

December 12, 2015 – Weekly Review/Unprecedented

Weekly Review

Following last week's rally to monthly highs, gold prices retreated this week while silver was crushed to the downside. For the week, gold fell \$12 (1.1%), while silver was down a whopping 65 cents (4.5%) to yet another new six year closing low. As a result of silver's pronounced relative weakness compared to gold, the silver/gold price ratio widened out by more than two and a half full points to 77.3 to 1. Only by the slimmest of margins did the ratio not hit the most undervalued silver has been to gold over the past year.

I'll spare you my sermon about switching gold into silver other than saying it's now better to do so than ever. And I would remind you that gold prices holding up better than silver in the short term is not particularly surprising since the gold COT setup is extraordinarily bullish. Will silver get even more undervalued to gold in the short term? Maybe, but I wouldn't count on it. Instead, silver looks set to outperform gold beyond the current COMEX rig job lower. That aside, what the heck happened to silver this week, particularly yesterday when gold reversed earlier losses and silver still remained at overnight bombed out levels?

Initial knee-jerk explanations pointed to silver's industrial consumption demand component versus gold's strictly investment demand profile, in light of stock and credit market weakness. Many tried to interpret silver's relative weakness to potential falling industrial demand. But that conveniently overlooks the fact that all the purely industrial metals were quite strong yesterday, led by copper which had its biggest rally in months and finished up for the third week in a row. Would anyone seriously suggest that only silver, of all the metals, would experience weakness in an economic slowdown?

The fact is that there is always only one possible explanation for price movement in gold, silver or any CME traded metal and any suggestion to the contrary is absurd. That one explanation is COMEX futures positioning and that was confirmed yesterday in spades. Silver was sliced like a salami to new lows by commercial price-rigging designed to maximize managed money selling and nothing else.

How long can this last and how low could we go? I don't know, but I am convinced not much longer or lower. I'm all in and I've been that way for the past month or so and will remain all in until silver prices move higher. There comes a time when the thought or fear of silver prices going lower must be disregarded because the low prices make no sense. That time is now for me.

The craziest thing is that not only does the market structure created by COMEX futures positioning point to higher silver (and gold) prices, everything else that I look at also points to sharply higher silver prices. Let's start with the unprecedented monetary expansion over the past five years that pushed interest rates to zero and caused bonds, stocks, real estate and investment assets and collectibles of all types to soar in value. The only reason silver and gold didn't participate is because they were manipulated, but that won't last forever or much longer, in my opinion.

And when you drill down to current specifics in silver and gold, all the evidence also points to tight physical conditions and the expectation of higher prices. The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses surged late in the week after two days of little movement. Total movement was nearly 4.8 million oz this week, the highest turnover in 5 weeks, as total inventories rose 1.2 million oz to 159.1 million oz.

The standout in COMEX silver inventories this week was that the JPMorgan warehouse was at the center of attention as it accounted for half of the total turnover and saw a net inflow of nearly 2 million oz. This is not surprising since JPMorgan has stopped (accepted) more than 6 million oz in silver deliveries in the active December contract so far this month and as it has done previously this year, it has physically moved all the silver it has taken in COMEX deliveries (25 million oz+) into its own COMEX warehouse. All this strictly for the bank's own personal trading account. So far this month, JPMorgan has taken delivery on 1272 silver contracts inching ever closer to the 1500 contract delivery limit. With more than 350 contracts still remaining open for delivery and JPM owning the lion's share of those remaining contracts, the silver delivery process still looks tight. If the pattern of this year plays out, it should be expected that another 4 million oz of silver should be brought into the JPM COMEX silver warehouse.

http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

The December COMEX gold delivery still looks tight as well, based upon the small number of total deliveries issued so far and a still large 1800 contracts remaining open. Another tip off to JPMorgan's dominance (I'll include a special article on JPM later), is that of the 310 total gold deliveries issued so far this month, JPM has taken 278 or nearly 90% of total gold deliveries, all in its personal trading account. I have the distinct impression that JPM has been liquidating its open December contracts because it knows that demanding delivery for as many as it held at the beginning of the month would stress gold issuers. It doesn't get much tighter than that.

There was nothing particularly surprising in the reduction in the short position in the big silver ETF, SLV, for positions held as of Nov 30. The total short position for SLV fell by 1.5 million shares to just under 10.3 million shares (ounces). Relatively speaking, this is a low number of shorted shares and I'm not complaining. The short position in GLD, the big gold ETF, did increase by nearly 2.5 million shares to more 13 million shares, but that only translates into a short position of less than 1.3 million gold ounces given the one share equals one-tenth of an ounce formula.

<http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%99>

Last Saturday and again on Wednesday, I indicated that metal should be deposited into GLD and SLV as a result of the high trading volume on last Friday's rally. That never occurred in GLD, but yesterday 2 million oz were added to SLV. Gauging price action and trading volume this week, I see no reason to expect this week's trading should have resulted in deposits into the trusts. Therefore, the most plausible explanation for yesterday's deposit into SLV was the net buying on Friday Dec 4. If this is the case, as I strongly suspect, that means it took a full week to get the physical silver rounded up and brought into the SLV. If that doesn't suggest physical tightness, then nothing does. After all, a physical shortage in any commodity is little more than delays in actual delivery.

I waffled and was uncertain of what to expect in this week's Commitments of Traders (COT) Report and the changes turned out to be wishy washy and largely expected, particularly when both headline numbers were considered (the commercial and managed money net positions).

In COMEX gold futures, the total commercial net short position did increase by 11,100 contracts to 14,000 contracts total, but this is not a large change compared to changes over the past month or so. In hindsight, I should have stuck to my original prediction that last week's record low commercial net short position (2900 contracts) would stand for a long time to come, as that will likely be the case unless gold prices are rigged to new lows.

By commercial category in gold, the big 4 added 4200 new shorts and the raptors sold off 7400 longs, meaning the big 5 thru 8 traders bought back 500 shorts. I wouldn't read anything special into these numbers and the gold market structure is still super bullish.

The managed money traders in gold did very little in buying a little over 3100 net contracts, including adding 2506 contracts of new longs and buying back a miniscule 638 short contracts. Thus, my 90,000 contract non-technical fund core long position remains intact and there is still rocket fuel buying potential aplenty with a short position by the technical funds of just under 110,000 contracts. In COT market structure terms, gold is still locked and loaded to the upside; and I don't think that's changed much since the cutoff last Tuesday.

In COMEX silver futures, the commercial net short position increased by a scant 1200 contracts to 31,000 total contracts. Basically, the big 4 stood pat as did the raptors, meaning the big 5 thru 8 added almost all the new shorts. I'd still peg JPMorgan as being net short 14,000 contracts and must point out that being net short hasn't prevented JPM from being the big stopper this delivery month which means these crooks had to be long in December even though they were net short on balance. This is just a tiny slice of proof that JPMorgan shorts futures contracts in order to pick up physical silver on the cheap.

Even though the commercials in silver were slight net sellers, the managed money traders were even larger net sellers of nearly 2200 contracts, in liquidating 1810 long contracts and adding 359 new shorts. The general explanation for how the commercials and managed money traders could both be net sellers this week in COMEX silver is because the changes were small enough to begin with and that allowed a greater than normal impact from other trading categories.

As was the case in gold, on a market structure basis silver is also locked and loaded to the upside with a core non-technical fund long position of just under 52,500 contracts and a plenty of rocket fuel buying power in the form of more than 43,000 managed money shorts. Very much unlike the case in gold yesterday, silver's price carpet bombing undoubtedly created even more managed money technical fund selling.

One thing I haven't mentioned recently but that I have written about in the past is that when we get to extremes in managed money selling and commercial buying like we've gotten to now, the historical record indicates it's not long thereafter before prices rally. In other words, on a historical basis, after the commercials lure as many managed money technical fund traders to the sell side, it's not long before the commercials rig prices higher. At least over the past year or two, more time transpires as the commercials trick the tech funds into selling longs and going short, than in the time the commercials allow the technical funds to buy. I mention this because this last selloff from the end of October in which the managed money traders were tricked into selling record levels of gold contracts and near record amounts of silver contracts, because it occurred in a much shorter time frame than usually, sets the stage for any even quicker and more powerful rally should past patterns prevail. At least, that's the recent historical pattern.

In summary, silver and gold look prime to rally sharply, as does copper, platinum and palladium based upon current COT market structures. And while the actual supply/demand fundamentals in crude oil continue to look bearish, the near record managed money short position has undoubtedly contributed to the dramatic decline in price. I don't want to start handicapping oil prices, but I will say that any rallies will likely be fully explained by technical fund buying and short covering.

An Unprecedented Circumstance

Today, I will speak of a completely unprecedented situation that has evolved over the past seven years. I define "unprecedented" as something that was never done or known before. The unprecedented circumstance is my seven year documented history of labeling the giant financial institution, JPMorgan Chase, as being engaged in an illegal price manipulation of the silver market. To my knowledge, never has it occurred that open allegations of serious criminal wrongdoing have ever been made about any financial institution with those allegations going unchallenged. No one would dare label any large financial institution of being crooked and expect that institution to turn the other cheek.

Yet JPMorgan has remained silent in the face of what most would consider to be statements damaging to its reputation. It's one thing to label a government agency or congress as being a bunch of crooks; in fact, it's common practice by many. But calling a publicly owned bank crooked is very different. The government turns its back on critics but call a big bank crooked and expect to get your heart ripped out. Therein lies the mystery.

Why would JPMorgan allow allegations of serious wrongdoing to go unchallenged? It can't be that the allegations aren't serious enough, as price manipulation is the most serious market crime possible, damaging just about everyone, including the market itself. It can't be because my allegations aren't specific enough, as I've detailed what the bank has done in silver twice a week for seven years; down to the number of short COMEX silver contracts JPMorgan has held weekly. It can't be because I am relying on false data to back up my allegations because I rely exclusively on government and exchange statistics. It can't be that my market structure analysis is wrong, because it has now come to be more copied than any other approach. Then what the heck is preventing JPMorgan from denying that it is the crook I allege it to be?

One reason could be that it was unaware of the allegations. But in this case, not only have I written many public articles accusing JPMorgan as being the big market crook in silver, I have sent the bank all the articles in which I have used its name – many hundreds (over 700) of private articles in which the allegations were contained. This started in late 2008, when CFTC correspondence to legislators confirmed that JPMorgan had taken over the big COMEX silver and gold short futures positions of Bear Stearns and used those positions to continue to manipulate prices.

At that time I called the chairman's office at JPMorgan and requested and was given two email addresses in which to direct any allegations to its CEO, Jamie Dimon and the board of directors. I have done so ever since and, perhaps to the bank's credit, not one of the hundreds of articles I sent to those addresses were ever returned as undeliverable. I can't swear anyone at the bank read any of these articles over the past seven years, but I can attest to them being sent and received.

A few years ago, I wrote by regular mail to each board director at the time, detailing specific allegations of price manipulation by the bank and began to send each director my articles by email as well. While the two email addresses given to me by the bank seven years ago still accept my articles to this day, my emails to the directors were quickly blocked, so I stopped sending my allegations to them. I found it interesting that the bank's general counsel at the time, Stephen Cutler, followed the lead of the directors and also blocked my emails. I always thought the top lawyer at JPMorgan and the board directors might object to the bank being called crooked and demand that I cease doing so. That never occurred and I would also consider that to be unprecedented.

Therefore, I think we can eliminate JPMorgan being unaware of my allegations as the reason it has ignored them. Perhaps the reason has to do with creating the impression that I am unqualified or unworthy of even making such serious allegations. You know, the bank posturing that it wouldn't lower itself in even bothering to rebut such serious charges because I was a non-entity. The truth is that I am not even a flea on the back of the elephant JPMorgan and that extends to the bank being in position to crush me through legal intimidation. It shouldn't make a difference who I am, but the nature and specifics of my allegations and whether they were made in good faith.

I didn't wake up one day 30 years ago and plot that over the next three decades I would be involved in a never-ending effort to stop an ongoing silver manipulation. Neither did I wake up one day seven years ago plotting how I would accuse JPMorgan of the most serious market crime of all. The truth is that when I started to allege that JPMorgan was manipulating silver prices to their own financial benefit, it scared the dickens out of me; especially my concern for how it might adversely impact my wife. Who in their right mind wouldn't be afraid of going up against a behemoth like JPM whose army of lawyers could easily tie you up in a legal and financial quagmire lasting perhaps beyond your natural life?

But fear is the most fleeting of all emotions, in markets or daily life, and I am less fearful of what JPMorgan (or the CME Group) may do to me than I am determined to bring this issue to a head. For many years, I was forced to allege that silver was manipulated in price as a result of a concentration on the short side of COMEX futures by the four and eight largest traders, which is still the case. But because commodity law shields traders' identities, I couldn't put a name on the biggest manipulator for sure. Oh, I had some good guesses, including an early one that it was AIG, but I failed to uncover that AIG passed the main silver and gold manipulator role to Bear Stearns, until after Bear bit the dust in early 2008.

Bear Stearns' demise and its takeover by JPMorgan changed everything. First there was the shock of the Bank Participation Report of August 2008 which revealed one or two US banks held an unprecedented and manipulative share of the short side of COMEX gold and silver (which I speculated was JPM) and then there was the actual confirmation by the CFTC that JPMorgan was the big short.

<http://news.silverseek.com/TedButler/1219417468.php>

<http://news.silverseek.com/TedButler/1226344970.php>

After more than 20 years, I was finally able to name the big silver crook as being JPMorgan. Let's face it, in any manipulation, there has to be a central player on which the manipulation depends. CFTC data prove that JPMorgan has been the prime manipulator in silver since March 2008. Without that data, I would have never named JPMorgan as the big silver crook and it is only because CFTC data since then have continued to prove JPMorgan has remained the big silver crook have I remained on the bank's case. What data am I talking about?

I am talking about the data over the past seven years that show JPMorgan of having sold short on ever

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