December 20, 2017 – A Ten Year Deal?

Hereâ??s a thought that I fully acknowledge didnâ??t originate with me, but from a close associate, even though it incorporates many of my findings. If it does come to fruition, I will gladly reveal my associateâ??s identity to give him his proper due; but in case it doesnâ??t, Iâ??ll spare him any embarrassment for an incorrect premise. As I think youâ??ll see, I canâ??t deny that my friendâ??s premise seems to tie up all the loose ends about the silver manipulation.

In a few short months, we will hit the ten year anniversary of perhaps the most seminal event in modern silver history â?? the takeover of the failing investment bank, Bear Stearns, by JPMorgan in March 2008. Bear Stearns failed as a firm due to a variety of problems which, in effect, caused a run on the bank. But what makes the failure and subsequent takeover so prominent in silver history was the revelation shortly thereafter that Bear had been the biggest short seller in COMEXÂ silver and gold futures and was replaced in that role by JPMorgan.

Since the takeover, JPMorgan has not only remained the largest short seller in COMEX silver futures, but has gone on to rack up a perfect trading record on the short side of COMEX silver; taking profits on every new short position it has added since taking over Bear Stearns and never, ever taking a loss. More importantly, for the past nearly seven years, JPMorgan has used its ironclad control over silver prices to accumulate the largest investment position ever witnessed in physical silver; and all at the depressed prices it created with its massive paper short position on the COMEX. At this point, I peg JPMâ??s physical silver position to be no less than 675 million oz.

Iâ??ve been on JPMorganâ??s case since the fall of 2008, when I first uncovered that the bank was the new king short in silver. Because the evidence has been so strong that JPMorgan has both manipulated the price and accumulated a massive amount of physical silver, I lost any fear I had when I first started referring to JPMorgan as crooked in its silver (and gold) dealings. Yes, I still send the bank all my articles and I assume I would have heard from bank officials had they had any objection to what I write.

Because the takeover of Bear Stearns by JPMorgan was necessitated by concerns for the stability of the financial system, it was, basically, arranged and overseen by the highest levels of US Government financial regulators, the Treasury Dept. and the Federal Reserve. In a nutshell, Bear Stearns was too big to fail. Yet fail it did, although the USG and JPMorgan took strong measures to contain the damage from the Bear Stearns failure. One of those measures was to prevent Bearâ??s failure from affecting the silver and gold market.

As the biggest short seller in COMEX gold and silver futures contracts, Bear Stearnsâ?? failure would be expected to cause prices to explode in an orgy of short covering by the biggest short suddenly gone bad. Actually, silver and gold prices had been running to new highs back then as Bear Stearns lurched toward bankruptcy in mid-March 2008. From the start of that year, silver had jumped by $6 to $21, a new 28 year price high and gold hit its then all-time high of over $1000, up $150 since year end, with both price highs occurring on the very day that Bear Stearns was taken over, March 17, 2008 (St. Patrickâ??s Day).

That was the day, of course, when JPMorgan took over the short reins from Bear Stearns, with full prodding, cooperation and participation from the US Treasury and the Fed. Almost from that day, silver and gold prices began falling and didnâ??t stop until October of 2008, when silver traded below $9, nearly 60% lower than when JPMorgan took over â?? not just Bear Stearns, but the market itself. Gold fell from its then all-time high of $1020 to under $700 by that October. And on these massive price declines in 2008, JPMorgan bought back much of its massive COMEX short position with profits of many hundreds of millions of dollars. This was the very first of the many coming successful manipulation campaigns conducted by JPMorgan upon its ascension to the very top of the silver market.

Not one word of the forgoing was made up and can be easily substantiated. I fully admit that as the events of 2008 unfolded, I didnâ??t have as clear a perspective of what was occurring as I do now, but 2008 was a big year for me, what with initiating the infamous 5 year investigation into silver manipulation by the CFTC and having the agency confirm my speculation that it was JPMorgan as the big COMEX silver and gold short. That being said, I had no idea back then about what would transpire over the next ten years in silver and gold. I had a pretty good sense that prices would move higher and they did, with silver up more than five-fold from the lows of 2008 to the highs near $49 less than three years later. But I never conceived that JPMorgan would regain control for the next seven years and pressure prices lower. Otherwise, I would have told you (and myself).

Because of the involvement of the US Treasury and Federal Reserve in JPMorgan taking over Bear Stearns was so obvious, no one can deny that JPMorgan demanded and received something in return for â??savingâ?• the financial system; that reward being allowed to dominate and control the silver (and gold) market without regulatory interference. To my mind, the reward included a hands-off agreement by which the CFTC was ordered to ignore the increasingly blatant dominance over the silver and gold markets by JPM. Many have further expanded this premise to claim that this proves the US Government is controlling the price of precious metals, but Iâ??ve never gone that far (because nothing I have seen in my more than half-century of adult life persuades me the government Iâ??ve observed over all that time is capable of such a feat).

While not a believer in full-blown conspiracy theories by any measure, it is also clear to me that the CFTC has handled JPMorgan with kid gloves, at best. How else to describe the behavior of JPMorgan in the silver market that no other entity could get away with? We donâ??t have to go much further than JPM never taking a loss on COMEX silver short positions and how it can be allowed to be both the biggest paper short and biggest physical buyer simultaneously. How can one reconcile the broader concern of overall government control of precious metals prices in the face of JPMorganâ??s specific actions in COMEX silver? My friendâ??s speculation does a pretty good job of answering that dilemma.

He contends that the US Government made a ten year deal with JPMorgan, giving the bank immunization against regulatory oversight in matters involving silver (and gold). And weâ??re certainly close to the ten-year mark of any such agreement. Again, Iâ??m not claiming authorship of the ten year deal speculation, but I do wish I was the author. Thatâ??s because it aligns perfectly with everything I think I know about silver, the US Government, COMEX and JPMorgan. I never believed the USG would grant permanent immunity to JPMorgan for manipulating silver and gold, so a ten year deal fits as a substitute.

Certainly, JPMorgan has put the last ten years to good use, in both milking guaranteed profits from its COMEX short side paper dominance and then by beginning to accumulate physical silver seven years ago on a scale never before witnessed. Most importantly, the ten year deal fits perfectly with my â??big oneâ?• premise, as it is downright remarkable what a good position JPMorgan has put itself in for a liftoff in price just recently. My friend holds that the coming end to this year marks the end of the ten year deal and Iâ??m in no position to argue, since it was his idea to start with. Aside from me fervently wishing that his take will be the right take, I can find nothing to dispute it.

Turning to developments since the Saturday review, as expected from changes in the HSBC COMEX gold warehouse, the bank has continued to issue gold deliveries, a total of 1480 in the last two days (I was expecting as many as 2000). JPMorgan has continued to be the big stopper or taker of COMEX gold deliveries, mostly in its own name, but also for clients as well. As of today, HSBC has issued 5945 gold contracts this month, the most I recall ever being issued and representing nearly 600,000 oz of physical gold, worth $750 million. JPMorgan has stopped (taken) 5409 gold contracts in its own name and a few hundred more on behalf of clients.

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

As I indicated on Saturday, this monthâ??s COMEX gold delivery is largely a two-man affair of HSBC issuing and JPMorgan stopping in extraordinarily large quantities. I get the distinct feeling that JPMorgan just acquired the last easily acquirable slug of physical gold (and silver), by hoodwinking HSBC. This also fits like a glove with my big one premise and the ten year deal speculation.

In silver deliveries, it is also mostly an HSBC and JPMorgan affair, as HSBC has issued, on both its own behalf and for clients 3266 silver contracts (16.3 million oz), while JPM has stopped 2738 contracts in its own name, plus another 530 contracts on behalf of clients. Goldman Sachs has dropped back from its big first daysâ?? stoppings in gold and silver and after a series of re-deliveries, now has stopped only 489 net gold contracts and 843 net silver deliveries.

As far as what to expect in Fridayâ??s Commitments of Traders (COT) Report, Iâ??m hoping for a continued improvement (commercial buying and managed money selling), but nowhere close to the near-seismic positioning shifts of recent weeks. Truth is I wouldnâ??t fret over an unchanged outcome or even a slight deterioration. By conventional analysis, we bottomed out in price on the cutoff date for the prior weekâ??s report (Dec 12) and, generally speaking, the rising prices which began last Wednesday and continued through this weekâ??s cutoff would normally signal managed money buying and commercial selling. I donâ??t think that is what has transpired in the new reporting week.

I think, especially in silver but also perhaps in gold, that the managed money traders may have added some new short positions on the 50 cent silver and $20 gold price rallies through yesterdayâ??s cutoff. This has happened previously in both silver and gold at the important price bottoms of this past May and July, when the managed money short position grew in each on the first week or so of price rallies from the actual price lows. Thinking like a technical fund (if they think at all), when prices fall well below the key moving averages, rallies back to those moving averages sometimes prompt additional technical fund shorting under the premise that the close out point for cutting losses has been reduced, making new short sales less risky. I think thatâ??s completely wacko, but I suppose it makes sense to a technical fund and is in keeping with the recent historical record. In any event, I donâ??t think Fridayâ??s COT report will be negative in any way, just not on a par with what has already transpired over the past couple of weeks.

I hope itâ??s no secret how I feel about price direction currently. I donâ??t recall being more bullish, particularly on silver, than I am now. This last flush out to the downside was breathtaking in its scope, intensity and results. It was, quite literally, the cleanout of all cleanouts. Now we are banging on the door of upward penetrations of key moving averages in gold and platinum and if those markets continue to climb, silver wonâ??t be far behind.

Yes, Iâ??ll be sorely disappointed if the commercials take the price down to new lows and suck in even more managed money shorts, but Iâ??ll live with it, especially knowing that the market structure will then be better as a result. Iâ??m prepared for whatever last abuse the commercials may fling our way, but Iâ??m playing it as if we donâ??t look back in price again.

Ted Butler

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Silver – $16.25Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $17.00, 50 day ma – $16.75)

Gold – $1269Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $1269, 50 day ma – $1277)

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