

December 15, 2018 – Weekly Review

Gold and silver finished lower for the week, with gold down \$11 (0.9%) and silver down by six cents (0.4%). As a result of silver's slight relative outperformance, the silver/gold price ratio tightened in a bit to just under 85 to 1, still sky-high and underscoring silver's dirt cheap (and artificial) price.

Silver had actually caught up a bit with gold through Thursday, in that it closed at multi-month price highs on a daily basis by the slimmest of margins. But rather than indicate any real price strength in silver (yet), the slight new highs merely highlighted the extremely narrow and highly-manipulated price range that has been imposed on silver, largely by the crooks at JPMorgan. Since August, JPMorgan has dictated that silver trade in a less than a one-dollar trading range, in order to continue to milk illegal trading profits from COMEX paper trading and pick up physical metal on the cheap. Think I'm being too tough on these crooks? I'm just getting warmed up.

In the news this week was continued turmoil in world stock markets, as well as in world political developments. The key development in silver, to my mind, was the report of a delay in the sentencing of the former trader of JPMorgan who pleaded guilty to various manipulative activities, originally scheduled for this Wednesday, Dec 19. The delay, filed with the court on Nov 27, was contained in a news report about pending class action lawsuits against JPM and was easy to miss at first glance (which I did) since it was in the last paragraph. I would note that the details of the postponement were reported to have been sealed. More later.

<https://www.cnbc.com/2018/12/13/jp-morgan-faces-lawsuits-after-guilty-pleas-by-a-former-metals-trader.html>

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses was active, if a bit below recent weekly extremes. A bit over 5.1 million oz were moved this week, as total COMEX silver inventories increased by 1.5 million oz to 297.9 million oz, another all-time high. I would still contend that the movement this week, very close to the average weekly movement of the past seven and a half years or 250 million oz annualized, is much more important than total levels of not much more than that amount. Particularly since only in COMEX silver does this strange inventory turnover occur compared to any other commodity. No change in the inventory levels at the JPM COMEX warehouse this week, still at 150.6 million oz.

The December delivery process is winding down in COMEX gold and silver, with only a few hundred contracts remaining open in gold and less than that in silver. In gold, a total of 7273 deliveries (727,300 oz) have been issued to date (fairly hefty), with Goldman Sachs standing out as the biggest stopper (taker) with 4110 contracts in its own house account, followed up by a customer(s) of JPMorgan with 1572. On the issuer side, HSBC leads with 4619 contracts (house account), followed by Standard Chartered with 1000 contracts and JPM with 821 contracts, both from their house accounts. I'll have more on this later, but it should be obvious that large banks, operating in their own proprietary trading accounts completely dominate COMEX physical deliveries. We've all gotten used to this, but it's downright sick that a few banks exert such complete control over COMEX physical deliveries.

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

In COMEX silver deliveries, a total of 3913 contracts (19.6 million oz) have been issued in December,

with the biggest stoppers being JPMorgan in the customer(s) category with 2269 and another 567 in its house account. The biggest silver issuer has been HSBC with 1570 contracts from its house account. I get the feeling JPMorgan would have taken more silver in its own name if it could (if conditions weren't as tight) and not have issued gold for the same reason.

Onto the changes in this week's Commitments of Traders (COT) report. Even though gold and silver prices were largely unchanged for the reporting week ended Tuesday, there was an upward bias early in the week and I sensed managed money buying and commercial selling, using ballpark numbers of 10,000 contracts in silver and 25,000 in gold. As it turned out and contrary to the previous week's results vs. expectations, this week I was under a bit in silver and over in gold. Of course, it had my druthers, I'd have preferred the opposite.

In COMEX gold futures, the commercials increased their total net short position by 19,100 contracts to 77,400 contracts. This is the largest (least bullish) total commercial net short position since early July, but what the heck else could anyone expect, since gold hit its highest price since July? Week in and week out, year in and year out, I drone on about how COMEX positioning drives prices. Managed money selling and commercial buying causes lower prices and the opposite causes higher prices, like we saw this reporting week and just about every reporting week in history.

If there's one thing you can take to the bank (no pun intended), is that COMEX positioning drives and sets the price of gold, silver and a whole host of commodities. It's an absolute perversion of the price discovery process that all this speculative paper trading dictates the price of real world commodities and it is my fervent hope that the Justice Department's investigation of JPMorgan will result, as it should, in a complete dismantling of our current corrupt pricing process.

I did detect new short selling by JPMorgan in gold, on the order of 10,000 contracts or so and if anything accounted for gold's failure to explode to date, then look no further. The only good news, if you can call it that, is that JPM has not been super aggressive on the short side (same in silver), just enough to cap prices. This means while these crooks might still engineer lower prices temporarily, it should not be of the back-breaking variety. By the way, I would classify the new gold short selling by JPMorgan in the same category of it issuing gold in this month's COMEX deliveries, namely, something that had to be done to make sure prices didn't run more to the upside.

On the buy side of gold, the managed money traders only bought 9,721 net contracts, even though they bought back 19,193 short contracts (largely as expected). The surprise was that the managed money traders sold and liquidated 9,472 long contracts, which was very much out of keeping with their normal behavior. It also seemed odd that other large (non-managed money traders) and smaller non-reporting traders bought so many contracts (11,000) this week, to the point where there may have been a reporting error involved. But I don't want to dwell on this as it will get corrected in time (although you can bet the CFTC will never acknowledge any error).

The gold report shows the managed money traders still net short by a small amount, instead of holding a small net long position as I expected, but the real takeaway is how much room there is for new managed money buying on higher prices, even after gold had climbed more than \$75 from the summer price lows.

In COMEX silver futures, the commercials increased their total net short position by 12,500 contracts to 27,900 contracts. Similar to gold (right down to the same week), this is the largest (least bullish) total

commercial net short position since July 10. The only difference is in price. Whereas gold has largely recovered in price to the levels of early July, silver's price hasn't come close to early July levels and is still about a \$1.50 below prices back then. Why is it that similar positioning changes have resulted in a much greater price recovery in gold than in silver? The answer, in a nutshell, is JPMorgan.

JPMorgan sets and dictates silver prices to a much greater extent than it does in gold. It's been that way since JPM took over Bear Stearns in 2008 and faced a near-death experience in the silver run up to \$50 in April 2011. That's when the bank conceived and began to execute its criminally brilliant solution to being short silver by accumulating physical metal as an offset. Had JPM been content to quit manipulating silver when it achieved an equivalent physical offset to its paper short position around early 2013 and let the price run free at that time, my guess is that it would have pulled it off and walked away from silver as clean as any floor my dear departed grandmother would have mopped. But greed overcame these crooks and JPMorgan continued to accumulate physical silver in truly enormous quantities to its present day holdings of 800 million ounces or so. JPM garnered such complete control of silver prices, by way of its dominance on the COMEX that it lost track of when to quit and stayed with the con too long.

This week (combined with last week), JPMorgan added 5000 new COMEX silver shorts to what I had been estimating as a flat short position, not as much as it had added back into June or over October, but just enough to cap the silver price rally. Back on July 10, I had estimated that JPMorgan held 26,000 COMEX silver shorts and it held 15,000 shorts at the peak in October; so its current 5000 contract short position is nowhere near as bad. But in a sense, that's beside the point, since JPMorgan is still dictating price. It had no legitimate economic reason to add any short positions, away from setting price (which is as illegitimate as can be). Let me finish with the COT report before returning to this.

On the buy side of silver, the managed money traders bought 13,123 net contracts, accounting for practically all the commercial selling (no questionable reporting, as was the case in gold). They added 3341 new longs, no surprise considering the managed money long position was and is very low, now at 44,644 contracts. They also bought back and liquidated 9,782 short contracts, reducing their existing short position to 53,798 contracts, still relatively large. Although the managed money traders bought a few thousand more contracts than I predicted, in the hand-grenade tossing accuracy standards by which such guesses must be measured, it was close enough. More importantly, the managed money traders are still net short to the tune of 9000 contracts, which is bullish on its face.

So did JPMorgan, by adding gold and silver shorts this week, tell the Justice Department to drop dead? While I detected a reluctance by JPMorgan to add any shorts, it appears to have done so, in effect, flipping the finger to the DOJ. I sense JPMorgan added only the bare minimum number of shorts absolutely necessary to contain prices, so as not to infuriate the DOJ, but so what? Selling short any number of contracts, large or small, solely to artificially influence the price is still manipulation. JPMorgan is so deeply entrenched in this ongoing silver manipulation that it's hard for me to see an easy way out for these crooks.

As far as the delay reported in the sentencing of the ex-JPM trader who pleaded guilty, I can't say I'm particularly surprised or disappointed, since I speculated a delay might be forthcoming, given the unusually short time from when the plea was unsealed on Nov 6 and the Dec 19 sentencing date. I'm still speculating, of course, but I believe the original short time period was designed to apply

maximum pressure on JPMorgan and their complicit traders, as outlined in the announcement and enclosed downloads. I don't think it will take until June for the Justice Department to conclude its findings.

The timing is less important than the issues involved. Make no mistake, the issue here couldn't be more serious and goes to the very heart of the rule of law in the US. Simply put is JPMorgan above the law? The answer lies with the Justice Department. As to how the DOJ will answer that key question we will all know in the fullness of time. In the interim, it may be wise to consider the differences so far between the investigation begun in 2008 by the CFTC into a silver manipulation and the current investigation by the DOJ, begun over the past several months.

The CFTC's silver investigation, begun in September 2008 was largely caused by many hundreds of people contacting the agency about my findings of the unusual concentration on the short side of silver (and gold) in the August 2008 Bank Participation Report. The CFTC took the unusual step of publicly announcing the initiation of the investigation and later provided a public update on its status. Of course, the Commission never addressed the real issues on concentration, nor ever afforded me the opportunity to make the case for manipulation by JPMorgan, and after five years announced it couldn't find enough evidence to prove manipulation. It's amazing what you can't find when you don't want to find it.

I certainly didn't know it then and I suspect that the CFTC was not fully aware of it either when it began the investigation in 2008, but JPMorgan had been granted certain assurances and leeway in how it conducted itself in trading silver and gold as a result of taking over Bear Stearns' giant short positions on the COMEX. The assurances and promises were granted to JPM by the Federal Reserve and the Treasury Dept. and when the CFTC started to poke around in its investigation, it was told in no uncertain terms to keep its hands off JPMorgan. The CFTC complied and closed its whitewash of an investigation in due course, giving JPMorgan the green light to do whatever it wanted which JPM greedily took full advantage of.

The Justice Department's investigation of JPMorgan (only those who haven't completely read the DOJ's announcement of Nov 6 would fail to see that the DOJ is investigating JPM), began with no fanfare or great numbers of people contacting it. We just woke up on Nov 6 and realized that the Justice Department had secured, a month earlier, a criminal guilty plea for precious metals manipulation and conspiracy to manipulate (with others) by a long-time trader for JPMorgan. The very same JPMorgan that the CFTC had always both looked the other way and handled with kid gloves. No difference could be starker.

Obviously, the Justice Department didn't get or care to abide by the office memo circulated by the Treasury Department and Federal Reserve to the CFTC to keep its cotton-picking hands off favored son JPMorgan, no matter how egregious and illegal JPM's behavior might be. To those dismayed by the seemingly increasing disregard for the rule of law, the DOJ's actions to date regarding JPMorgan are a welcome shot of confidence-restoring adrenalin. Compared to the farce and fraud of the CFTC's past reviews and investigations of silver, the Justice Department's current investigation sure looks like the real deal to me.

That said, it may be premature to conclude that the Justice Department will conclude its investigation of JPMorgan as brilliantly as it appears to have been to this point. I've used the analogy of the police pulling over a serial killer on a routine traffic stop and not uncovering the killer's true identity

and letting him go after a few minor traffic citations. Make no mistake, JPMorgan is the serial killer in silver, having destroyed and damaged countless numbers of world investors and companies. Now the police appear to have learned the serial killer's true identity and have had him in for questioning and are trying to get their arms around the full extent of the killer's crime spree. For the Justice Department not to lock up the serial killer that JPMorgan is and throw away the key would be a travesty. Get this killer off the streets.

To be sure, it won't be a minor matter as and when JPMorgan is forced to stop and desist in its ongoing manipulation of silver (and gold). There's no way we can go from a market that's been as completely manipulated as silver to being free without seismic activity. Yes, it would have been much better had the CFTC and the CME Group done something ten, twenty or thirty years ago, but they didn't and that makes the DOJ's job messier, but more critical.

Let me put this on fast forward and tell you how this manipulation must end, if it is to end. At a minimum, it must end with JPMorgan or its surviving successors, being banned forever from active participation in silver. I've long commented on the absurdity that banks are the controlling participants in precious metals. Why don't these crooks just stick to cheating people on loans and deposits? It's just possible that the Justice Department already recognizes this and its solution is to simply incarcerate JPMorgan's precious metals traders one by one, until there are none left. Let's see if JPMorgan can maintain its impossibly perfect trading record and accumulation of metal on the down low with all its traders in jail. If so, hats off to the DOJ. And I'm sure hoping we get to salute the DOJ real soon and not much later, as justice delayed is justice denied.

Ted Butler

December 15, 2018

Silver – \$14.64 (200 day ma – \$15.51, 50 day ma – \$14.49)

Gold – \$1243 (200 day ma – \$1259, 50 day ma – \$1226)

Date Created

2018/12/15