was that a few Wall Street rocket scientists (yes JPMorgan among them) concocted a grand scheme that involved convincing central banks to physically part with (sell) massive quantities of gold and silver. But instead of the central banks receiving the proceeds of what were in actuality outright sales, the Wall Street bankers persuaded the central banks to record the sales as leases and forgo receipt of the proceeds. This allowed the central banks to continue to report the physically departed metal as being still in the possession of the central banks.

The key to the transaction for the Wall Street rocket scientists was getting someone that sounded legitimate as being responsible for returning the physical metal that the central banks no longer possessed. This requirement was met by the Wall Street concoctors convincing large mining companies both to receive the full proceeds of the central bank sales of metal and then promise to return the metal from future mine production. On the surface, it was a win/win/win proposition – the central banks got to receive a (very low) interest rate return on metal that had been completely fallow and just sitting there to that point, the mining companies had a nearly cost free use of money to develop additional production and, of course, the Wall Street bankers raked in absolutely enormous fees for arranging the transactions.

In reality, the win/win/win was really lose/lose for the central banks and the miners (Wall Street never loses). So much physical metal was dumped on the market as a result of these transactions that prices of gold and silver were extremely depressed. Perversely, this only encouraged more leasing/forward selling because, in essence, the transactions were little more than short sales that made all the participants look like geniuses as long as prices continued to decline. So popular did leasing/forward selling grow to be that at its peak (in the early 2000s), more than 3 years of world gold mining production came to be sold short. The leading miners involved in this were household names, like Barrick Gold, AngloGold and Newcrest from Australia.

No amount of criticism of the practice to the regulators (the US Fed, Treasury Dept., CFTC and the SEC) or the mining companies involved could persuade them that the leasing/forward sales were

artificially depressing prices and would end badly. But end badly it did, as Barrick Gold and AngloGold wound up losing \$10 billion each when all was said and done, with other miners chipping in tens of billions more in losses (or as some euphemistically termed it â?? lost profit opportunities for shareholders).

Importantly, the end of leasing/forward selling also ended the long decline in gold prices into the early 2000â??s and allowed prices to rise sharply for years thereafter. After all, thatâ??s what happens when you stop piling on short sales and start to cover, namely, prices stop going down and end up going higher than they would have had the massive short sales never occurred. See where Iâ??m going with this walk down memory lane? The parallels between what happened with leasing/forward selling and what will happen with the concentrated short selling in COMEX silver and gold futures are so similar as to be unnerving.

To be sure, every regulator which should have done something in both scams, did nothing. What the heck do we have regulators for if they canâ??t see stuff like this? The same goes for all the leading participants in both frauds, with many being offenders in both frauds. Perhaps the strongest parallel between the fraud of precious metals leasing/forward selling and the scam of concentrated short selling on the COMEX is that those in the mainstream, including the regulators and leading participants (like JPMorgan) denied anything was wrong and ignored the complaints from â??outsidersâ??. And for many years to boot.

Even to this day, there is no widespread condemnation of the fraud of precious metals leasing/forward selling despite the clear proof it manipulated and depressed gold and silver prices for years on end. The inane practice just simply ceased to exist and all involved just stopped talking about it as if it never occurred. There is no discussion of any type today and few even wonder how a practice involving tens of millions of physical gold and hundreds of millions of physical silver ounces 20 years ago, simply up and disappeared. It up and disappeared because it was a fraud and scam to begin with.

Likewise, I suppose it is possible that the scam and fraud of concentrated short selling by 8 or so banks on the COMEX will simply disappear and many years from now no one will discuss what has been the market crime of all-time. Certainly, of course, I fully expect the principal gold and silver price rigger over the past decade, JPMorgan, to walk away Scott-free and many tens of billions of dollars ahead as a result of the whole sordid affair. After all, who exactly could bring JPMorgan to task for its masterful criminal enterprise since acquiring Bear Stearns in 2008 â?? the CFTC or the Justice Department? Surely, you jest. How could any government entity come to openly acknowledge a major market crime has occurred after denying that same crime for years and decades? Letâ??s face it, JPMorgan is home free no matter what happens at this point. In fact, it is already many billions of dollars ahead even before gold and silver prices have truly erupted.

While part of me is sad in knowing that JPMorgan will escape any legal or regulatory repercussions for its masterful criminal manipulation of gold and silver, Iâ??d be lying if I said I wasnâ??t also quite relieved not to have become embroiled in a legal tussle with the bank for spearheading the effort to identify it as the main gold and silver crook. Maybe Iâ??m reading it all wrong, but the two â?? JPM escaping justice and me escaping the legal wrath of JPM â?? go hand in hand. They get away with murder and I get away from being murdered. That doesnâ??t mean I wonâ??t continue to bring as much attention to JPMorgan for its criminal behavior in gold and silver as I possibly can.

The one thing that is dead solid certain about the coming end to the ongoing price manipulation by the

big concentrated shorts in COMEX gold and silver that was also true for the end of precious metals leasing/forward selling scam of nearly two decades ago is that prices will rally as a result. There's simply no way around it. The only difference may be how long and how high the rally may persist. With the end of precious metals leasing/forward selling, gold and silver rallied for 8 years or so (until 2011), with gold climbing six-fold and silver by nearly ten-fold. And the only reason the rallies didn't last longer or move higher was because the other great manipulative mechanism, concentrated short selling, largely remained intact.

But now with precious metals leasing/forward selling long gone and, I believe, dead forever, the only remaining price depressant is concentrated short selling on the COMEX. When that criminal mechanism finally bites the dust, I can see little that tempers the coming surge in gold and, particularly, silver prices. While I can't pinpoint in advance the exact date when the concentrated short selling fraud will end, the signs abound that it won't be much longer. What signs?

One sign would appear to be yesterday's story on Reuters about what has to be the longest goodbye in history – also known as Scotiabank's latest intent of abandoning its involvement in manipulating gold and silver prices. These guys have been trying to cut bait and end that involvement for years, with Scotiabank first trying to sell its Mocatta precious metals unit and when no one emerged willing to buy that pig in a poke, the bank decided to just shut it down. Or so the story alleges.

<https://uk.reuters.com/article/uk-metals-bank-of-nova-scotia-exclusive/exclusive-sciotiabank-to-close-its-metals-business-sources-idUKKCN22A2Z6>

But Scotiabank leaking that it is leaving precious metals manipulation behind and actually doing so have proven to be two different things. My late friend and silver mentor, Israel Friedman, had always considered Mocatta to be the big silver crook and manipulator, ever since the days of the Hunt Brothers' top in 1980 and I always considered Scotiabank to be one of the big 8 shorts in gold and silver since it acquired Mocatta in 1997. I still consider the bank to be one of the big 8 COMEX shorts and am treating the latest story that it is leaving precious metals as I'll believe it when I see it.

It's not that I disbelieve that Scotiabank wants to jettison Mocatta, as I believe the bank has felt that way for years and truly laments acquiring it in the first place. But saying you want to walk away and actually walking away can be two very different things, both in matters of love and in precious metals manipulation. Particularly if you are one of the 8 big COMEX shorts responsible for the ongoing gold and silver manipulation, it takes more than leaking stories to the press to remove you from entanglement. First and foremost, you must close out your short positions.

Perhaps Scotiabank has already closed out its COMEX gold and silver short positions, but I have my doubts. There's been no strong evidence of big 8 short covering in gold and silver, apart from JPMorgan's stunning short covering and near-perfect double cross of the other big shorts. For ScotiaMocatta to have bought back its shorts, that would require another bank to have come in and replaced Mocatta's shorts – possible, but not likely. Besides, Scotia has supposedly been leaving precious metals for years and yesterday's news is not particularly new.

If anything, the Scotiabank news should indicate how hard it is for the 8 big shorts to simply quit and walk away from the manipulation. Words alone won't close out the short positions – only actual closeouts will do the trick. The short positions must be bought back or delivered against. I suppose it's possible, but not likely for the 8 big gold shorts to come up with the 25+ million ounces

of gold needed to deliver and close out their short positions; but it is much less likely for the 8 big COMEX silver shorts to come up with the 360 million oz of silver needed to deliver to close out their short positions.

That leaves the buyback of the short positions as the most plausible means for the 8 big shorts to close out their open short positions. The problem, of course, with the 8 big shorts buying back their short positions is that would surely send prices launching skyward. After all, it is the big shorts' excessive and concentrated short selling most responsible for the depressed prices of gold and, especially, silver. If, as and when the big shorts move to buy back their short positions, the only sellers are likely to come at prices shockingly higher than current prices.

The 8 big shorts know this equation better than anyone and that is the sole reason we continue to sit locked in price and time. They can't likely deliver (otherwise they would have by now) and they certainly can't move to buy back - all they (and we) can do is sit in suspense - a true standoff of sorts. But if there is any consolation in any of this it is that the 8 big shorts stand an infinitely better chance of financial ruin when this standoff gets resolved, while the rest of the world which is long stands to make great rewards.

As far as what to expect in this Friday's new Commitments of Traders report, your guess is likely as good as mine. There was a fairly sharp rally in both gold and silver in the first two days of the reporting week in both gold and silver (of as much as \$80 and 80 cents respectively), followed by three days of price declines. Gold prices did end the reporting week nearly \$40 higher and silver by nearly 50 cents, so that suggests some managed money buying and commercial selling, but trading volumes remained light and changes in total open interest were subdued, with gold open interest up around 7500 contracts and with silver's total open interest down by 1200 or so contracts. I don't imagine really big positioning changes and will be content to pick up whatever clues may be revealed. As I indicated on Saturday, the market structures look "washed out" in both gold and particularly silver.

Tomorrow is the first notice of deliver day for the May COMEX contracts, a traditional delivery month for silver, but not so for gold. However, the open interest in May gold is much higher than normal at close to 8000 contracts, so higher than normal deliveries should be expected, but nowhere near the 31,666 total deliveries in April. The open interest in the May silver contract is also higher than what was seen in the most recent March contract, but the standout feature has been the volatility in the May/July silver spread or switch over the past few weeks.

The spread differential in May/July silver spread ranged from 2.9 cents on April 6 to more than 25 cents over the next week or so and back to 15 cents or so in trading today. Recent days have seen daily changes of as much as 5 cents, where typical spread changes are measured in a cent or tenths of a cent. I don't know what is accounting for the sharp volatility in the silver spread changes, but suspect it has much to do with the deliberate attempt to discourage the stopping or taking of delivery by those tempted to do so. I should know more by Saturday's review.

As far as the financial standing of the 8 big shorts, they did gain a measure of relief from last week's sharp increase in open losses, as gold prices have been lower since the Friday close (silver has been mostly unchanged). As of today's close, the total combined open loss to the 8 big shorts in gold and silver is just over \$6.4 billion, down from \$7 billion on Friday's close.

Ted Butler

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Silver – \$15.25 (200 day ma – \$17.00, 50 day ma – \$15.62)

Gold – \$1718 (200 day ma – \$1540, 50 day ma – \$1646)

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