December 12, 2018 – Get Rich Quick?

If there is a single most sensible rule in the investment world, it is to forego schemes that promise quick riches. Invariably, if something sounds too good to be true, thereâ??s good reason for that. Yet at the same time, such pitches can be hard to resist, particularly considering that there are everyday examples of overnight gains enjoyed by a few. Who hasnâ??t wished for advanced knowledge of a takeover that causes a stock to double in a day; including, of course, not being charged with insider trading?

The sensible investment approach has always been to focus on the long term, including a good measure of common sense and the consideration of true value compared to price. Admittedly, the sensible investment approach hasnâ??t worked in silver, at least for the past seven years, as prices are down near 70% from the peak in early 2011. Up until that peak, silver was just fine, of course, having risen more than tenfold from years earlier. In the investment world, itâ??s always a case of what have you done lately that matters most.

But an interesting thing occurred on the brutal beat down in the price of silver over the past seven years â?? just about all the downside risk of further price declines has been removed. Today, the price of silver is at or below the primary cost of production which has severely curtailed new mine development, a process that automatically restricts a rapid production increase response should prices surge any time soon.

The truth is that silver prices are not only cheap, theyâ??ve been cheap for years running; having traded down to $15 four year ago and only once having traded above $20 since then. Donâ??t misunderstand me, Iâ??m not celebrating low silver prices; Iâ??m merely pointing out that weâ??ve been down for so long that the chance of significant risk to the downside has been, effectively, removed. After all, the cure for low prices is low prices â?? particularly in the long term. Simply stated, for a wide variety of reasons, silver is a better long term investment today that it has been in a very long while, not the least of which is that the dismal price performance has discouraged investment and, therefore, also removed risk.

But being a great long term investment asset is a far cry from being an asset in which one can get rich quick â?? isnâ??t it? Normally I would agree that the two – long term investment vs. get rich quick premise – might seem to be mutually exclusive, but something quite significant has come into focus that convinces me that thereâ??s a good chance that silver may be both right now. Please hear me out.

Itâ??s no secret that I am convinced to my core that silver has been manipulated in price and not only have I not veered in the slightest from writing that for decades, I have also done everything I can to convince the market regulators of this. Over the past ten years, I have narrowed my focus to alleging that JPMorgan has been the prime agent of the manipulation; pointing out how it never lost in shorting COMEX silver futures and has used its power over the market to accumulate massive amounts of physical metal at artificially depressed prices. To be sure, my efforts to convince the primary market regulators, the CFTC and CME Group, have gotten nowhere. Neither has been able to answer how what JPMorgan has done is legitimate and lawful; instead, no explanation has been forthcoming.

But on November 6, a literal lightning bolt from the heavens exploded in the form of the unsealing of a criminal guilty plea by the Department of Justice of a longtime former trader from JPMorgan for manipulating COMEX precious metals prices. The announcement left no doubt that the DOJ was immersed in an ongoing investigation. Remarkably, the announcement has garnered very little attention, either in the media or in precious metal circles.

It is this lack of attention that sets up the extraordinary circumstance of a great long term investment also being in position for a sudden explosive move higher. Iâ??ve always carefully avoided trying to pinpoint in advance when the manipulation would end and silver prices would explode. The announcement from the Justice Department changes that to my mind. If the DOJ investigation uncovers the real story behind JPMorganâ??s manipulation of silver and moves to end it, as it could and should, it is hard for me to see how the price of silver wonâ??t explode.

I canâ??t guarantee what the DOJ will or wonâ??t uncover, but they do seem to be looking closely. The opportunity for a get rich quick gain on a great long term investment would seem to exist by buying silver before any possible finding by the DOJ that ends the manipulation. Even if the DOJ doesnâ??t find what it should find, the worst outcome is that you end up owning a great long term asset at a very cheap price.

Obviously, I continue to be obsessed with the DOJ announcement on Nov 6. We are now just a week away from the scheduled sentencing date (Dec 19) for the former JPMorgan trader who pleaded guilty. Since there has been so little written about what to me is a very big deal, Iâ??ve been forced to read and reread that material which is available, principally the original announcement, including downloads of the information charging brief and the plea agreement itself.

https://www.justice.gov/opa/pr/former-precious-metals-trader-pleads-guilty-commodities-fraud-and-spoofing-conspiracy

This has led me to some further thoughts, including a revision of something I had previously concluded. Please understand that I am not close to being an attorney or that much familiar with the legal process in these matters. But Iâ??m going on the basis that the Justice Department is speaking clearly and truthfully in its public announcement and actual court filings – meaning Iâ??m looking primarily at a strict interpretation of what the DOJ says and trying to leave personal conjecture to a minimum (although some speculation is required).

First, my revision. Originally, I opined that the trader, John Edmonds, sang like a songbird in reaching the plea agreement. But based upon a closer reading of the original filing documents, I note with interest that there is no cooperation wording included and that any reduction in the 30 year maximum sentence called for in the charges he pled guilty to has been recommended by the prosecutors based solely upon his quickly agreeing to his guilt and expression of remorse. Iâ??m not suggesting that Edmonds didnâ??t provide information that was useful to the prosecutors, just that any such cooperation was not included in the sentencing reduction request to the court. I do know cooperation is customarily referenced in sentencing recommendations generally, and was somewhat taken aback that none was referenced in this case. (By the way, Iâ??m wide-open to hearing any different takes in these matters, as Iâ??m not holding myself out as having the final word â?? but you have to read the documents first).

So, what does the absence of a cooperation stipulation in the plea agreement mean? This is speculation on my part, but it suggests the Justice Department didnâ??t need Edmondsâ??

cooperation in whatever overall case lies behind this guilty plea. In other words, the DOJ felt it already knew enough that it didnâ??t have to ply Edmonds to get more. I canâ??t help but imagine that particular circumstance would exist if the DOJ was focusing on the big picture, namely, how was it possible for JPMorgan to never take a loss in COMEX trading for ten years and to pick up massive quantities of physical metal while simultaneously being the single biggest paper short? I donâ??t think Edmonds would have special insight into those two key issues.

Going along with this thought is the fact that the guilty plea was made on Oct 9 and sealed until Nov 6. If cooperation was not explicitly forthcoming nor expected from Edmonds, why the sealing (keeping secret) of the plea? Clearly, the DOJ didnâ??t want the information being widely known when the plea was entered on Oct 6. Ditto, the fact that the plea was entered in a court in Connecticut and not in New York. After all, Edmonds is a resident of Brooklyn (NY) and the trading crimes occurred in New York, not Connecticut. I canâ??t help but feel that the DOJ really went out of its way to keep all this under wraps. The only question is from whom? (No prize for guessing you know who).

This may sound odd coming from me, someone who has pounded on the table about market manipulation being the worst market crime possible for more than 30 years, but I was somewhat taken aback that the law mandated such severe penalties as laid out in the plea agreement. Edmonds pleaded guilty to two counts, conspiracy to manipulate and an actual act of manipulation (spoofing). The maximum penalty for conspiracy is five years imprisonment and for the actual act, the maximum penalty is twenty five years imprisonment, thirty years in total (who gives a darn about the additional financial penalties called for at that point?).

Undoubtedly, Edmonds will get less than the maximum sentence, but the prospect of going to jail for any time for this type of crime should be sobering to anyone in a similar potential position (like the other traders and supervisors to which such practices were everyday occurrences at JPMorgan). But hereâ??s my real point â?? if such harsh penalties are called for in exacting punishment for somewhat common trading practices, then what the heck kind of penalties are called for in masterminding and executing the really big crimes I allege that JPMorgan has been guilty of as a firm?

For ten years, the criminal organization also known as JPMorgan has manipulated the price of silver (and gold) in never taking a loss and amassing more physical metal than anyone in history. If Edmonds was subject to a maximum 30 years imprisonment for what he pled guilty to, then what the heck should JPM get if it is guilty of what I allege â?? 3 million years? Of course, it is not possible to imprison a corporation or bank, no matter how egregious the crime. Only individuals can be imprisoned and fines extracted. What possible monetary fine could be leveled against a corporation for manipulating the price of a world commodity for a decade, considering the damage caused to millions of people, as well as companies and countries?

If (still a very big â??ifâ?•) the DOJ has JPMorgan in its crosshairs for what the bank should be in the crosshairs for, Iâ??ve come to the conclusion that it may not be possible for JPMorgan to even try to fight. If the Justice Department knows enough to ask the two simple questions that have gone unanswered by everyone since I first raised them, then it is game over. The questions, of course, are how is it possible to never take a loss for ten years running and how is it possible for it to be legal to be the biggest paper short while accumulating more physical material than anyone in history? I know JPMorgan, or anyone else, cannot answer those two questions (otherwise, they would have answered long ago). What I donâ??t know is if the DOJ will know enough to ask.

To my mind, the only reason more donâ??t see what I allege is because no one is looking. Certainly, Iâ??m aware of no legitimate rebuttal for what I allege, other than, of course, that the allegations have been made before and nothing ever seems to happen. But if Iâ??m correct that few are playing close attention being responsible for the lack of awareness for what may be the most important development in the history of the silver market, then that promises to change in a hurry should the Justice Department do what I think it is capable of doing, namely, asking my two questions.

Only, of course, the DOJ generally does a lot more than ask, once they get on the trail of suspected wrongdoing. Thus, it is quite possible for this to suddenly explode into the general consciousness, setting off an explosive price reaction. As to whether it will or when it might, Iâ??d tell you if I knew (without even having to kill you afterwards). The truth is I donâ??t know, but Iâ??m basing all this on public data â?? read the documents for yourself please.

As far as other developments, none particularly come to mind that rival the potential significance of something from the DOJ and I confess to being less than interested in most of which Iâ??ve read not related to what Iâ??ve just discussed. I know that sounds rather myopic, but it is what it is.

As far as this weekâ??s COT report, both gold and silver prices made slight new highs on a number of the four day shortened reporting week ended yesterday (due to the national day of mourning last Wednesday), but prices ended largely unchanged for the reporting week. Volume was relating subdued overall and total open interest was little changed, particularly when compared to the steep reductions in the previous two reporting weeks. Iâ??m guessing there was further deterioration, namely, managed money buying and commercial selling, along the lines of what I guessed at the prior week, say 10,000 contracts in silver and 25,000 contracts in gold. As always, the lower, the better.

But the changes this week in the overall numbers pale in importance to what JPMorgan may have done or not done, in terms of adding shorts. Thereâ??s no good way to handicap what these crooks may have done. All I can do is try to analyze what I think they may have done after the report is released. I think JPMorgan would be absolutely crazy or even more criminal than I suppose to add shorts in the face of what may be developing at the DOJ, but what I think matters little. I do know, or think I know, that JPMorgan adding or not adding to shorts is the second most important issue at this point; second only to what the Justice Department does or doesnâ??t do.

Ted Butler

December 12, 2018

Silver – $14.83 Â Â Â Â Â Â Â (200 day ma – $15.54, 50 day ma – $14.48)

Gold – $1250Â Â Â Â Â Â Â Â Â Â (200 day ma – $1260, 50 day ma – $1223)

Date Created
2018/12/12