August 14, 2013 – Caught In the Act

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I remain convinced that JPMorgan has cornered the COMEX gold futures market and that nothing could be more important to gold and silver. This gold market corner issue is so new and overwhelming that we happen to be in the most exciting time frame at this moment, namely, that special and exceedingly brief time when a powerful circumstance is just beginning to be recognized. What makes it even more exciting is that JPMorgan's gold market corner on the COMEX must be addressed and resolved fairly quickly, yet it is impossible to predict exactly how it will be resolved.

While it has only been a short time since the JPMorgan gold market corner has existed, it is not just the newness of the corner that has prevented instant recognition. Let's face it; the details in the Commitments of Traders (COT) and Bank Participation Reports, where the proof of the corner's existence resides, are confusing to most people. But it's not just that the data are hard to read; there is a very big difference between this corner and previous well-known market corners. This difference has served to inhibit what should be universal acceptance fairly shortly. There is much more in common between JPM's current gold market corner and past corners, but let's look at the difference first. For comparison, I'm going to use the famous Hunt Brothers silver manipulation of 1980 and the Sumitomo copper manipulation of 1995.

The difference is that the silver and copper manipulations became apparent only after prices had been pushed much higher than actual supply/demand fundamentals would have dictated. The recognition and subsequent market and regulatory reaction only came into play as a result of silver prices in 1980 and copper prices in 1995 being much higher than market forces warranted. Informed market participants and regulatory officials all knew something was wrong because of the artificially high silver and copper prices back then. Make no mistake, it was the Hunt Brothers' and the Sumitomo copper trader's aggressive buying that propelled prices to be higher than they would have been otherwise. In other words, the concentrated buying and market shares clearly revealed and proved the manipulations.

Today, an entirely different circumstance surrounds JPMorgan's COMEX gold market corner. Unlike the upward price pressure evident in the old silver and copper manipulations, JPMorgan has created its gold market corner on one of the most severe price declines in gold market history. I admit that this would seem counterintuitive to anyone familiar with historical manipulations. After all, we are all accustomed to market corners always pushing prices higher as more and more of the commodity is bought until it all bursts and the bottom falls out. So how the heck can I be alleging that JPMorgan has cornered the market on sharply lower gold prices?

If this has also bothered you, don't feel bad, as creating a market corner on lower price has also completely flummoxed the regulators and they get paid to figure these things out (or as some may suggest, get paid not to figure it out). And I will be the first to attest that were it not for the incontrovertible evidence in the COT and Bank Participation Reports, there would be no allegation of a market corner to be made. But the data clearly indicate that JPMorgan holds 25% of the total true net open interest in COMEX gold futures and no one can refute that degree of market share wouldn't constitute a corner on any market.

The key question, therefore, is how did JPMorgan pull off something that never has been pulled off before, namely, establishing an obvious market corner on lower, not higher prices? The short answer is because JPMorgan is more sophisticated, more powerful and more crooked than any previous manipulator, certainly including the Hunt Brothers and the Sumitomo copper trader. Let me go one step further Â? if it weren't for the data in the COT and Bank Participation Reports, I'm certain that JPMorgan would have pulled off the biggest financial swindle of all time. I'm telling you, plain and simple, that JPMorgan would have executed and profited from the absolutely perfect financial crime of all time were it not for the data in the COT and Bank Participation Reports. How they almost did it has been written on these pages on hundreds of prior occasions.

For years I have written how the commercials have been able to hoodwink the technical funds and other price momentum traders into buying and selling on price signals controlled by the commercials. Over time, the commercials have actually gotten stronger control over prices by means of modern computer algorithms used in high frequency trading. The commercials, led by the largest commercial trader of all, JPMorgan, lured the technical traders into being massively long last December with the commercials massively short, by allowing and setting the price of gold higher (over $1700). On December 4, JPMorgan was net short 75,000 COMEX gold futures contracts (7.5 million oz), or 20% of the true net short side of total COMEX gold futures.
This was a short corner on the market by JPMorgan.

On the subsequent eight month gold price decline of $500 into the end of June, rigged by JPMorgan and the commercials, more than 230,000 net gold contracts were bought by the commercials, with JPMorgan accounting for 160,000 of those contracts. This enabled JPM to flip their short corner to a long corner of 85,000 contracts and for this crooked bank to ring the cash register on their profitably closed out short positions to the tune of more than $2 billion. Now, JPMorgan is in position to make billions of dollars more if gold prices rise. In addition to the 8.5 million oz equivalent COMEX gold futures corner on the market, JPMorgan may be long many millions of gold ounces purchased from shareholders liquidating in gold ETFs and in OTC dealings. All told, I calculate that JPMorgan is long the equivalent of 20 million gold ounces.

Therefore, JPMorgan was wildly successful in rigging prices lower and has set itself up for a gold score to the upside. If anything, I think that JPMorgan was surprised by how much gold it was able to buy in its rig job to the downside. After all, these were truly historic amounts of gold equivalents that the bank had never been able to purchase before. Once the freight train of speculative liquidation and new short selling got rolling to the downside, everyone was surprised by the quantities of gold sold in futures and metal. But only one entity was able to absorb truly historic quantities of gold in all forms on the price plunge; the entity that created the price plunge in the first place, JPMorgan.

To have purchased such massive quantities of gold to the downside was a (criminal) masterstroke by JPMorgan. Never before had anyone accomplished such a feat. This was the perfect financial crime of the ages; establishing a market corner on sharply lower prices. Who knows Â? maybe the crooks at JPMorgan will still actually pull it off. There is only one potential fly in the ointment for JPM Â? the data in the CFTC reports. Without this data, these SOBs at JPMorgan would have surely been home scott free and no one would have been the wiser.
http://www.urbandictionary.com/define.php?term=Scott%20Free

But the data does exist and it clearly proves that JPMorgan has cornered the COMEX gold futures market. And while few recognize the significance of this circumstance just yet, neither has there been any rebuttal in sight. I'm making a pretty specific allegation here Â? by means of a verifiable long side concentration on the COMEX, JPMorgan has cornered that gold market. Not only am I alleging this non-stop and as forcefully as I know how (including sending the allegations to all parties concerned at JPM, the CFTC and the CME Group), I have also made a formal complaint to the CFTC. Still, not a peep of a denial or a request for explanation.

Since JPMorgan cornering the COMEX gold futures market is so profound and because I feel fortunate to have discovered it; I want to be very careful in what I write about it. Just because I know it exists, doesn't mean I know how it will turn out. Therefore, I'm going to continue to refrain from making specific predictions about what happens next, except in the most measured and objective manner. And I'm going to continue to avoid offering suggestions as to what JPMorgan's motivations may be (other than pure greed) and who might really be behind the gold corner.

I do know that a market corner is a relatively short term phenomenon historically; at least once it garners awareness. It's hard for me to see how JPMorgan will maintain its current gold market corner and concentrated long position amid stable gold prices. I also can't see how the bank or the regulators can remain mute on this specific allegation, although I am aware that they have managed to stay mute for five years on a formal silver investigation. This is not a permanent situation; JPMorgan can't maintain a corner on the gold market for as far as the eye can see. Something has got to give. JPMorgan (or the CFTC) has got to come up with one humdinger of an explanation and/or JPM must exit this position on either higher or lower gold prices.

With no publicity or awareness, I would have bet my last dollar that JPMorgan would have pulled it off and rigged gold prices sharply higher and sell and ring the cash register. They still may. I don't see much of a chance that the bank will be forced to sell their gold corner on sharply lower prices, but any push by regulators to get the gold market corner terminated would likely result in lower prices than would have prevailed without such a push. In short, nothing would surprise me. Given the super-bullish COT market structure, I still envision higher gold prices, although this market corner by JPMorgan complicates things.

However, there is nothing complicated about the expected reaction in silver to the resolution of the gold market corner; no matter what the outcome, it's all good for silver. In fact, it's a new bullish factor for silver. Just like there is almost no central bank ownership of silver that could be dumped on the market to contain prices; there is no corner on the silver market as exists in gold. Since there is no long corner in place in silver, there is no chance of it being forced to be sold. But it is an older issue that I can't seem to get out of my head that could be the game-changer in silver.

At every market bottom over the past few years, I've written incessantly that the key feature to the next rally in silver would be whether JPMorgan sold additional quantities of COMEX silver contracts short to cap and control the price. Each and every ensuing rally was met with additional short selling by JPMorgan and each and every rally was capped and ultimately turned lower. The outcome of the coming silver rally (which appears to have commenced) will be the same Â? capped if JPMorgan sells sufficient additional contracts short or, if JPM doesn't sell additional contracts short, the price will run like a wild bull on the pampas. I don't think I can be more specific.

What's so intriguing about the discovery of the gold market corner is that the evidence is so simple and compelling that the regulators may be forced to do something radical, like address it. I won't set odds on that happening, as we all know they are very low. But neither are they non-existent and any move by the regulators (or JPMorgan on its own) to dissipate the gold market corner would seem to mesh with JPM not adding additional silver short contracts. I may be grasping at straws in hoping for that outcome, but I'm not grasping at anything in identifying that JPM's behavior on the next rally will determine silver's price fate.

The sun is still out, the birds are chirping and all's right with God's world since the weekly review, as silver has moved up, both on an absolute basis and relative to gold. Additionally, the facts about silver continue to hold to the pattern expected, from deposits into the big silver ETF, SLV, to sales of Silver Eagles, down to the movement of silver and gold into the COMEX warehouse operated by JPMorgan (as a result of the bank stopping so many silver and gold delivery notices over the past month or so). Despite the chirping birds and expected market developments, we must be prepared for silver not to explode in the here and now. Then again, we must also be prepared for just that eventuality.

In closing, let me end this on a wildly speculative note. A little over two years ago, I speculated that perhaps the Enforcement Division had recommended to the full Commission that JPMorgan be charged with manipulating the silver market, as a result of its long formal investigation; but that the Commission couldn't muster the majority vote to allow for such a charge (please see Â?Extreme SpeculationÂ? dated April 27, 2011 in the archives). I've never completely abandoned that line of thinking.

Yesterday, the CFTC web site included a dissenting statement by Commissioner O'Malia in approving the granting of power to issue subpoenas and take testimony by the Division of Enforcement for certain activities that were not disclosed due to redaction. It's real easy for me to imagine that the redacted activities may have been related to JPMorgan's corner on the COMEX gold market. And if it wasn't related to that market corner, that's too bad Â? because it should have been. http://www.cftc.gov/PressRoom/SpeechesTestimony/omailastatement081313

OK, one last, final comment. I was intrigued by the announcement by noted stock market investor and activist, Carl Icahn, that he was buying $1 billion of Apple Computer stock and how that caused the stock to jump impressively. Since the market capitalization of Apple is close to $450 billion that means Icahn bought around 0.2% of the company's outstanding stock. I'm not suggesting what Mr. Icahn should do with his money, but $1 billion would also buy 45 to 50 million ounces of silver, or 4.5 to 5% of the billion ounces of investment grade silver bullion in the world.

Ted Butler

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Silver – $21.75

Gold – $1333

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