April 8, 2015 – Almost Unbelievable

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Here's an article I wrote for Investment Rarities last week. After the article, I'll comment on current market happenings.

Quite unexpectedly, two brand new factors have emerged in silver that may be the most compelling yet in pointing to sharply higher prices. These two new factors are so supportive for higher prices so as to verge on being almost unbelievable. Yet the evidence behind one factor is strong and the second factor can't be disputed. Most incredibly, all the existing reasons for silver to explode in price are still intact and the two new factors are in addition to the many reasons for buying silver now.

For instance, there is still an absolutely tiny amount of industry standard silver bars in world inventories and those inventories are worth less than $20 billion total. Not only could that amount of money flow into silver in a heartbeat, the evidence suggests very little of that actual silver is available for sale. Compared to the trillions of dollars of gold in the world, the amount of silver available to investors is microscopic. And there is still less than $2 billion of newly produced silver available to world investors annually, after total fabrication demands are met. Such a small supply of actual metal versus the massive mountain of world investment buying power is guaranteed to create sharply higher silver prices in time.

The words of the late Bunker Hunt in the 1970's when silver was $4 turned out to be prophetic Â? Â?Silver is an accident waiting to happenÂ?. More true today than it was back then, an upside price accident in silver seems unavoidable. The emergence of two new factors only strengthens the case.

One factor is something I have written about for more than a year, but is just now coming into wider recognition. I'm speaking of the aggressive accumulation by JPMorgan of upwards of 300 million ounces of physical silver over the past four years. This is the largest accumulation of physical silver by a private entity in history and is three times the 100 million oz acquired by the Hunt Brothers in 1980 or Warren Buffett in 1998. The continuing flow of data over the past year, culminating with JPMorgan having taken the maximum amount of physical delivery allowed on the COMEX for March on its own behalf (not for clients) suggests the bank wants to buy even more actual silver.

Aside from the massive size of JPMorgan's silver acquisition, the key difference between its acquisition of silver and the Hunt Bros. or Buffett's acquisitions, is that JPMorgan was the largest paper short seller on the COMEX over the time of its physical accumulation. This is manipulation on its face and just today the federal commodity regulator, the CFTC, brought charges against Kraft for manipulating wheat futures in the same manner as I allege JPMorgan has used in acquiring silver at depressed prices.

JPMorgan is now in position to reap a fortune on sharply higher silver prices and that is almost tantamount to a personal invitation to investors to join in and reap a fortune as well by buying silver. When what is arguably the most powerful and well-connected financial institution in the world sets itself up for a score on the upside by buying more of something than ever bought before, that is an invitation to all investors to buy silver. Of course, JPMorgan is not intending to encourage you to buy silver due to their own actions; that's just an unintended consequence.

Still, JPMorgan has been in the driver's seat for silver for more than seven years (since acquiring Bear Stearns) and the unmistakable evidence that they have acquired a truly massive position in physical silver points to the bank driving silver prices higher. That's as close to an insider investment invitation as it gets.

The second brand new factor in silver is the new world investment landscape that has sprung up, turning past experiences on their head. At the heart of the new investment landscape is an interest rate structure never witnessed before. Not only are interest rates the lowest in all of our collective lifetimes, with negative interest rates actually appearing around the world, there appears to be little prospect for a significant increase in rates any time ahead. I don't think it productive to debate the cause of the unprecedented low interest rate environment because agreeing or disagreeing on the cause is beside my point that interest rates are low and not likely to change much.

Instead, the reality of super depressed interest rates has already altered the investment landscape and must continue to do so because the low rates are forcing investors to seek better returns elsewhere. With interest rates closer to zero on bank and money market deposits than ever before, those holding capital must seek out alternative investments. There is little doubt that the search for alternative investments has been at work in the stock, bond and real estate markets. That's evident in how much asset prices in those markets have climbed already.

But because close to zero interest rates have already elevated stock, bond and real estate assets, as well as art and collectible prices to record overvaluations, there is now a much greater risk of loss in those assets as well. Let me be clear in what I'm saying. Maybe zero interest rates can cause a further increase in stock, bond and real estate prices, but that is separate from the already high risk imbedded in those assets which must be of concern to investors.

With many trillions of dollars and other currencies in bank deposits and money market accounts around the world, all Â?sufferingÂ? from extremely low interest rates, it is a certainty that some portion of those many trillions in deposits will continue to seek out better investment returns. Perhaps there will be continued flows into stock markets, for instance, but any sudden sharp selloff would most likely cool to switch of bank deposits to stocks, at least temporarily. And a stock market selloff could occur anywhere around the world. Recent evidence suggests the Chinese stock market may be severely overvalued due to massive influx of leveraged speculative money by small investors. There's no telling how far a stock selloff anywhere may impact other markets in our increasingly connected financial world.

Up until now, little, if any of the money flowing from near zero returns on bank and money market deposits has flowed into silver. I would attribute that to the absolutely rotten price performance of silver from the highs of four years ago. With stock, bond and real estate values climbing, most of the capital fleeing low return bank deposits have flowed to those markets. This is normal collective investor behavior.

But I also know that the price of silver has remained depressed only partially related to the lack of investment flows from money market instruments. The primary cause for low silver prices has been the ongoing price manipulation on the COMEX and the primary manipulator has been JPMorgan. Now, I have been able to point to an understandable explanation for why JPMorgan has manipulated the price so low and for so long Â? in order to buy as much actual silver as possible as cheap as possible. This means that the two brand new bullish factors in silver are related.

At some point, because the amount of money held worldwide in banks and money market deposits is so extraordinarily large and the amount of silver available for purchase is so small, even the tiniest percentage of assets seeking a better return than zero flowing into silver should cause prices to explode. At some point, enough investors around the world will tire of a guaranteed return of no return and will seek better returns.

Because silver is a true world commodity, it does not matter where in the world the investment flow starts; what matters is that once the flow starts it is likely to set off a virtuous cycle. A migration from the non-existent returns on deposits could start in the US or it could start in China or anywhere else. Wherever the investment switch initiates, higher silver prices will beget additional investment flows Â? that's the undeniable way of the investment world.

Because these two brand new factors in silver, JPMorgan's historic accumulation and the massive amount of silver buying that the slightest switch from no-return deposits would bring, I have to increase my potential target for the price of silver. Since all the previous factors that I've considered in silver are still in place and have been now been joined by two new factors that I never even considered before, an upward revision in price expectations seems to be justified. And as things usually work in the world, all the factors, old and new alike, are likely to converge at the same time.

I've always known that it wouldn't take much to push silver into a genuine physical shortage (since we came so close to that in 2011), setting investors and industrial consumers of silver into a buying frenzy and panic to secure needed supplies. To that long-held thesis I can now add that JPMorgan is better positioned for an upside silver explosion than ever before and that there are many trillions of dollars and other currencies in deposits getting so low of a return that it's only a matter of time before enough flows into silver and causes an explosion in price.

While I've always envisioned an ultimate shockingly high price for silver, these two new factors suggest an ultimate high price in the hundreds of dollars an ounce. That translates into a return of ten or twenty times invested capital from current levels. As always, please don't rely on my price targets but consider the reasoning behind those targets. Look at the evidence supporting that JPMorgan has acquired a massive amount of physical silver and consider what the low returns offered to you and everyone else in the world for bank and money market deposits will mean in the hunt for better returns. Then consider how cheap and necessarily low risk silver has become. If you do, chances are you will buy silver. Just do it before the crowd does.

On to current market developments. In Saturday's review, I indicated that we would likely get (and probably soon) an upside penetration of gold's key 50 day moving average and with that penetration a Â?joltÂ? to the upside. The magnitude of the jolt would be governed by the degree of aggressiveness with which commercial traders sold into the certain technical fund buying that would be triggered by the upside penetration.

As it turned out, the gold price jolt came the very next day, in Sunday evening Globex trading, so Â?probably soonÂ? was an understatement. Unfortunately, commercial selling in gold and silver was aggressive enough to cap and contain prices. Essentially, all the Monday price gains in gold and silver have been erased as I write this. Clearly, the commercials were not interested in higher prices at this time.

Just as clearly, the COMEX gold and silver commercials are (as they have been) in complete control of prices. I enjoy writing this as much as I would enjoy jabbing myself in the head with an icepick. Based on the facts as I know and represent them to be, sharply higher silver prices seem as certain in the long term as ever; yet the short term price control by commercial traders on the COMEX seems unbreakable. Now, more than ever, it is hard for me to imagine how there can be an orderly price resolution of a silver manipulation that, increasingly, has actually grown stronger.

The visual proof that the COMEX silver and gold manipulation has grown stronger lies in price performance. By observing the nature of the price patterns since the highs of 2011, what one sees is that virtually every successive rally following price declines has been weaker than the rally before. By my count, there have been around eight rallies in gold and silver over that time and each rally, particularly in silver, is smaller than previous rallies.

For example, the previous silver rally that started in late December and ran until late January measured about $2.80; less than the two previous $3 rallies and the $5 rally before that in mid-2013. The current silver rally that started in mid-March (and which may be over already) only managed a $1.50 gain before stumbling back below its 50 day moving average. I'm not saying the rally is over yet because I simply do not know; but it may turn out to be over if recent price declines take hold and the commercials can induce sufficient technical fund selling.

Over these same nearly four years we have had a wide variety of news flows and financial market developments. It's almost impossible to reconcile the clear price pattern of diminishing price rallies in silver and gold with the actual news flows. Even the strength in the US dollar can't be used to trace the continuing pattern of diminished price rallies in gold and silver; as the US dollar index was largely unchanged thru mid-2014 and has only embarked on a dramatic rally over the past nine months, rising from 80 to nearly 100. My point is that news developments and financial events appear to have had little or no bearing on the easily observed contracting nature of precious metals rallies.

Certainly, something accounts for the visible price pattern and if it isn't the positioning of futures contrcats on the COMEX between commercials and technical funds, then I haven't a clue as to what another explanation could be. Granted, there have been some surprises along the way, such as JPMorgan switching from being the largest COMEX gold short to its biggest long (for a while) and the beating taken by some smaller silver commercials at the hands of the technical funds last fall. But by and large, the diminished rallies seem to go hand and glove with the degree of commercial selling on emerging rallies.

I was truly shocked and disappointed that nearly 20,000 net contracts of silver were sold by the commercials into the recent anemic $1.50 silver rally. How could such a quantity not cap a price rally? That's the equivalent of 100 million ounces of silver that was sold with absolutely no connection to actual world silver supply and demand. That's the problem Â? COMEX positioning has nothing to do with silver in the real world with one big exception Â? it sets the price.

As disappointed as I am that this clear price manipulation is allowed to strengthen in full view, I am more disappointed that with all that is written and spoken on gold and silver, there isn't more focus on the specific issue of COMEX positioning. I could and would understand a focus on world geopolitical and financial developments if those developments had any apparent impact on gold and silver prices. For instance, if gold or silver buying by China or India had the slightest connection to price movements over the past four years, then it would be appropriate to dwell on such buying. But unless I'm completely out of touch, nothing has impacted prices other than COMEX futures positioning.

The great thing about focusing on the hard data of that which most influence the price, such as COT and COMEX statistics, is that it allows one to be specific. In addition, it allows me (I believe) to correctly refer to JPMorgan and the CME Group as criminal enterprises and the CFTC as a corrupt or derelict regulator. The public data allow me to try to hang them with the rope of specificity.

After discovering that JPMorgan had acquired the massive concentrated short positions in silver from Bear Stearns in 2008, I have chronicled the rise and fall of the bank's short position on the COMEX for the past seven years. As the key component of the concentrated short position at the heart of the silver manipulation, both JPMorgan's share and the concentrated short position of the 8 largest COMEX traders have dictated silver price movement over this time. No other premise comes closer to explaining price movement.

A little over a year ago, I started speculating that JPMorgan had been acquiring a massive physical position in silver, including industry standard 1000 oz bars and including Silver Eagles. I laid out my case along the way. It seemed to me that this explained a prime motive behind the depressed silver prices over the past four years Â? so that JPMorgan could acquire actual silver cheaply. But what occurred next took me by surprise.

First, JPMorgan took delivery of the maximum amount of silver permitted by the COMEX (7.5 million oz) in the just completed March delivery period in its own house account all while remaining net short in COMEX silver futures. This taking of delivery by JPM is easily documented and occurred long after I concluded the bank was accumulating physical silver; certainly I didn't start my speculation after this delivery. For that reason, the taking of COMEX silver delivery by JPMorgan both surprised me and put an exclamation point to my speculation. If anything, I was more prepared for JPMorgan to issue silver deliveries in an attempt to undermine suggestions that it was acquiring metal, in order to throw observers off the trail.

But most unexpected of all was last week's announcement by the CFTC that they had brought charges of manipulation against Kraft in the wheat market, even though the public evidence demanded that JPMorgan be charged for manipulating silver. At the very least, the evidence of manipulation by JPMorgan in silver was so compelling that it requires an explanation if charges weren't forthcoming. To that end, I made public a portion of Saturday's review, adding the email address of Enforcement Director Goelman and asking those who agreed to write to the director.
http://www.silverseek.com/commentary/unavoidable-comparison-14284

The combination of JPMorgan taking delivery of a large amount of physical silver long after my speculation that it was doing so, plus the ill-timed manipulation charges against Kraft gave me, I believe, the rope of specificity to hang these crooks. And barring any legitimate explanation by either the CFTC, JPMorgan or the CME, all must be considered illegitimate and corrupt. Although I become weary at how blatant and obnoxious the roles all three principal participants in the silver manipulation have become, I think I am made wearier by the lack of involvement by some fellow commentators (certainly not all) and, particularly, by the lack of involvement by mining company management. As many of you have suggested to me, you would think the miners would be all over this. So would I.

At the same time I fully concede that the COMEX silver manipulation has grown stronger, I also know the resultant effect on silver mining will come in time.

While total primary silver mine production has not declined in accordance with the extremely depressed price, that is due to the long lead times necessary to open and close a silver mine. One thing for certain is that silver exploration has taken it on the chin and we are delaying future mine production and creating gaps in the time and quantity of future mine supplies. One would think that this would be obvious to every mining manager and that they would be responding to the one specific cause of low price Â? futures contract positioning on the COMEX. I believe an important opportunity has been presented to mine managers by the double standard demonstrated by the CFTC in the Kraft wheat case; but if they don't petition the agency the opportunity is lost

Date Created
2015/04/08