# February 6, 2013 – The Sole Seller

## The Sole Seller

A pattern started to develop about a year ago that has, to my mind, morphed into perhaps the most critical factor in the silver price. Last week's Commitment of Traders Report (COT) provided enough of a jolt to prompt me to write about it today. The pattern is the circumstance of there being only one new short seller in COMEX silver futures on rising prices. That new silver short seller is, of course, JPMorgan. What makes this so critical is that JPMorgan is already the largest concentrated short seller on the COMEX and its additional short sales solidify the allegation that the bank is manipulating the price of silver.

At the end of 2011, silver was dragging along its bottom price range of the year, near the $27 mark, having declined from over $43 in September. That was the month that silver fell more than 35% in price in three days, after suffering a similar unprecedented decline in May of that year. Both big price declines were due to deliberate price manipulations by JPMorgan and other large commercial traders on the COMEX. The proof of this resides in the fact that JPMorgan benefitted more from the price declines than anyone and that the bank used the declines to buy back and close out most of its short position on the price decline into the end of December 2011. In December, JPMorgan had succeeded in reducing its short position to around 12,000 net contracts, the lowest number since JPM inherited the silver short position from Bear Stearns in March 2008.

At that time, I wrote (even without looking it up) that the price of silver would depend upon what JPMorgan did on the subsequent silver rally. If JPMorgan completely abandoned the short silver manipulation and refrained from adding short contracts, the price would soar. However, if JPM added to its short positions, the price of silver would rally until JPMorgan's new short selling capped the price and likely ended in an eventual sell-off. At least, that's the way I remember it. During January and February 2012, the price of silver rose a hefty $10 to $37 while JPMorgan doubled its concentrated short position to 24,000 contracts. On this rally in early 2012, it first became apparent that JPMorgan had emerged as the sole new short seller in COMEX silver.

Let me stop here for a moment to allow this to sink in, as I don't know if it's possible to have a circumstance more manipulative than to have an entity holding a controlling market share to greatly increase that share to the exclusion of any other entity. A simpler way of stating this is that the price of silver would have climbed a heck of a lot more than $10 in early 2012 had not JPMorgan been the only new short seller. For sure, it would have required much higher prices to induce short sellers other than JPM to enter on the short side (otherwise those short sellers would have already entered). A free market should have many diverse participants on both the long and short sides, not one dominant entity.

It should be noted that source data for all these figures comes from the CFTC's COT and Bank Participation Reports. I am very quick to label JPMorgan as the sole big new short seller, based upon my proprietary analysis, but it is possible that JPMorgan has a partner on the additional short selling side. Certainly JPMorgan and/or the CFTC could establish this in a second, should either choose to do so, but anything silver-related does not appear to be on their public announcement agenda. If JPMorgan does have a partner on the short side, all that means is we can add collusion to my allegations of manipulation. I know that the raptors (the smaller commercials away from the big 8 traders) sell on price rallies, but they sell out long positions and have not added aggressively to shorts in the time periods discussed today.

From the top in silver prices at the end of February 2012, the price declined into the summer, back to the $27 range, on orchestrated commercial rigging to the downside. Once again, JPMorgan was able to reduce its short position down to 14,000 contracts, a 10,000 contract reduction. The question was raised again Â? what would JPMorgan do on the next silver rally? The answer was soon forthcoming; on the subsequent $8 rally to $35 in the fall, JPMorgan really upped the ante by adding a whopping 24,000 new short contracts and increasing its total silver short position to 38,000 contracts at the end of November. This is the equivalent of 190 million oz and is equal to 25% of world annual mine production and 35% of the entire COMEX short side (after spreads are deducted).

From the end of November and on a subsequent 15% ($5) silver price decline, JPMorgan has only been able to buy back 4500 short contracts (including last week's COT increase). As a reminder, last week's increase in JPM's short position came on a sharp decline in price during the reporting week, a most unusual occurrence. JPMorgan's current 33,500 contract net short position, at 22% of world silver production and 32.5% of the total net COMEX open interest, is still shockingly massive and concentrated, especially after a significant price decline. It is the disposition of JPMorgan's concentrated short position that is the most critical factor for the price of silver.

What is so disturbing about the pattern of JPMorgan emerging as the sole new short seller in COMEX silver on rising prices (and even falling prices last week) is that it makes it impossible to conclude other than that silver is manipulated in price. Any legitimate definition of manipulation would include a controlling and dominant market share. Throw in that the controlling entity is adding to its dominant position because no other market participants will do so (at current prices) and the picture is completed. Simply put, JPMorgan is the sole new short seller in COMEX silver because the price isn't high enough to attract and induce other entities to short silver. It seems to me that this is not a circumstance that can go on indefinitely. After all, this is a rotten position for JPMorgan to be in and maybe even worse for the CFTC and the CME Group (the supposed self-regulator).

Even though this bank seems to settle, for many hundreds of millions of dollars each time, government allegations for wrongdoing against its customers in just about every line of their businesses every other week; JPMorgan is not well-served to be thought of as the big silver crook. It's certainly not something a financial institution would seek. Yet, because of their actions revealed in CFTC reports, JPMorgan has assumed that ignominy. Let's face it Â? JPMorgan is the big silver crook based upon their concentrated short position and that only they now sell additional contracts short. Even personal correspondence from me to each member of their board of directors was insufficient to generate any rebuttal or denial. (Yes, I will send this article to JPM and the CFTC and the CME).

That JPMorgan is known as the big silver crook is something that it is obviously resigned to live with. I still think the bank is stuck, due to the dominance of its short position and can't extricate itself easily or quietly. If JPM can't get out easily or quietly, I suppose they will do so in a more flamboyant manner, as this is not a situation that can end with a whimper. In the interim, much more damage has resulted because the regulators have failed to uphold the rule of law. Just today, the CFTC has announced its most recent settlement with RBS in the continuing LIBOR manipulation; fining the bank some $325 million. This is the third such settlement and had the agency, in the form of Commissioner Bart Chilton out in force; publicly condemning the manipulation and warning that the CFTC means business.

But reputations are created by the sum total of one's actions and that goes for the CFTC as well. I suppose they get high marks on the LIBOR prosecution, but as far as silver is concerned, the agency has no credibility to most and its reputation is in the gutter. That's because the facts on concentration and JPMorgan's dominance in COMEX silver are so clear that the Commission's continued silence and refusal to resolve even its own silver investigation of 4.5 years negates any good will he agency has achieved elsewhere. I will stipulate that the crooks at JPMorgan are probably too smart to leave an email trail of incrimination in manipulating silver as was the case in LIBOR, but that's no excuse for a federal regulator not to fulfill its prime mission. The case in silver can be made by the CFTC's own data; that's what I rely on and what the agency should also rely on; otherwise why compile it? As far as the CME, the fact that it has been the primary self-regulator for the entire time that JPMorgan has manipulated the price of silver should be enough to preclude it from any regulatory responsibilities at all. A for-profit organization should not be allowed to police itself.

But the message today is not just that JPMorgan is the big silver crook and that the CFTC and the CME are negligent and conflicted. It's much more than that. The pattern over the past year of JPMorgan being the sole new short seller of last resort represents a dramatic escalation in the silver manipulation that appears certain to self-destruct. Just as it has become obvious to most that the CFTC is investigating silver instead of answering how a 25% or 35% share of the market wouldn't be manipulative to the price, JPMorgan goes ahead and ups the ante and becomes the only new silver short seller to boot. This new pattern smacks of desperation.

I can't rule out that JPMorgan and other collusive commercials on the COMEX might not succeed in once again causing the price of silver to sell-off one more time; certainly they will do so if they are able. But the scam has become so obvious that I am more inclined to think this whole mess might blow up in the collective face of JPM, the CFTC and the CME. Where I once thought JPMorgan had complete control over short term price movement no matter what, I now think more in terms of this should backfire on the bank's crooked silver dealings before long. In other words, JPMorgan's dominance in silver is threatened because it has reached such an extended degree of control that there is a diminishing prospect of additional control. How much can you extend the most extreme short position in history?

Of course, I am being influenced by developments in the physical silver market, both on the retail and more important wholesale side of the market. In less than the first 6 weeks of 2013, the US mint has sold more Silver Eagles than it sold in the full year for 13 of the 26 years that the program has existed. http://www.usmint.gov/mint_programs/american_eagles/?action=sales&year=2013 The continued turnover or Â?churnÂ? in COMEX silver warehouse inventories and ETF holdings indicate extreme tightness in wholesale supplies of silver. More is written on the silver manipulation and JPMorgan's role in it every day. It's not particularly important whether the articles agree or disagree that a silver manipulation exists; the important thing is that silver manipulation is becoming the center of attention. I say that because an objective reading of JPMorgan's concentrated position and new and exclusive additional short selling will lead reasonable people to conclude manipulation, no matter what the intent of any individual article.

Even if JPMorgan can rig one more silver price smash, the biggest move in silver must come to the upside and it is there where expectations of a resolution should be placed. The daily price action is not where you should look to gauge what will unfold in the future. Instead, consider the market structure and conditions in the silver physical markets and how JPMorgan has evolved into the sole new short seller. I haven't said it in a while, but this creates the prospect for an upside explosion before long that I couldn't imagine if I didn't see it in the data. It's not possible to make up such a story absent the clear and present facts.

Ted Butler

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Silver – $31.80

Gold – $1678

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