January 12, 2019 – Weekly Review

Precious metals prices were mixed this week, with gold finishing $2 (0.2%) higher, while silver ended lower by 11 cents (0.7%). It was the highest weekly close in gold for nearly 8 months and, despite the loss in silver, the second highest weekly close in 6 months for the white metal. As a result of goldâ??s outperformance, the silver/gold price ratio widened out by nearly three-quarters of a point to 82.3 to 1.

The roughly $100 gold and $2 silver rally from Nov 13 has been the largest rally in gold in nearly a year and close to a year and a half in silver. The most obvious driver to the rallies has been the pronounced buying by managed money traders in COMEX futures, in which their traditional counterparties, the commercials have been the sellers. Despite the lack of Commitments of Traders (COT) reports due to the continuing government shutdown, the data from Nov 13 to Dec 18, plus simple extrapolation since then, leave little doubt that managed money buying has driven the price rallies in gold and silver, resulting in a neutral market structure in each from the extremely bullish structures that existed up to Nov 13.

The â??catchâ?• in the current neutral market structures in gold and silver, as far as which way prices are likely to move from here, is the role of JPMorgan in adding to short positions on the rallies. If JPMorgan has added aggressively to gold and silver shorts, as it has on previous rallies, the odds of a selloff increase (although even that isnâ??t guaranteed). If JPMorgan has refrained from aggressive shorting, the odds increase that we wonâ??t see the typical wash, rinse, repeat manipulative price takedown the bank has orchestrated over the past decade. The â??wildcardâ?• in all this is the announcement on Nov 6 by the Justice Department of a criminal guilty plea by a former trader of JPM for manipulation and an ongoing investigation of same. Iâ??ll be touching on this as I proceed today.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses exploded this week to 11.3 million oz, as total COMEX silver inventories slipped by 0.6 million oz to 293.1 million oz. Annualized, not only is 11.3 million oz equal to 588 million oz or 70% of total annual world mine production, it is more than the top five producing countries (Mexico, Peru, China, Russia and Chile) mine together in a year.

Please remember, Iâ??m talking about physical silver being produced by the five largest producing countries not even equaling (at least this week) the amount of physical silver shuffled in and out of six warehouses in and around the New York City metropolitan area. No other commodity, certainly not gold, the closest comparison metal to silver, has such a high physical turnover. Doesnâ??t that sound a little strange to you? This was why this was one of the five questions I suggested that only the Justice Department could get answers to.

Included in this weekâ??s enormous physical turnover in the COMEX silver warehouses were net deposits of 1.7 million oz into the JPMorgan COMEX warehouse, raising the amount in that warehouse to 148.7 million oz. There may be a question as to how many paper short positions JPMorgan may be adding, but there would appear to be little question that it is still accumulating physical silver.

Another oddity this week was the large number of silver shipments (just under 3 million oz) that involved the exact same metal being shipped from one COMEX warehouse to another warehouse. The extraordinary and unprecedented COMEX warehouse physical silver turnover that I have referenced for nearly 8 years rarely involves the exact same metal being shipped from one COMEX warehouse to another and instead involves the in-movement of metal from outside the COMEX system and shipments to destinations other than to warehouses in the COMEX system.

The physical shipment of metal into and out from the CO MEX silver warehouses doesnâ??t necessarily mean a change in ownership of the metal; just that it has been physically moved. As to why anyone would move the same metal from one COMEX warehouse to another is mildly perplexing (most likely to save on fees), but nowhere near as perplexing as the total unprecedented physical turnover over the past 8 years. Because there is enough stink surrounding silver and JPMorgan to start with and absolutely no disclosure forthcoming from the CFTC and the CME this is why the Justice Department should demand answers, not just concerning the physical turnover, but the other four questions that no one to date has been able to answer.

Speaking of the questions that the Justice Department should ask, I made a big portion of Wednesdayâ??s article public, mainly for me to try to gauge public reaction. Iâ??m not normally a masochist, but when it comes to giving folks a chance to voice their opinions on any controversial issue and remain anonymous to boot, you better have thick skin. I knew this going in and also knew full-well that no one would address the substance of my questions, to say nothing of answering them, but I did learn what I expected, namely, the preponderance of the replies seemed to be evenly divided between expressions of the personal futility of what I was attempting and utter disdain at the thought that the Justice Department was an honorable institution.

Neither reaction was unexpected. As far as personal insults, Iâ??ve learned long ago that is a function of price, namely, when prices move higher, people give you too much credit and when prices move lower, too much criticism. Thatâ??s just the way it is. I also canâ??t say that I was particularly surprised at the near-universal rejection of the idea that the Justice Department might do the right thing in this matter, given the current political and social divide and the general distrust of government institutions among those interested in precious metals. In addition, many in the precious metals community hold that the US Government is directly involved in the gold and silver manipulation and would find the thought of an effort by the Justice Department to move against the manipulation or JPMorgan to be preposterous.

Having acknowledged this, I would like to raise a further question that I donâ??t think can be easily answered and I am most sincere in soliciting answers from any and all. The question revolves around the announcement by the Justice Department on Nov 6. Seeing as the Department of Justice is as integral a component of the US Government as is possible, what possible motive could it have in securing a criminal plea for manipulation and announcing an ongoing investigation if it didnâ??t mean it was seriously interested in the matter? If there is some type of US Government/JPMorgan connection to the silver and gold manipulation, why would the Justice Department bring attention to it by doing and saying what it did and said on Nov 6?

This is not a trick question. Iâ??ve looked at this from every angle and cannot come up with any ulterior motive for what the DOJ said on Nov 6, other than to conclude it meant just what it said. There was no public or political pressure for the Justice Department to get involved or make an announcement. (I did write to them privately back on April 30, but one letter hardly qualifies as public pressure). In fact, the Justice Department would have been foolish to raise the issue of a potential silver and gold manipulation as some type of subterfuge or distraction since there was no pressure and, in a very real sense, the announcement now obligates it to follow up. I think the Justice Department is far from foolish (which is why I wrote to it in the first place) and not out to deceive anyone. Certainly, if anyone feels I am missing anything, please let me know.

There is one other issue, somewhat related, that I would like to raise. By relying on public data to make the case for a silver manipulation and because the issues are so specific and substantive, the allegations and discussion are at the highest levels possible. When I talk about dealing at the very top of the regulatory food chain, there is not the slightest exaggeration. Itâ??s not possible, in terms of silver, to go any higher than the very top of the CFTC, the CME Group or JPMorgan, to which is where Iâ??ve always directed my allegations. In the case of the Justice Department, the Assistant Attorney General in charge of the Criminal Division made the announcement on Nov 6. Only his boss, the Attorney General of the Justice Department is higher and above him, only the President of the United States.

My point is that if you feel an issue is important enough, you are compelled to take it as high as is possible. The silver manipulation is as important a market issue as exists and unless Iâ??m missing something, it is not possible to take it any higher than where it rests now. Essentially, now we await the outcome, knowing we canâ??t go any higher.

Back to other weekly developments, the standout feature in ETF matters is the continued lack of deposits into the big silver ETF, SLV, in the face of the high volume rally over the past two months, particularly, during late December into the first week of January. As gold rallied since Nov 13, a substantial amount of metal flowed into GLD, basically as it should have. But that hasnâ??t been the case in SLV and by my back of the envelope calculations, at least 10 million ounces are â??owedâ?• to the trust. I take this as bullish in that the most plausible explanation for the lack of physical silver deposits into SLV is because physical silver in large quantities is hard to come by.

I held out the possibility that perhaps we might see an increase in the short position of SLV, when the data were published this week for positions as of the close on Dec 31, but no such increase was reported. In fact, the new report indicated a slight decrease in the short positions of both SLV and GLD.

http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2

Iâ??m not particularly surprised in the case of GLD, since there have been ample deposits of metal into that ETF, but the lack of increase in either the short position of metal deposited in SLV on the price rally and the likely new commercial selling in COMEX futures raises questions. I remain most distrustful of the DTCC, keeper of the short statistics and will raise the issue at some point with BlackRock, the sponsor of SLV, should it continue (although Iâ??m not particularly looking forward to hearing from their Park Avenue lawyers again).

In the meantime, itâ??s important to keep things in perspective and if my estimates of 10 million ounces being owed to the trust are accurate that still only amounts to 2000 COMEX contracts, not particularly big doings to this point. And compared to possible developments from the Justice Department, the short position in SLV is kid stuff â?? although the DOJ should examine JPMorganâ??s role over the past 8 years in converting SLV shares to metal. Thatâ??s definitely not kid stuff.

We are now â??missingâ?• three COT reports due to the partial government shutdown and at this point another missing report looks to be assured, if not more. We know there have been substantial positioning changes since Dec 18, based upon price action and changes in total open interest, just that we canâ??t know the precise positioning changes.

Through yesterdayâ??s preliminary COMEX statistics, the total open interest in COMEX gold futures has risen by 69,000 contracts and by 19,000 contracts in silver since the last COT data as of Dec 18. I would guess that the net positioning change (managed money buying and commercial selling) in gold is somewhat greater than the gross increase in total open interest or around 80,000 contracts since Dec 18. Iâ??d peg the net positioning change in silver to be somewhat less than the change in total open interest or somewhere around 15,000 contracts. Please be mindful that these are guesses that necessarily get more imprecise the longer the hard data is missing because it removes the recalibration normally available weekly.

With that caveat, I would estimate, as of yesterdayâ??s close, the commercial net short position to be close to 175,000 contracts in gold and 50,000 net contracts in silver. Back on Dec 18, the commercial net short position in gold was just under 93,000 contracts and 35,500 net contracts in silver. Back on Nov 13, when the rally began, the commercial net short position was under 2000 contracts in gold and 5000 contracts in silver. These are best effort guesses and I freely admit that I could be off by tens of thousands of contracts.

Even more nebulous is JPMorganâ??s role in the commercial selling since Dec 18. This is especially frustrating since I hold this out to be the single most critical factor in whatâ??s going on positioning-wise. I would imagine JPMorgan may have had to add some short positions, particularly in silver, since prices would have likely rallied more if it hadnâ??t added any new shorts. I donâ??t think JPMorgan really wanted to add short positions in the face of Justice Department scrutiny, but the crooked bank also didnâ??t wish to see prices explode in the absence of it selling short â?? since that would have clearly proven it had been suppressing prices all along. Talk about being between a rock and a hard place â?? just where these crooks deserve to be.

Then again, itâ??s possible, by that same logic, that JPM added aggressively to shorts, same as it ever was. But even in this case, Iâ??m not sure JPMorgan would be looking to ring the same rigged cash register it rang continuously over the past decade and longer in never taking a loss, only profits, after it added short positions. No one has ever challenged my assertion that JPMorgan never has taken a loss when adding to short positions since 2008 and, quite frankly, I wish someone would since it is based upon COT and Bank Participation Report data.

My point is that I think itâ??s more likely that even if JPMorgan has added aggressively to silver short positions on this recent rally, that there might be a different outcome now that the Justice Department has taken up the scent of manipulation. For silver to continue to rally, with perhaps even some short covering at a loss by JPMorgan for the very first time, might be something the bank would consider as a way of demonstrating my never a loss premise was invalid. I could live with that.

Along with JPMorgan acquiring massive amounts of physical metal while being the biggest paper short, the bank never taking a loss has to stand out to the Justice Department as curious, to say the least. What prompted me to call and write to the FBI was my total frustration at the CFTC and its Enforcement Director to not crack down on JPMorgan or even respond after me specifically notifying the director a year earlier and seeing JPM do what it had always done for another full year. Whether that was what interested the Justice Department, I canâ??t say, but something led to its involvement and Nov 6 announcement.

Itâ??s not as if Iâ??m asking the Justice Department to explain the strange goings on in the silver market and JPMorganâ??s role in those unprecedented developments. Those were developments the CFTC, the CME and JPMorgan should be expected to explain and answer. All the Justice Department has to do is ask those same questions of those same parties and determine if the answers received make any legitimate sense. The DOJ doesnâ??t need to reinvent the wheel, it just needs to ask some obvious questions and weigh the answers it receives in light of the rule of law. After it does that, it just needs to decide on the appropriate punishment for the offenders and work out equitable restitution for the many victims of JPMorganâ??s illegal acts.

No matter the degree of collective skepticism felt and expressed about the Justice Department, I donâ??t doubt its commitment to do the right thing and uphold the rule of law. And considering all it has to do is ask the right questions of the right entities, itâ??s hard for me to see how the answers it will receive wonâ??t end the silver manipulation.

As to when this all will unfold, here comes the wishy-washy doubletalk. With the heavy managed money buying and commercial selling since Dec 18 and, particularly since Nov 13, rigged selloffs canâ??t be ruled out. Should we get those rigged selloffs, I canâ??t see how they will last as long as has occurred in the past, given all that was discussed above. Therefore, I would still consider this a time and place to hold onto silver positions with a determination reflective of the likelihood of very substantive issues being decided at the highest levels possible.

Ted Butler

January 12, 2019

Silver – $15.65Â Â Â Â (200 day ma – $15.41, 50 day ma – $14.75)

Gold – $1288Â Â Â Â Â Â Â Â (200 day ma – $1255, 50 day ma – $1246)

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