April 3, 2019 – Confirmation, Outrage and Disgust

A recent interview with former CFTC Commissioner Bart Chilton nearly knocked me off my feet because it confirmed what I have alleged, starting more than 12 years ago. Iâ??ll include the interview later, but first I will set the background of the subject and timeline in order put Chiltonâ??s words into the proper perspective. The subject is JPMorganâ??s manipulation of the silver market. The timeline is important because Chilton does misstate some facts that need to be corrected. Iâ??m not a big fan of articles that include lots of links to past articles, but in this case itâ??s unavoidable.

Shortly after Bart Chilton took office as a commissioner in August 2007, he began to make public speeches in which he asserted that the CFTC was no regulatory pushover, like Barney Fife on the â??Andy Griffith Showâ?• but more like Elliot Ness or James Bond and that the agency was a tough cop on the beat. I assumed Chilton was genuine in his faith in the agency, but since he was brand new to commodity regulation I was sure that he was unaware of my allegations to the agency over the prior 20 years about a silver manipulation due to a concentrated short position on the COMEX. So I wrote to him about his claims of regulatory toughness at the agency and encouraged others to do so as well.

https://www.investmentrarities.com/ted-butler-commentary-november-13-2007/

To his credit, Commissioner Chilton, responded to my and othersâ?? emails quickly, pointing out that CFTC staff were aware of the allegations and having responded in the past, they would do so again in the future.

https://www.investmentrarities.com/ted-butler-commentary-november-20-2007/

I would ask you to note that my first contacts with Commissioner Chilton took place shortly after he assumed office in 2007 and the subject matter revolved around the concentrated short position in COMEX silver futures, an issue that has remained at the heart of the allegations of price manipulation to this day.

Much to his credit, Chilton always endeavored to answer each and every email sent to him from the public (provided those emails werenâ??t personally insulting). In fact, I continued to email him personally and encouraged others to do so as well, in addition to sending him and the other commissioners all articles I wrote. I think itâ??s fair to say that close to 99% of the thousands of public emails sent to Chilton concerned the silver and gold price manipulation and there can be little doubt that all of those emails came directly or indirectly at my urging. What else could possible account for the high volume of public correspondence with an official of the CFTC?

Early in 2008, Commissioner Chilton indicated to me privately that the agency would be coming out with a new finding concerning the continued numerous public allegations of a silver price manipulation. This new finding would supersede the 15 page public letter of 2004. Perhaps I misinterpreted his message, but I came to believe that the new finding would be much different than the original finding. Instead, on May 13, 2008, the CFTC published another 16 page denial that anything was wrong with the concentrated short position in COMEX silver futures.

https://www.cftc.gov/sites/default/files/idc/groups/public/@newsroom/documents/file/silverfuturesmarketre

Feeling betrayed (something I donâ??t believe I revealed previously), I told Chilton in not-so-polite terms how I felt and ceased personal email contact with him (although I did continue to send my articles to him and all the other commissioners, since they concerned regulatory matters).

In March 2008, nearly two months before the CFTCâ??s 2nd public silver letter was published, the largest concentrated COMEX silver (and gold) short, Bear Stearns, failed and its short positions were assumed by JPMorgan. I certainly knew that Bear Stearns collapsed and was taken over by JPMorgan, but I had no idea at the time that Bear was the biggest single short in COMEX silver and gold or that JPMorgan assumed those short positions. I would only learn of this months later, after the August 2008 Bank Participation Report was issued and revealed for the very first time an enormous silver and gold short position held, as it turned out, by a single US bank. (The reason Bear Stearns had never appeared in the Bank Participation Report was because it was an investment, not a commercial bank like JPMorgan).

https://www.investmentrarities.com/ted-butler-commentary-august-22-2008/

Importantly, as a result of this article and others, which encouraged readers to again petition the CFTC, the agency confirmed it had initiated a formal investigation by its Enforcement Division – I believe primarily due to Chiltonâ??s initiative (although for some reason, Chilton claims in his interview that the investigation started in 2010, at the prodding by Andrew Maguire). Fortunately the record of the timeline is clear, although the original confirmation was buried in an overall press release on Oct 2, 2008 â??

https://www.cftc.gov/PressRoom/PressReleases/pr5562-08

The termination of the investigation was more fully announced five years later â??

https://www.cftc.gov/PressRoom/PressReleases/pr6709-13

Within months of the August 2008 Bank Participation report, I had deduced that JPMorgan was the big COMEX silver and gold short and began publicly referring to the bank as the big silver and gold crook and price manipulator (albeit with more trepidation initially than as time passed). Please know that all my deductions and allegations came from studying public data and official correspondence from the CFTC to lawmakers, as many readers wrote to their elected officials about what had transpired. I never talked with anyone at the CFTC about any of this â?? to them, I was always persona non grata.

But in the fall of 2008 when I came to figure out that JPMorgan had been running the silver and gold manipulation since March of that year, it also dawned on me that there could be no way that the CFTC wasnâ??t fully aware that Bear Stearns was in deep trouble with its COMEX silver and gold short positions before the JPM takeover, since prices of each rose substantially from yearend 2007 to the day in March when JPM took over the short positions. Bear Stearns would have needed to have come up with more than a billion dollars in cash for margin calls, money it simply didnâ??t have.

Since the CFTC would have had to have known of Bearâ??s plight and of JPMorgan taking over its silver and gold short positions, it also became obvious to me that the CFTC had lied through its teeth when it failed to mention in its public letter of May 2008 that the biggest concentrated silver and gold short seller failed and needed to be taken over by JPMorgan. After all, the subject of the public letter was concentration on the short side of silver, so there was no way the Bear Stearnsâ?? failure could have been innocently overlooked. I said so in a subsequent public article, even writing to the CFTCâ??s Inspector General about it â??

https://www.investmentrarities.com/ted-butler-commentary-december-21-2009/

OK, thatâ??s the background and timeline, so why am I walking you down memory lane today? It seems that Bart Chilton, whose tenure as a commissioner at the CFTC ended in early 2014, has chosen to speak out on the silver manipulation and his and the agencyâ??s role at the time. This is the very first time that an insider has confirmed virtually everything Iâ??ve alleged about JPMorgan. In fact, Chilton goes beyond just confirming what Iâ??ve alleged, he paints a picture of deep concern behind the scenes, as the CFTC struggled to get JPMorganâ??s silver short position reduced â?? to no avail. Here is the interview with Chris Marcus of Arcadia Economics â??

https://www.butlerresearch.com/wp-content/uploads/2019/04/6-Bart-Chilton.m4a

Since the interview is about 42 minutes long, please allow me to highlight what I believe are the key points.

At the 3:30 minute mark, Chilton acknowledges that he first learned of the allegations of a silver manipulation from me, but then goes on to say he asked for an Enforcement Division investigation only after Andrew Maguire contacted him in 2010, which as I indicated is contrary to the verified record which indicated the investigation began in September 2008.

At the 11:40 minute mark and continuing to the 18:30 mark, it gets interesting. This is where Chilton acknowledges publicly for the first time that JPMorgan took over Bear Stearnsâ?? silver short position and goes on to explain how the CFTC had to approve the resultant excessively large combined short position and did so on a temporary basis of no more than a few months and how JPMorgan didnâ??t abide by the CFTCâ??s waiver. He also points out how the head silver trader for Bear Stearns also went over to JPM and continue to trade the position there. Chilton states that he was shocked about how large the JPMorgan silver short position grew to and implies it was eventually worked down. Perhaps JPMâ??s silver short position was worked down temporarily as it rigged prices lower, but as regular readers know, JPM has continued to add shorts and buy back on lower prices to this day, a decade later.

At the 20:20 mark, Chilton acknowledges the agency had plenty of evidence of manipulation, but not enough to bring charges and asked for outside help in determining whether the evidence was enough to bring charges. Chilton claims he extended the investigation for another year and believed there was enough evidence to bring charges. It should be noted, even though I caused the investigation to be initiated in the first place, I was never contacted.

At the 36:40 mark, Chilton acknowledges for the first time that the Justice Department was involved in the five year silver investigation but dropped interest after the CFTC closed its investigation. He suggests the DOJ is understaffed. Also mentioned is that Chilton had perhaps a hundred separate meetings on the silver investigation back then, in addition to the dozens of official agency meetings on silver that the agency held. Itâ??s remarkable with all that attention, JPMorgan was able to continue to manipulate silver prices to this day without missing a beat. And I distinctly remember all through this time, which Chilton described as full of high drama behind the scenes, not one word was offered publicly to warn anyone that there were strong official suspicions of manipulation. All I ever recall is that the CFTC found all my allegations of silver manipulation to be completely unfounded. Chilton seems to be saying something quite different in this interview.

What Chilton said confirmed just about everything Iâ??ve written and for that I am grateful. Again, all my analysis has been based strictly on public data. While Iâ??m happy for the confirmation, Iâ??m also outraged and disgusted that the CFTC and DOJ failed to end the manipulation and that JPMorgan has continued on its merry and illegal way. Iâ??ve reached the conclusion that JPMorgan is so well-connected and backed by such legal firepower that even the US Government, certainly in the form of the CFTC, but now also including the Justice Department, is no match for it. Â As a result, my expectations for the DOJ cracking down on JPM have been reduced to a faint hope, although it saddens me to admit to that.

That said, I do believe more than ever that it will be JPMorganâ??s actions over the past decade that will power silver (and gold) higher. No one would acquire the massive amount of physical silver and gold that JPMorgan has accumulated without the expectation of a monster payday. Separately, Chiltonâ??s confirmation that the CFTC (and DOJ) were investigating and pressuring JPM would seem to dispel any notion that it was or is the US Government behind the silver (and gold) manipulation. The CFTC and DOJ are US Government institutions, after all. Â Â Â Â Â Â They may be no match for JPMorgan, but thatâ??s a far cry from either being involved in some conspiracy to manipulate prices. Finally, the degree of alarm and concern by the regulators, according to Chilton, would seem to mock all the manipulation deniers who maintain there is nothing to see. According to Chilton, the regulars saw plenty to be concerned about.

Turning to other developments, following last Thursdayâ??s price beat down through key moving averages in both silver and gold (and other metals), prices remained below those moving averages through yesterdayâ??s cutoff for the reporting week. In fact, there was even a new salami slice price low in both gold and silver yesterday, although prices managed to finish above the lows. Thus, I still expect Fridayâ??s COT report to indicate very significant positioning changes. And while it is possible that there is still some short term price pain ahead, I am more inclined to think all the necessary ingredients are in place for a significant price rally.

I mentioned in slightly different words on Saturday that I believed that the managed money traders sold and the commercials bought around 60,000 net gold contracts and at least 20,000 net silver contracts. Anything substantially less than that on Friday will be disappointing, even though those are aggressive predictions. Even more than the overall positioning changes, I will be quite sensitive to any changes I can detect by JPMorgan, particularly in silver. In fact, I find it quite remarkable, considering the attention placed upon JPMorgan in Bart Chiltonâ??s interview about events circa 2008, that more than a decade later, the spotlight is still on these crooks. And while JPMorgan was clearly the focus of the CFTC and the DOJ back then behind the scenes, I often wonder how many would even be aware of JPMâ??s role in silver had I not written of the bank incessantly.

Itâ??s always impossible to know beforehand the precise price bottom, defined as when the last managed money selling and commercial buying will occur, but the selloff and positioning are advanced enough at this point to know that any further positioning will only punish the managed money traders and reward the commercials that much more. The real question, of course, is will JPMorgan short sell on the inevitable price rally whenever it commences? While many would insist that, of course, JPMorgan will sell short to cap the next rally, just as it has on every rally since 2008, Iâ??m more optimistic.

Itâ??s now clear that JPMorgan was thought to be up to no good by the CFTC and DOJ back in 2008, according to Chiltonâ??s recollections, even though nothing came of those concerns. Some might argue that proves that JPMorgan will continue manipulating prices as it did back then. But one thing that has changed since then is that the criminal geniuses at JPM conceived and implemented the only real solution to what was an unsolvable problem back then, namely, how to get out from the controlling short position without financial damage. The answer was to build up enough of a physical long position to offset the paper shorts, which not only did JPM accomplish, but it also went on to build up so much of a physical position (850 million silver oz and 20 million gold oz) that it now stands to profit many times more than all the billions of dollars it made cumulatively on the short side over the past decade.

I felt quite alone at times back in 2008 in asserting that JPMorgan was the big silver (and gold) crook, but less so today, particularly after listening to Bart Chiltonâ??s interview. Similarly, I was quite alone when I started to assert that JPMorgan was acquiring massive quantities of physical silver and gold five or six years ago. In both cases, I relied strictly on public data and sound reasoning and that leads me to conclude that JPMorgan intends for silver and gold prices to move much higher at a time most advantageous to it and it alone. Such a time would appear to be at hand.

Ted Butler

April 3, 2019

Silver – $15.10Â Â Â Â Â Â (200 day ma – $15.12, 50 day ma – $15.53)

Gold – $1295Â Â Â Â Â Â Â Â (200 day ma – $1252, 50 day ma – $1309)

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