February 13, 2019 – Interview/A New Issue for the DOJ

Interview with Jim Cook

Hereâ??s an interview done with Jim Cook, president of Investment Rarities, Inc.

Q: As the worldâ??s leading silver bull, are you expecting fireworks in silver?

A: More so than ever.

Q: You know, of course, that a lot of people who own silver have grown impatient.
Â Â Â Â Â Â Â Â Â Â Â What do you say to them?

A: I feel the same impatience, however my expectations are based upon an extremely bullish set of facts. Impatience has nothing to do with it.

Q: How do you arrive at your bullish facts?

A: I study the Commitments of Traders report, the Bank Participation report and numerous other statistics, trends and reports. There are any number of bullish arguments for why silver is a great buy right now.

Q: What are some of those bullish arguments?

A: Silver has never been more necessary. It is a vital component of just about every modern product. Production of silver has been flat for years. Quite simply, at some point there will not be enough silver to go around and price rationing will be required.

Q: Anything else?

A: What makes the case for buying silver so compelling is the current low price. If silver was priced at $30 or $50 or $100, the case for buying silver would be much less compelling.

Q: Why is the price so low?

A: Because the price has been rigged by excessive paper speculation on the COMEX, largely at the hands of JPMorgan. For 11 years, JPMorgan has been the largest paper short seller and for the past 8 years it has also been the largest physical silver buyer. It is the financial manipulation of all time and I believe totally illegal.

Q: I know you have maintained this for years, but nothingâ??s come of it.

A: It certainly explains why silver has been down for so long.

Q: People want a reason for this long period of depressed prices to end. Do you see such a reason?

A: Yes I do. On Nov 6, the Department of Justice announced it was conducting an investigation of manipulation of precious metals prices on the COMEX. It came as a part of a guilty plea by a former trader of JPMorgan. To me this represents the greatest single opportunity for busting JPMorganâ??s manipulation of silver prices.

Q: What if the Justice Department doesnâ??t see what you see?

A: Weâ??re talking about both the Justice Department and the FBI. I consider it highly unlikely that either would conclude differently. Instead of asking me what if the DOJ and FBI donâ??t see what I allege, you should be asking what happens if they do agree with me.

Q: What happens if they agree?

A: It means the silver manipulation comes to an end and the price is set free. Consequently, you would be much better off owning it now because afterwards it will be obvious to the world what has been going on in silver.

Q: What happens if you are wrong?

A: If Iâ??m wrong and the Justice Department doesnâ??t step up to the plate and end the silver manipulation, the downside is limited because the price of silver is already in the gutter and close to the cost of production. Itâ??s not often one gets such a low risk and high profit opportunity.

Q: So youâ??re saying things would stay the same?

A: No, Iâ??m quite certain the Justice Department will act to some degree. In any case, JPMorganâ??s role is going to diminish because the world is finding out what they have been doing. For one thing, they have accumulated 800 million ounces of physical silver. They know silverâ??s potential. That fact will prove to a lot of investors just how bullish the future is for the price of silver.

A New Silver Issue for the Justice Department

Itâ??s now been four months since the US Department of Justice secured a criminal guilty plea from the former trader from JPMorgan for spoofing and manipulating precious metals prices on the COMEX and three months since that plea was unsealed. In its announcement on Nov 6, the Justice Department made it clear that it was engaged in an ongoing investigation into COMEX precious metals trading by no less than three important divisions within the agency; the Criminal Division, the Federal Bureau of Investigation (FBI), and the US Attorneys Division. Hereâ??s a link for the organization chart for the DOJ â??

https://www.justice.gov/agencies/chart

While itâ??s no small matter for suspected criminal activity to be pursued by three separate divisions within the Justice Department, yesterdayâ??s released of the (still delayed) Commitments of Traders

(COT) report for positions as of Jan 15, indicates yet another important division of the DOJ should be involved in the current investigation â?? the Antitrust Division. Incontrovertible evidence in yesterdayâ??s COT report indicates serious violations of monopoly and restraint of trade issues in COMEX silver futures.

This is not a â??newâ?• issue, in that I have continuously raised it over the years, but yesterdayâ??s COT report indicates it is imperative for the Antitrust Division to consider the matter in light of the current COMEX precious metals investigation already underway. Iâ??ll cover the COT report in a bit, but let me concentrate on the antitrust issue at hand. That issue is the concentrated holdings of the 4 and 8 largest traders on the short side of COMEX silver futures.

As of the close of business on Jan 15, the 8 largest traders on the short side of COMEX silver futures held a net (pure) short position of 95,577 contracts, the equivalent of nearly 478 million ounces of silver, or roughly 60% of total world annual mine production. The 4 largest traders held a net short position of 70,627 contracts, the equivalent of more than 350 million ounces or roughly 40% of total annual world mine production. In terms of the average short holdings of each trader; the 4 largest traders average more than 87 million ounces short per trader, while the 8 largest traders hold short nearly 60 million ounces per trader.

No silver mining company produces more than 60 million ounces per year. Moreover, since silver prices traded flat to lower over the reporting week, finishing at $15.62 on the reportâ??s cutoff date and that represents a price barely at or even below the true cost of production for a primary silver miner, the thought that silver miners were rushing to sell short and hedge production is absurd. Besides, mining companies have to disclose such dealings separately and no such filings have been reported. There can be little doubt that the one-week increase in the concentrated short position of the 8 largest traders of 4935 contracts (nearly 25 million oz) was strictly the work of speculating banks masquerading as legitimate commercial hedgers.

The issue for the Antitrust Division of the Justice Department is what the effect of the pure short sale by speculating banks (led by JPMorgan) of 60% of world silver mine production has on price. The basic role of the Division is to insure that monopolistic forces donâ??t interfere with the workings of the free market. A free market is defined by competition by as many market participants as possible. A world commodity such as silver would require more than 4 or 8 large traders to be considered free. Yet, according to data published by the CFTC that is precisely the number of traders determining the price of silver.

The first question the Antitrust Division must ask itself is what the price of silver would be if, instead of 60% of world production being held short by just 8 speculating banks, that the short position was held by many more traders than just 4 or 8 large traders. In other words, what would it take to induce many more traders than just 8 traders to sell short the equivalent of 478 million ounces of silver? The answer is simple â?? much higher prices. Stated differently, if the concentrated short position of 478 million ounces of the 8 largest traders didnâ??t exist, the price of silver would be substantially higher. In a nutshell, thatâ??s prima facie proof of manipulation.

The second question the Antitrust Division should ask is how this concentrated silver short position has been allowed to exist and what do the existing regulators, the CFTC and the CME Group, say to allegations this is prima facie proof of manipulation? After all, no commodity has a concentrated short position that comes close to COMEX silver when compared to actual world production, consumption and inventories. When it comes to concentrated short positions, COMEX silver is in a class of its own.

The only answer the CFTC and the CME Group have been able to mumble, on those rare past occasions when they even bothered to respond (not in the last ten years), is that the big concentrated short traders are just making markets and providing liquidity. If the Church Lady from Saturday Night Live fame were around, she would surely say â?? â??Well, isnâ??t that special?â?• Commodity markets are designed to be open auction markets, not run by market makers and the only liquidity provided is naked short selling designed to cap prices. I would expect that the Antitrust Division would be able to see right through such a bogus response.

I suppose JPMorgan, alone among the other big 4 and 8 short sellers, might be able to claim it is hedging against its massive physical silver holdings; but I would hope that the Antitrust Division would be able to see through the illegitimacy of JPMâ??s argument. JPMorgan was the biggest COMEX short seller long before it started to accumulate physical silver at the depressed prices it had caused to be depressed in the first place, so for it to claim it is now legitimately hedging when it adds to short positions is preposterous. Itâ??s like the guy who murders his parents and then pleads for mercy to the court because heâ??s an orphan. Surely, the Antitrust Division couldnâ??t possibly fall for such a phony argument from the crooks at JPMorgan.

And itâ??s not just that the concentrated short position in COMEX silver is â??off the chartsâ?• in terms of real world production when compared to every other commodity and that this short position is the explanation for depressed prices. In the only relevant comparison possible for a similar commodity, gold, for which the comparison can be made, the concentrated short position in COMEX silver is way off the charts in terms of world inventories. To be sure, I believe that gold prices have been manipulated by excessive COMEX paper speculation, but nowhere to the extent that silver prices have been manipulated.

Please consider this. The concentrated short position in COMEX silver futures by the 8 largest traders, 478 million ounces as of Jan 15, is roughly 25% of the estimated 2 billion ounces that exist in the world in 1000 oz bars. The less than 18 million ounces held short on that date by the 8 largest short traders in COMEX gold futures must be measured against the 5.5 billion ounces of gold that exist in the world, or a few tenths of one percent. 25% versus 0.03%. Yes, I believe gold is manipulated in price by the same forces that manipulate the price of silver, but nowhere near to the same extent.

As much as Iâ??ve striven to point out the manipulative effect of the concentrated silver short position over the years, I have been just as consistent in providing the one sure cure or remedy, namely, legitimate position limits. This is the issue the CFTC and CME Group have, effectively, stalled on for years. And just to be consistent, I believe the concentrated long position held by the 4 and 8 largest traders in COMEX silver futures, while smaller than the concentered short position must also be subject to position limits. In addition, I have gone further in the case of the managed money traders and have suggested their positions, long or short, should be aggregated since they all trade off the same technical price signal playbook. Fair is fair.

The issue is clear – for decades a handful of large traders (mostly banks) have conspired to manipulate silver prices by selling short massive and concentrated quantities of COMEX futures contracts in any amount necessary to cap prices until prices fell under the weight of the excessive short selling. For the past 11 years, JPMorgan has been the ringleader, back stopper and main beneficiary of the manipulation, greatly expanding its unfair advantage by conniving to accumulate physical silver at depressed prices over the past 8 years. All the conspiring manipulators will be able to have pulled off the financial crime of all time should the Justice Department, now including its Antitrust Division, fail to recognize and act against the crime. Letâ??s pray it doesnâ??t.

Turning to other details in yesterdayâ??s COT report, itâ??s important to remember both gold and silver prices were, essentially flat and no new price highs having been hit in the reporting week ended Jan 15. Therefore, no big managed money was expected and that was largely the case, as these traders were net sellers, although there was also commercial selling in silver (in line with the above).

In COMEX gold futures, the commercials reduced their total net short position by 13,100 contracts to 108,100 contracts. As of Jan 15 (and most likely continuing thru the next COT report for Jan 22 on Friday), the standout in gold is that the market structure, at least thru Jan 22, is now much more bullish than either neutral or what I would have expected the market structure to have been at this time. I believe I was expecting the commercial short position to have been 100,000 contracts greater than it was in this report. And unlike the case in silver, the concentrated short position attributed to the commercials has declined, also a bullish surprise.

The managed money traders in gold sold just over 7500 net contracts, consisting of new longs of 2961 contracts and the new short sale of 10,497 contracts. Why the managed money traders have been so leery of gold moving higher, since no key moving averages were penetrated to the downside, is a mystery; but is supportive of higher, not lower prices.

There was a very large jump in total open interest in gold this reporting week of more than 46,000 contracts and I recall writing at the time that I didnâ??t think it represented either managed money buying or commercial selling and, at least, that turned out to be correct. The catch was that a sharp increase in spread positioning occurred mainly in the Producer/Merchant category, which doesnâ??t break out spreads, but can be easily deduced.

In COMEX silver futures, the commercials increased their total net short position by 2900 contracts to 71,700 contracts, yet another new high extending back to Nov 2017. As discussed above, the big 8 commercial shorts increased their net short position by nearly 5000 contracts, meaning other smaller commercials were net buyers, in essence accentuating the manipulative behavior of the concentrated shorts. Iâ??d peg JPMorganâ??s short position to be 22,000 contracts, but it could just as easily be higher or lower. If the Justice Department would like to know the precise amount, all it has to do is call the CFTC or the CME, as both know the precise amount on a daily basis.

The managed money traders actually sold nearly 3500 net silver contracts, consisting of the sale and liquidation of 2261 long contracts and the new short sale of 1216 contracts, pretty much as expected. The obvious question is how the heck it was possible for the commercials and managed money traders to both be net sellers in silver? The answer was that (for some reason) the smaller non-reporting traders were net buyers of more than 4700 silver contracts.

Regardless, the market structure in silver has to still be considered bearish in a conventional sense as opposed to a rather bullish structure in gold, all as of Jan 15. Again, the relative market structure is so bad in silver that it just might be good, based upon the exposure of the concentrated shorts, should the Antitrust Division decide to start sniffing around. One thing for sure, there will be no straight or legitimate answers from the CFTC or CME Group to the highly legitimate and specific questions about concentrated positions in silver, as the Justice Department will quickly discover should it decide to inquire. Otherwise, I would have heard those answers by now.

Therefore, weâ??re still locked and loaded for a silver price resolution that can go either way; down, if the longstanding manipulative forces prevail or sharply higher, if the crooked concentrated short sellers get overrun for the first time (most likely, thanks to DOJ involvement). I guess you pays your money and takes your chances, but those chances have to have been enhanced by the presence of the Justice Department.

Ted Butler

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Silver – $15.63Â Â Â Â Â Â (200 day ma – $15.31, 50 day ma – $15.32)

Gold – $1313Â Â Â Â Â Â Â Â (200 day ma – $1251, 50 day ma – $1281)

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