

## January 10, 2018 – The Tip of the Silver Iceberg

In the annals of silver in the modern age (over the past fifty years), there have been two standout instances of very large investor accumulations of the actual metal; the purchase by the Hunt Bros and their associates into early 1980, followed by the purchase 17 years later by Warren Buffett's Berkshire Hathaway. The Hunts were said to control around 100 million oz of actual metal at their peak in ownership (plus another 100 million oz in long paper futures contracts), while Berkshire held as many as 129 million oz. A quick word on each.

The Hunts had been buying silver since the early 1970s and were quite outspoken and aggressive in their attraction for the metal as an inflation hedge. Perhaps they were too aggressive as they were eventually found to have manipulated the price with their large purchases of metal and futures contracts. Mainly due to aggressive buying by the Hunts intended to drive prices up, silver prices soared from single digits to \$50 in little more than a year; only to subsequently crash back to single digits on the disposal of the Hunts' hoard. The fatal flaw for the Hunts was that they pyramided their silver purchases on the way up, borrowing against unrealized profits to buy more physical and futures contracts. This increased their average purchase price and debt to levels that couldn't be sustained on the price trip down. Google "Silver Thursday" for details. Few observers of silver are unfamiliar with the Hunt Bros. and silver.

Berkshire's Buffett bought 129 million oz over a six month period of time, starting in mid-1997 for different reasons and in a different manner than the Hunts. Buffett bought silver because it was a vital commodity in short supply priced too cheaply (as he said at the time). Unlike the Hunts, Buffett sought to acquire silver with the least possible upward impact on price and largely succeeded, at least by the standards set by the Hunts and completely eschewed margin, paying in full for all metal purchased. While I was a commodity broker and an observer during the time of the Hunt episode, I wasn't particularly tuned into silver and, most certainly, didn't write about it at the time (1980). When Buffett bought silver seventeen years later, I had been closely studying silver for quite some time and wrote this article in 1998, thanking Buffett for confirming the real silver story as I saw it. (Incidentally, the last paragraph of this article was reprinted, with my permission, on the inside cover of the Pan American Silver annual report later that year).

<http://www.gold-eagle.com/article/thank-you-mr-buffett>

Initially elated that Buffett bought silver and strongly suspecting he did so after reading my take on COMEX price manipulation and the leasing of precious metals, within a few years I began to suspect that Buffett turned around and began using the physical silver he had accumulated as the backing for his shorting of COMEX futures contracts any time the technical funds bought a large net long position. It dawned on me that the CFTC was looking away from the obvious manipulative effect of Berkshire's shorting (of as many as 25,000 contracts) because it held the physical metal it was shorting against on the COMEX. As far as I was and am concerned that was nonsense "owning a large position didn't give anyone the right to artificially influence price. In any event, Buffett went from silver savior to silver manipulator in my eyes and nothing to this day has convinced me otherwise.

Buffett got his comeuppance in 2006 when he lost his physical silver at the time of the introduction of the big silver ETF, SLV, when he was forced to deliver his physical metal against his COMEX short positions. It was either that or be forced to buy back his COMEX short positions at a big loss for the very first time. Such a buy back would have to be disclosed to Berkshire shareholders and reveal that Buffett had been speculating on the short side of COMEX silver for years, unbeknownst to all. Faced with a disclosure that would certainly taint his reputation, Buffett chose to preserve his reputation and just shrugged, in a aw shucks manner that he sold silver too soon at \$7, metal he purchased at \$5, with no mention of the many millions of dollars Berkshire made over the years by skinning the technical funds continuously.

In essence, the two great silver investment purchases through the turn of the century resulted in disaster for the Hunts and a relatively small profit for Warren Buffett. Had Buffett waited to sell at the highs five years after his forced sale, Berkshire would have made a profit of \$5.5 billion and not the \$250 million profit it did realize in 2006 (apart from the many millions made in paper COMEX trading). Objectively speaking, I would imagine that the Hunt Bros and Warren Buffett would have chosen to handle silver differently, were they able to travel back through time (like we all would).

Now there is compelling evidence of a third great investment accumulation of physical silver by none other than JPMorgan, one of the most powerful and connected banks in the world. This accumulation can be dated from the price peak of April 2011, after silver began what is now a near seven-year price decline. There are many similarities and differences between the first two great silver accumulations by the Hunt Bros and Berkshire Hathaway and the even greater accumulation by JPMorgan.

One similarity is the role that the COMEX, the largest silver trading exchange in the world, played in each of the three great silver accumulations in modern history. All three relied on the ability to convert COMEX futures contracts into physical silver by means of taking delivery on futures contracts. Both the Hunts and Berkshire converted futures to physical by means of delivery, with each moving significant portions of metal in COMEX silver warehouses to Switzerland in the case of the Hunts and to London in Berkshire's case. JPMorgan has taken a different tack, mostly storing the silver it has taken on COMEX futures contracts in its own COMEX warehouse.

From zero in April 2011, the amount of silver in the JPMorgan COMEX warehouse has now increased to 119.4 million oz. It's no coincidence that total COMEX silver warehouse inventories have increased since April 2011 by nearly the same 120 million oz that have come into the JPMorgan COMEX silver warehouse over that time. For those who would be quick to say that just because that much silver has been deposited in the JPM COMEX warehouse does it mean that the silver belongs to the bank, because it could belong to JPM customers or others and the bank may be just providing storage for others. Let me say this. Just about every ounce moved into the JPMorgan COMEX warehouse over the past 7 years has come from futures deliveries stopped (taken) by JPM in its own name and then physically moved into JPM's own COMEX facility (mostly from other COMEX silver warehouses).

In fact, there are now hints that the JPMorgan COMEX silver warehouse may be reaching capacity and the bank may have resorted to taking delivery on COMEX futures contracts and leaving the physical metal in the same COMEX warehouses from which it was delivered. JPMorgan stopped (took) delivery of 14 million ounces in the December COMEX futures delivery period and so far, 13 million oz have remained in the warehouses from which the metal was delivered (although the metal was shifted to

---

eligible from the registered category). So this means that JPMorgan now holds more than 132 million oz of silver in its own and other COMEX warehouses, or more than was held by the Hunt Bros or Berkshire Hathaway at their peaks.

So here's a flat out statement - JPMorgan now holds more silver than the Hunts Bros or Berkshire Hathaway ever held, all based on verifiable COMEX futures delivery and warehouse data. And I would remind you that there was a lot more silver in the world in either 1980 or 1998 than there is today, meaning that JPMorgan's accumulation is much more of an investment accomplishment than either previous metal acquisition. But if you think the story ends there, with JPMorgan now owning a few million more ounces of silver than what the Hunts or Berkshire ever held, you would be mistaken, as true as that statement is on its face.

JPMorgan's COMEX warehouse silver holdings are only a small tip of the iceberg; the portion we can readily see. Beneath the surface, the true extent of JPMorgan's physical silver accumulation is nothing short of mind-boggling. All told, including the verifiable 132 million oz held in its own and other COMEX warehouses, JPMorgan holds at least 675 million ounces of actual silver. Simply put, JPMorgan has acquired around 100 million oz of physical silver in each of the past nearly 7 years or roughly six times as much metal as bought by the Hunts or Berkshire Hathaway. As far as I know, I am the only one making this claim.

How can this be? How is it possible that such a high-profile financial behemoth, like JPMorgan, could acquire such a massive quantity of physical silver, not only with no general awareness that it was doing so, but more importantly, as silver prices have steadily declined over the entire time of JPMorgan's accumulation? Actually, it is precisely because silver prices have trended lower during JPMorgan's epic accumulation that no one seems to have noticed what JPM has been up to. Had silver prices soared (as should have occurred), I'm sure many would have picked up that JPMorgan was buying it hand over fist.

Common sense would dictate that such a large acquisition as was JPMorgan's 675 million oz accumulation, nearly 45% of the all the 1.5 billion oz of silver bullion in the form of industry standard 1000 oz bars in the world, could not be bought by any one entity without driving prices sharply higher. So how the heck could JPMorgan do so without widespread notice and without driving prices sharply higher?

Let me address first how JPMorgan could acquire the 132 million oz it holds in its own and other COMEX warehouses, by itself more than the Hunts or Buffett ever held, without causing silver prices to rise, before getting into the methodologies of how it accumulated an additional 550 million oz on lower, not higher prices. The answer is that in addition to being the biggest physical silver accumulator in history, JPMorgan has simultaneously been, hands down, the largest short seller in COMEX silver futures for the entire time since it acquired Bear Stearns in early 2008.

If it troubles you that the leading and most dominant short seller in history in COMEX silver futures, the largest precious metals exchange in the world, has also been the largest accumulator of physical silver, let me assure you that you should be troubled, as no greater conflict could possibly exist. How could it possibly be legitimate that a large financial entity could sell short massive quantities of paper derivatives contracts which result in lower prices, to then use those lower prices to accumulate silver on the cheap? The answer is that it couldn't possibly be legitimate and that is what makes JPMorgan a market crook and manipulator. It also makes the silver market regulators, including the

---

federal regulator, the CFTC, as well as the self-regulator, the CME Group, as incompetent or corrupt, or both.

I didn't say that the answer to how JPMorgan acquired so much physical silver on the cheap was legitimate; I am just explaining how they did it. Of course, it is corrupt as hell, but at the same time it has been mightily effective. Further, I don't think it ever occurred to the Hunt Bros or Warren Buffett or anyone else, to go massively short COMEX silver futures contracts to drive the price lower and then use the lower prices to scoop up physical silver. That takes a special kind of market manipulator, one most likely operating under some type of agreement with the regulators. The regulators did look away when Buffett went short after he acquired his 129 million oz of silver in 1998, but they never would have allowed him or anyone other than JPMorgan to first go short and, after silver prices were driven lower, to then buy massive quantities of physical silver.

As to how and where did JPMorgan buy the 550 million oz I claim it holds, in addition to the 132 million oz in the COMEX warehouse system, please allow me to make a point first. For JPMorgan, or any large investor, to embark on a massive accumulation of any investment asset, without a doubt any such investor would seek to accumulate with the least public notice possible. Smart investors don't advertise what they are accumulating until after they are finished accumulating. The Hunts were quite brash about their silver accumulation and I firmly believe that public brashness was a key factor in their downfall. Warren Buffett was quite secretive in his silver accumulation as he is with any large investment acquisition until it became known the silver sellers were having difficulty fulfilling delivery.

If Buffett was tight-lipped about his silver accumulations, then that would make JPMorgan as quiet as the proverbial church mouse, particularly in the case of silver today, where there is the strong presence of apparent manipulation and regulator involvement (malfeasance). My point is this - when looking for the evidentiary clues for JPMorgan's 550 million oz silver accumulation (apart from the 132 million oz in COMEX warehouses), it must be remembered at all times that JPMorgan would do whatever it could to prevent full transparency. It is to JPMorgan's advantage for others not to know it has and is accumulating physical silver, so it would naturally chose acquisition methods with that advantage in mind.

In some ways, I'm amazed that JPMorgan has accumulated the 132 million oz it holds in COMEX warehouses because this is perhaps the most transparent method of acquiring silver. But I'm speaking as someone who follows COMEX data closely. Remarkably, relatively few commentators even mention the silver that JPM has acquired on the COMEX, now more than the Hunts or Berkshire ever held. I understand there is a natural skepticism towards accepting new ideas and it is this skepticism that prevents most from grasping what JPMorgan is up to in silver.

As I previously have laid out, 150 million ounces of silver (of the 550 million oz away from the COMEX) came from JPMorgan buying 100 million Silver Eagles from the US Mint over six years ended early last year, plus another 50 million Silver Maple Leafs from the Royal Canadian Mint. Also as previously written, I contend that all these coins were melted into industry standard 1000 oz bars, as there's no way anyone, particularly JPM, would attempt to unload 150 million Silver Eagles and Maple Leafs.

I first discovered that JPMorgan was the buyer of Eagles and Maple Leafs in 2013, when record sales of this normally retail-only form of silver conflicted strongly with first-hand reports from the retail dealer front of weak retail demand. The public rarely buys any investment asset which is declining in price and from early 2011 until today, the price of silver has declined, thereby precluding strong retail demand as

---

driving the highly counterintuitive record sales for these coins. By process of elimination, if it wasn't the guy on the street buying all these coins, it had to be someone big. Based upon a variety of other supporting evidence that JPMorgan was the absolute king of the silver market, the most plausible explanation was that JPMorgan was Mr. Big when it came to buying Eagles and Maple Leafs. JPMorgan's cessation in buying these coins a year or so ago is the only explanation for why sales then fell off a cliff and further confirmation that it was the big buyer previously.

Yes, JPMorgan absolutely abused the US and Royal Canadian Mints' process of selling coins to meet demand whatever that demand may be and to do so at the that day's prevailing silver price. Since JPMorgan controlled the price of silver on the COMEX and because that was the price at which the mints sold coins, JPM controlled the price at which the mints sold and JPMorgan bought. It was a particularly clever and deceitful means by which JPM acquired 150 million oz of silver at give-away prices.

At the very same time that silver topped out in April of 2011 and JPMorgan opened its COMEX silver warehouse and began its epic accumulation of silver, I discovered another almost impossible to explain phenomenon that started then and continued to this day - an unusually large and persistent physical movement of silver brought into and taken out from the COMEX silver warehouses. Over the past near 7 years, there has been an average weekly movement of around 4.5 million oz of physical silver turning over in the COMEX silver warehouses, far higher than ever before. In total, some 1.4 billion oz of physical silver were moved in and out of the COMEX warehouses. Please know that the physical movement of silver in the COMEX warehouses is highly unique to silver, as no other commodity has witnessed any unusual turnover in exchange-approved warehouse inventories - just COMEX silver.

I believe this unusual turnover was created by JPMorgan scarfing up all available silver in industry standard 1000 oz bars and, in effect, JPM has been able to -skim off- 150 to 200 million oz of the total 1.4 billion oz moved, which when combined with the 150 million oz that JPM accumulated in mint-issued coins, brings to 300 to 350 million oz of the 550 million oz JPMorgan holds ex-COMEX holdings.

The main means by which JPMorgan has accumulated its massive hoard of physical silver is by the bank continuously converting shares of the big silver ETF, SLV, into metal, as proscribed in the prospectus. All told, JPMorgan has acquired 250 to 300 million oz of physical silver by this means. It works like this: by converting shares of SLV into physical silver bullion, a large buyer can convert shares of SLV, which must be publicly-reported at certain SEC-mandated ownership thresholds, into physical metal that holds no disclosure reporting requirements whatsoever.

It is the perfect means for someone big to acquire significant quantities of physical silver on the sly and no entity in the world is more qualified to do just this than JPMorgan. That's because JPMorgan is not only the largest Authorized Participant (market maker) in SLV, it is also the sole official custodian, which means it is in charge of all physical metal that moves in and out of the trust. Any time you see what looks like a highly counterintuitive redemption of metal from the SLV on rising prices, which has happened quite frequently over the past 7 years, dollars to donuts it is the handiwork of JPMorgan converting shares to metal on the down-low.

I've used ranges for the skimming-off of COMEX warehouse turnover and SLV conversions, so the 550 million oz ex-COMEX warehouse holdings is a bare bones minimum number and combined with the undeniable 132 mill oz JPM holds in the COMEX warehouses, JPM's total holdings are 675 million oz at a minimum.

For those who would contend that JPMorgan would have to report such holdings publicly, I say poppycock. JPMorgan reports what it wants to report and its vast army of accountants, lawyers and lobbyists are the main parties which determine what has to be reported publicly. Where do you think public reporting regulations come from? dedicated government workers? Truth be told, JPMorgan could own a fleet of aircraft carriers or ballistic missiles and keep them off its public reporting books, if it so desired. Who would stop them? The CFTC?

That JPMorgan has accumulated at least 675 million oz of silver appears clear to me, whether others can see it or not. More to the point is what JPMorgan intends to do with its epic physical silver holdings. The bank has maintained its death-grip on lower silver prices for so long that it is easy to extrapolate its dual actions, suppressing prices by means of its dominant paper short position while continuing to acquire physical silver on the cheap, that it feels like it will do so forever.

However, I remain convinced that JPMorgan has the same intent as did the two previous great physical accumulators of investment silver, the Hunt Bros. and Warren Buffet. That intent is to sell at as large a profit as possible. No one buys any investment asset with the intention of losing money, least of all JPMorgan. JPMorgan didn't spend the last seven years accumulating physical silver to sell that silver at anything but the highest price possible. I can't tell you when JPM will let the price of silver fly, but I am as certain as can be that that day is coming. And considering the means and deception with which it has accumulated the physical silver it holds, watching JPMorgan distribute its holdings at the highest prices it can attain will be one for the history books. That's what these guys do for a living.

Turning to developments since the Saturday review, I didn't detect significant deterioration in market structure in silver on Monday on Tuesday, but there appeared to be plenty of managed money buying and commercial selling over the three trading days last week after the cutoff for this reporting week. That gold was stronger than silver on Monday and Tuesday most likely means there was continued managed money buying and commercial selling in gold into yesterday's cutoff.

It's hard to argue that the 55,000 contract increase in total gold open interest over the just-completed reporting week wouldn't translate into a net change of close to that magnitude, but perhaps I'm missing something (I hope I am). As previously indicated, it's trickier in silver where total open interest only increased by a bit over 2500 contracts in the reporting week and where I really hope that the net deterioration will be in that range and not the 8 to 10 times more that I suspect.

With a very small managed money short position in gold, the big increase in total open interest is bound to primarily represent new managed money longs. In silver, with a relatively large managed money short position and a small managed money long position going into the new reporting week, there's bound to be big managed money buying in both categories, which wouldn't show up in total open interest.

While I was as bullish as was possible at the recent lows in December and, therefore, was not in the

---

least bit surprised by the rally that developed; I'd be lying if I said that the extent of the rally, given the deterioration in market structure by which it was driven was what I was expecting or hoping for. In particular, I was disappointed with last week's increase in short selling by the silver crook of crooks, JPMorgan for all the obvious reasons.

Still, even with the significant deterioration expected in this week's COT report, I would imagine gold's market structure to be more neutral than bearish, but certainly not into the extremely bearish range. Because silver has been relatively more sluggish on the rally to date, I would imagine its market structure to not have deteriorated as much as gold's and be no worse than neutral. By definition, neutral means a propensity for price to move in either direction.

But given the clear evidence of the historic and epic accumulation by JPMorgan of physical silver in amounts so massive that many disbelieve it possible, it's near impossible to rule out an upside price surprise at any moment. That most certainly includes a possible double cross by JPMorgan of its fellow big silver shorts. An email exchange with a subscriber this week prompted me to think back to the time when JPMorgan acquired Bear Stearns nearly ten years ago. Looking back over what has transpired since then, it's now very easy for me to imagine JPMorgan playing a previously undisclosed role in Bear's demise at the time. Who would put it past JPM to have exploited Bear Stearns' vulnerability as the largest COMEX silver and gold short, by helping to goose prices higher so that it could acquire Bear on the cheap and usurp the role of Mr. Big in matters silver and gold? Not me.

Ted Butler

January 10, 2018

Silver – \$17.01 (200 day ma – \$16.97, 50 day ma – \$16.69)

Gold – \$1319 (200 day ma – \$1274, 50 day ma – \$1281)

**Date Created**

2018/01/10