January 1, 2014 – The Year of JPMorgan

2013 Â? The Year of JPMorgan

Probably owing to the dramatic decline in the price of gold and silver, I've read scores of year end metal reviews, more than I have ever read previously. Like most of you, I read in order to learn. Therefore, I approach every year end review and outlook with an eye towards understanding just what caused the prices of silver and gold to decline as much as they have and what that portends for the New Year.

I know I look at silver and gold differently than most commentators and what follows I haven't seen elsewhere, for better or worse. Let me assure you that I'm not trying to be different for the sake of being different; my objective is to understand what really moves the price of silver and gold – no more, no less. I'm not interested in making up stories that can't be verified or documented; I would not put my name on anything that I did not believe to be factual and accurate.

As has been the case for the past five years (since it acquired the concentrated short positions of Bear Stearns), 2013 was the year of JPMorgan in silver and gold. Everything important that transpired in silver and gold can be traced to JPMorgan, just as this bank will dictate what happens in the future. I realize I am being overly specific and that many different factors influence the price of any market; but the circumstances surrounding JPMorgan are so overwhelming as to render all those other factors combined moot when it comes to silver and gold.

From the very beginning of the year to the last two days of 2013, JPMorgan has dominated and controlled the price of silver and gold. Here are the documented facts. At the start of 2013, with gold at $1650 and silver at $30, JPMorgan held short market corners in COMEX gold and silver futures. JPM was short 75,000 gold contracts (7.5 million oz) and 35,000 silver contracts (175 million oz). JPMorgan's short market corners at the start of 2013 amounted to a 21% net share of the entire COMEX gold futures market (minus spreads) and an astounding (but typical) 35% of the entire COMEX silver market. No single entity had ever held such outsized and anti-competitive shares of any important regulated futures market. It is unreasonable not to associate such extreme market corners with what followed in price.

The next standout feature to this year's historic $450 (28%) decline in the price of gold and the $10.50 (35%) decline in silver is in the specific manner of the decline. The vast majority of the total price decline in gold and silver occurred within several days; two days in April (when gold fell $200 and silver by $5) and a few days in June (when gold fell another $150 and silver another $3). The price record clearly shows that the major damage of the worst year in gold and silver history transpired over a handful of days, something never witnessed before in gold, but occurring before in silver (twice in 2011). It wasn't just that gold and silver declined dramatically in 2013, but the nature of the decline.

Take away those five trading days of 2013 and it would have been a rather ho-hum year in gold and silver. Of course, we can't take away those five horrible days, but to ignore them would be a mistake. The degree of the time-compression of this year's decline in gold and silver, were it to occur in any other market would necessitate historical nomenclature (Black Monday or Friday). Even more than the plunge in price for gold and silver in 2013 was the time-concentrated nature of the decline. Try to imagine the furor that would arise if the stock or bond market were to decline 35% in a matter of days.

Let's stop for a moment and connect these two dots Â? JPMorgan's short market corner in COMEX gold and silver at the start of the year and the historic and concentrated price plunge of 2013, essentially completed for the year by the end of June. Can it be possible that these two facts were not directly related and a case of cause and effect? Let me restate that Â? is it possible that JPMorgan just happened to be in the right place at the right time and the historic gold and silver price plunge occurred through no input by JPM? Before you answer, let me comment further.

The price plunge through the end of June resulted in JPMorgan making more than $3 billion on their short market corners in COMEX gold and silver. So, to conclude that JPMorgan had nothing to do with the price plunge is the same as concluding that $3 billion in commodity futures trading profits is a normal and regular occurrence. But it wasn't just that JPMorgan innocently stood by while legitimate market forces bestowed a sudden $3 billion windfall on a financial institution found to have acted improperly in more different circumstances than can be recorded Â? it's what JPM did as a result of the gold and silver price plunge.

The facts show that JPMorgan not only took profits on their short market corners in gold and silver (to the tune of $3 billion+), JPM bought so aggressively on the price plunge thru June, that this bank almost eliminated their short market corner in COMEX silver and actually reversed their short market corner in COMEX gold to a long market corner. The facts indicate that JPMorgan was the single most aggressive trader on the extreme price plunge and not a lucky bystander.

It is well-established that a market corner is against commodity law. In fact, this is the most important aspect to commodity law, because market corners are unquestioned proof of manipulation. CFTC data indicate (as I've been reporting all year) that JPMorgan held short market corners in COMEX gold and silver at the start of the year and that this crooked bank holds a long market corner currently in COMEX gold. There can be no question that JPMorgan held and holds market corners in COMEX gold and silver based upon market share.

The only question is how the heck did these crooks pull it off? Specifically, how was JPMorgan able to buy so much COMEX gold and silver as prices plunged? Normally, one would think the net purchase of 150,000 COMEX gold contracts (15 million oz) and 23,000 COMEX silver contracts (115 million oz) by the US's largest bank would cause prices to soar. That would usually be the case, except for one other fact Â? JPMorgan and other collusive traders have come to control the price mechanism on the COMEX, thru high frequency trading (HFT), spoofing and other illegal computer trading means. The evidence of this is in the otherwise inexplicable daily price volatility on the COMEX and the fact that JPMorgan and other collusive commercials are always on the buy side on big down days with no exceptions.

This HFT daily price control, combined with trading counter parties (technical funds) solely motivated by price signals has created a Frankenstein-market Â? a monster out of control. Real commodity markets are supposed to have prices dictated and discovered by real world supply and demand forces; the COMEX monster market has computer algorithms dictating prices to real world producers, consumers and investors for the benefit of JPMorgan.

I've concentrated on what JPMorgan has done this year on the COMEX because that market determines gold and silver prices throughout the world. But JPMorgan's influence and activity is not limited to COMEX gold and silver futures. In addition to holding a long market corner in COMEX gold futures, JPM has been extraordinarily active in taking actual delivery of metal recently. For the month of December, JPMorgan has taken delivery of more than 96% of the 6493 gold deliveries issued this month. The 6254 contracts taken by JPMorgan in its house (proprietary) account is equal to 625,400 oz of gold. In addition, JPMorgan also took delivery of 10 million silver oz in December and another 5 million silver oz this week in the new January delivery month.
http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Here's something new I've been meaning to mention. The CME Group (owner-operator of the COMEX) lists a spot month position limit and monthly limit on actual deliveries of 7.5 million silver oz and 300,000 gold ounces by any one trader. Yet the CME is reporting that JPMorgan in its house account took delivery of more than double the amount of gold allowed in any one month. Since JPMorgan held the 6254 gold contracts from first delivery day forward, it also means that JPM was in violation of CME rules limiting spot month holdings in gold futures of 3000 contracts for the entire month. The violations in silver were less egregious but were violations nonetheless.

I'm sure if pressed the CME could come up with some cockamamie excuse why JPMorgan was allowed to hold and take delivery of so many gold and silver contracts in one month, but the real reason is that JPMorgan is above all rules and law. The CFTC backed down on policing JPMorgan and it would be foolish to think the CME would restrict its most important client in any way. Far from a band of brothers, this is a brotherhood of criminals. Besides, rules are for the little people, not JPMorgan.

2013 also highlighted the unintended consequences of JPMorgan's control on silver and gold prices. By rigging gold and silver prices lower on the COMEX to close out its gold market corner and flip it to long market corner, JPMorgan also caused the extraordinary liquidation of metal from the world's largest gold ETF, GLD. There can be little argument that the steep plunge in gold prices caused the massive liquidation of almost 18 million ounces (41%) of gold holdings in GLD. Investors dumped $25 billion worth of GLD in reaction to declining gold prices and prices declined because JPMorgan rigged prices lower on the COMEX in order to flip a short market corner into a long market corner. If there's an alternative plausible explanation, I haven't heard it.

Earlier in the year, when I first discovered that JPMorgan held a long market corner in COMEX gold, I speculated that JPM was gaining ownership of much of the gold liquidated from GLD. Numerous reports of buying by China and India subsequently persuaded me to think that most of the metal from GLD ended up there. But considering how aggressive JPMorgan has been in acquiring gold and silver metal via COMEX deliveries recently, I now believe JPM got a pretty good chunk of the liquidated GLD gold. I also think that JPMorgan has been getting serious amounts of silver from SLV by buying shares and converting to metal before share holdings require SEC reporting. There are just too many factors pointing to JPMorgan acquiring all forms of gold and silver to not consider this the key factor of 2013.

One of the questions I have been unable to answer to myself over the past several months is why hasn't JPMorgan let gold and silver prices rip to the upside after establishing a long market corner in COMEX gold and sharply reducing their short market corner in COMEX silver. After having made $3 billion on the short side, JPMorgan has been in position to make that much and more to the upside. I couldn't quite understand what was holding them back. The recent COMEX delivery data, as well as the continued outflows from GLD (and more recently from SLV), come close to answering my question.

It appears that JPMorgan hasn't let gold and silver rip to the upside because the bank is still acquiring important quantities of metal in physical form. It does appear that JPMorgan has hit the limit of COMEX gold futures ownership, as the bank's long market corner is pretty easy to track and, apparently, hard for anyone to deny. Likewise, JPM's short position in COMEX silver has been hard to reduce significantly for six months or longer.

But the documented data clearly indicate that JPMorgan has been acquiring important amounts of gold and silver thru COMEX deliveries and, most likely, in actual metal from GLD and SLV. Unlike futures contracts which are reported weekly in COT reports, there is no reporting requirement by JPMorgan for physical gold and silver held. Considering that the statistics from the COMEX have shed much light on JPMorgan taking delivery of gold and silver in extraordinary amounts and the knowledge that JPM doesn't welcome close scrutiny of its trading, I'm inclined to believe we are closer to the end of JPM taking such visible deliveries, rather than this being the start of growing delivery-taking by them. In addition, after the unprecedented bleed of more than 40% of the metal in GLD, further massive liquidations look improbable from that source.

Therefore, I can see what JPMorgan has accomplished in 2013 and why they haven't pulled the trigger yet to the upside, as they continue to acquire physical gold and silver. But the easy flow of physical gold and silver accumulation by JPMorgan now appears largely over. That's not to say JPMorgan is done with its dirty tricks to the downside, but it's important to put things in perspective, which is the main purpose of year end reviews.

As was the case in 2013 and every year since 2008, the next year in gold and silver will be determined by JPMorgan. But considering that JPMorgan now holds a long market corner in COMEX gold for the first time in history, it is hard to see how 2014 doesn't shape up to be the exact opposite of 2013. Throw in JPM's sharply reduced short position in COMEX silver and the massive quantities of physical gold and silver acquired by the bank and the start of 2014 couldn't be more different than the set up of a year ago.

While no one can accurately predict short term pricing or the exact moment the deliberate price beatings of 2013 will end, the facts indicate a remarkable turnabout in JPMorgan's positioning. We fell sharply in 2013 because of JPMorgan and will likely rise sharply in 2014 for the same reason. From my perspective, that's all that matters.   2013 Â? Good riddance. 2014 Â? Step right in. Happy and Healthy New Year to all.

Ted Butler

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Silver – $19.40

Gold – $1205

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