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## February 12, 2020 – Spotlight on the DOJ and JPMorgan

It has now been more than eleven years that I have been writing about the leading role that the US's largest bank, JPMorgan, plays in the pricing of silver and gold. My suspicions that JPMorgan was the big silver and gold manipulator started shortly after the release of the August 2008 Bank Participation report, which indicated an unnaturally large increase in the short positions of one or two US banks in COMEX silver and gold futures contracts. That's when I started speculating that JPMorgan was the big COMEX short seller. On Nov 10, 2008, I stopped speculating and directly pointed to JPM, as a result of correspondence between a US congressman and the CFTC.

<https://www.investmentrarities.com/ted-butler-commentary-november-10-2008/>

Back when I wrote that article silver was under \$10 and gold was around \$730. Before three years went by, silver rose to nearly \$50 in early 2011 only to fall as low as \$14 a year or so. Gold rose to \$1900 by the fall of 2011 and subsequently fell to as low as \$1050 in late 2015. As I have tried to chronicle since 2008, JPMorgan has been the prime price driver in silver and gold, never losing when it added short positions and, since 2011, acquiring massive amounts of physical gold and silver. To this point, JPMorgan has pulled off the manipulative fraud of all time.

Eleven+ plus years is a long time, but it's not just the passage of time that points to an important change in JPMorgan's dominant role in silver and gold. For the past couple of years the US Justice Department has been openly investigating the role of JPMorgan, with recent leaks by the agency indicating it is seriously considering charging the bank itself and not just its traders with a criminal pattern of manipulation. To be sure, the DOJ is steering clear of charging JPMorgan with the real crimes I have alleged, price suppression and the accumulation of physical metal at those suppressed prices, because those crimes are so serious that it would doom the continued existence of the bank as a going concern. Instead, the Justice Department is focusing on spoofing, which has been used as a tool in JPM's manipulation of silver and gold prices.

Still, spoofing is a serious enough market crime that the DOJ has seen fit to invoke racketeering statutes in criminally charging individual traders of the bank and the only remaining decision is whether the agency will charge the bank as a criminal enterprise as well. Since JPMorgan has been a virtual breeding ground for systematic market manipulation with its institutionalized use of spoofing, it's hard to see how the Justice Department can avoid charging the bank as a criminal enterprise. Should the agency bring such charges, the remaining question will be the appropriate punishment.

As I recently suggested, the "perfect" solution would be for the DOJ to suspend or ban JPMorgan from COMEX futures trading for its own account and/or for clients. Such a suspension or ban would be highly appropriate. After all, that's what is done when professional athletes take performance enhancing drugs and spoofing is little more than an illegal trading enhancing aid. Of course, there is a big difference between an athlete seeking enhanced performance and a trading practice that harms markets and participants.

And as I also indicated, the DOJ suspending or banning JPMorgan from futures trading is only "perfect" for the agency and JPMorgan, not you or I or the markets in general, as it wouldn't undo the damage JPMorgan has wrought for more than a decade. Then again, the only parties

involved in the decision are the Justice Department and JPMorgan and the solution only has to be suitable to them, not anyone else.

A trading suspension or ban (accompanied by a substantial monetary penalty) would make the DOJ look tough and would also allow JPMorgan a graceful exit and free the way for the bank to profit immensely on its massive physical metal holdings — a true win/win. The only real plus for silver and gold investors is that a trading suspension or ban on JPMorgan would avoid the DOJ demanding that the bank divest itself of its massive physical holdings. By sticking to spoofing, the DOJ escapes having to deal with JPMorgan's decade+ price suppression and accumulation of physical metal.

There is no question that whatever the Justice Department decides to charge JPMorgan with, the decision will be highly political. The problem with that is that the politics are unknown to most, certainly including me. Is JPMorgan and its CEO considered a friend or foe to the White House? I don't have the slightest idea. What I do know is that the Justice Department's investigation of JPMorgan has been highly political to this point, in that it has studiously avoided the real crimes of JPM from the start.

It's simply impossible that the DOJ is unaware of JPMorgan's long term price suppression or accumulation of massive amounts of physical gold and silver. Not only have I personally notified the DOJ of the facts both before and during its current investigation; the agency was intimately involved with the CFTC's five year investigation into precious metals manipulation from 2008 to 2013, which stemmed from my complaints about the 2008 Bank Participation Report. We know of the Justice Department's prior involvement from the last interview by the late CFTC Commissioner Bart Chilton. There's no way the Justice Department could be so inept and incompetent so as not to grasp JPMorgan's crimes.

I want to be clear that when I say political, I'm not distinguishing between a Democratic or Republican decision to treat JPMorgan with kid gloves. The fruitless and compromised five year investigation came on the Democratic watch and the current investigation is a Republican affair. This transcends political parties. Let's face it, when it comes to silver and gold, JPMorgan is a stone-cold crook that both political parties have trouble standing up to, given the bank's power and influence.

In fact, as time has progressed, I have trouble understanding why the DOJ began to investigate JPMorgan in the first place and even more trouble understanding why the DOJ has put blinders on itself not to see beyond spoofing. But there can be no doubt that the issue is in the spotlight and some type of a resolution will soon be reached. It's not as if the Justice Department can go from leaking stories threatening JPMorgan with criminal prosecution to letting the whole matter drop without a more definitive resolution.

After all, the DOJ went out of its way to make a very big deal about its ongoing investigation and the criminal charges of JPMorgan traders (complete with overly dramatic press announcements and leaks to the press) and it's high time for it to show its cards. I admit to having lost faith in the Justice Department's handling of this whole matter, but will be more than happy to be proven wrong. Which it will be should be known in the fairly near future.

So while the Justice Department has done its very best to avoid the real issues surrounding JPMorgan, it did succeed in focusing attention on the bank and its role in gold and silver. Certainly, nothing the DOJ has done in any way undermines or refutes anything I've alleged about JPMorgan for the past 11 years and more observers are now aware of the issues. That's the thing about being in the

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spotlight â?? you never know what else is going to be revealed.

While we await whatever resolution the Justice Department comes up with, there remains the matter of the resolution of the extreme imbalance of the COMEX market structures in gold and silver and the fate of the 7 big shorts. I'll report the latest financial standing of the big shorts when I send this article out later, but the booking of a limited amount (\$200 million) of realized losses in the last reporting week still resonates.

There was a fairly significant reduction in the short positions of both SLV and GLD in the latest short selling statistics, for positions as of Jan 31. The short position in SLV dropped by close to the same 3.5+ million shares (ounces) it increased in the prior short report, with the total short position back down to 10.5 million shares (ounces). This is not a large short position at all, amounting to little more than 2000 COMEX contracts. While this is a notoriously difficult report to handicap, I did indicate in the article of Jan 29 (Simple Questions, Simple Answers) that I would be surprised if yesterday's report didn't feature the sharp reduction indicated, based upon a large inflow of metal and selloff in price during the reporting period.

<https://www.wsj.com/market-data/quotes/etf/SLV>

On Monday, there was a 500,000 oz withdrawal from the JPMorgan COMEX silver warehouse, which was unusual in its own right in that there have been a paucity of withdrawals over the years from this warehouse. But what causes me to mention it was that there was an unusual delivery of 110 contracts by a customer of JPMorgan a day or two earlier in the ongoing February COMEX silver deliveries, also an infrequently-occurring event in its own right. Obviously, the transactions were related and I bring it up because it suggests tightness in wholesale physical metal conditions, because the metal was so quickly removed following delivery.

As far as what this Friday's Commitments of Traders (COT) report might indicate, I don't sense truly big positioning changes. Price action in gold and silver was steady and trading volumes very much on the low side. Total open interest changes over the reporting week were also subdued, with gold's total open interest up less than 4000 contracts and with silver's total open interest down around 3000 contracts. While I'm not necessarily expecting it, should the managed money short position in silver snap back from the last week's very unusual reduction of more than 11,000 contracts, the inevitable conclusion must be that the original sharp reduction was a reporting error.

Since the start of the New Year, gold is higher by about \$50 and close to new 7 year highs, while silver has struggled, down close to 50 cents and nowhere near price highs of any substance. If there is any meaningful explanation for silver's price weakness away from COMEX futures market positioning, then I'm unaware of what that explanation may be. Still, the good news for silver is that in terms of the concentrated short position that is at the heart of why the price has been locked down, the same big shorts have been under severe overall financial stress due to their concentrated short position in gold.

Additionally, since silver has spent the entire day today trading below its 50 day moving average, it is likely that the incentive for managed money selling is greater in silver than it has been in gold â?? bringing silver closer to washing out those recent longs most at risk for selling on lower prices.

I can't dismiss the possibility of a much deeper correction in both silver and gold, given the current

market structure, but that's been the case for many months. It does seem that recent fairly static trading ranges in both silver and gold, suggests some type greater price volatility ahead, like being in the calm before the storm. If we do break sharply lower, instead of higher, the only possible explanation will be positioning on the COMEX, same as ever. That's not a prediction, just an explanation in advance. What still remains a prediction is that if we finally do get a substantial selloff, it will be the last such selloff.

The real shame, of course, is that we are simultaneously involved in a self-reported investigation by the Justice Department into a criminal manipulation of precious metals prices and a continuing manipulation. It is beyond outrageous a formal investigation by the nation's leading law enforcement agency into precious metals manipulation can exist while the manipulation continues in full view. Here's some advice to the DOJ - stop leaking stories to the press and get off your butts and end the manipulation.

As I get ready to hit the send button, the somewhat lower gold and silver prices from Friday's close has offered some slight relief to the 7 big shorts in COMEX gold and silver. Based upon today's closing prices, the big shorts are better off by less than \$200 million, leaving their total combined open and unrealized loss at over \$4.7 billion.

Ted Butler

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Silver – \$17.46 (200 day ma – \$16.77, 50 day ma – \$17.60)

Gold – \$1569 (200 day ma – \$1459, 50 day ma – \$1530)

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