

January 17, 2018 – Why It Matters

Does it matter if the price of silver has been manipulated for more than 30 years and if JPMorgan has been the principle agent of that manipulation for the past 10 years and has accumulated 675 million ounces since 2011? I suppose that is a bit of a trick question in that it would be impossible to argue that it wouldn't matter, because if true, nothing could be more important. Therefore, the real question is if silver is manipulated in price and if JPMorgan plays the role I allege. That's what really matters.

Why it matters is because price manipulation is the most serious market crime of all and JPMorgan is one of the most important market participants. Talk about a double barrel allegation – if true, nothing could be more important; if false, then such an allegation should be thoroughly debunked. So serious are the allegations that it would be wrong to ignore them if they could be proven to be false. I'm not saying this because I am the one making the allegations, although I would understand if anyone thought I was doing so just to gain attention or some similar motive.

On the other hand, since those I allege to be responsible for the manipulation, including JPMorgan and the regulators involved, the CFTC and the CME Group, have been deathly silent in the face of the allegations, all I can do is present the facts as I see them and seek to provoke a denial or rebuttal. The collective silence can't be due to these parties being unaware of my allegations, as I send everything I write directly to them and quite publicly refer to all as corrupt or incompetent; generally fighting words for financial institutions and regulators. I can understand all of them being annoyed by my allegations, but that should only increase their motivation for proving them to be false.

How is it possible that all three have been reduced to silence? That's a question I ponder constantly. It can't be because the allegations aren't serious or specific enough, as nothing could be more serious for any of them. It can't be because the data I rely on are faulty, because the data come from the CFTC and the CME. It can't be because they don't understand what I allege, as that is too frightful to contemplate. The only remaining possibility is that all three know that they are engaged in something so underhanded and so wrong that they dare not risk speaking openly for fear it will expose and confirm the allegations. But it would also be wrong to let their collective silence serve as a substitute for answering questions that need to be addressed; like how can JPMorgan be allowed to be the largest COMEX paper short, while accumulating the largest stockpile of physical silver in history?

I know the issue of silver manipulation and JPMorgan's use of that manipulation as the means of acquiring physical silver on the cheap is controversial, to say the least, but the controversy should only intensify the regulators' resolve to show the allegations to be false. For my part, I think I have taken the high road in trying to engage the regulators in something they should be engaged in, ever since I stumbled across the COMEX manipulation more than 30 years ago. And I certainly didn't start out publicly naming JPMorgan as the biggest silver crook when I first discovered, 9 years ago, its role in the market. Subsequent events have convinced me that JPM is nothing but crooked in matters involving silver, so I'm less concerned about saying so publicly. The collective silence is a two-edge sword that can cut deeply when that which can be shown to be false is not.

Why it matters most if silver is manipulated and JPMorgan is guilty as charged is because nothing

could be more important to the price. If true, the allegations make a mockery of conventional analysis. What difference does it make what the dollar, interest rates, other markets or even actual supply and demand do, if silver is manipulated by JPMorgan? If prices are manipulated as I allege, then it is downright futile to ignore the 800 lbs. gorilla in the room. About the only intelligent way of explaining and anticipating what silver prices may have done or will do is by studying the COMEX market structure as portrayed in the COT report; which explains why I and so many others have come to rely on the report. Those who place importance on the COT market structure, but still profess to see no manipulation are only kidding themselves and missing the obvious.

JPMorgan now holds more silver, 133 million oz, in its own and other COMEX warehouses than the Hunt Brothers of Warren Buffett ever held, to say nothing about the 550 million ounces it holds elsewhere, and few have even noticed. Because the price has been depressed for seven years, largely due to JPMorgan's strategic and opportunistic short sales on the COMEX, few are even aware of something that should be attention getting.

If I told you seven years ago that a single entity would come to own more silver than either the Hunt Bros. or Warren Buffett and held it in the COMEX warehouses, plus that entity would own five times that amount off the COMEX, would you have believed me? Heck, I wouldn't have believed me. Yet that is what the evidence and the facts indicate. That the entity turned out to be JPMorgan is probably the least surprising aspect of something I would have thought to otherwise have been impossible.

The most remarkable features to the silver manipulation and JPMorgan's massive accumulation of actual silver are two-fold. One, the manipulation and JPM's acquisition are the only rational templates that can be used to explain silver price behavior over the past 7 years and even longer. Two, JPMorgan's massive accumulation of physical silver was the only possible way the bank could solve the core problem it faced seven years ago, namely, how to cover and neutralize its massive paper short position. In a word, JPM's solution to what was a very big problem was nothing short of genius; criminal genius, to be sure, but still genius.

I have admitted in the past that I didn't see this coming and feel fortunate to have sensed what JPMorgan was up to - only a couple of years after the bank started its massive accumulation spree in early 2011. But once I saw it, I knew immediately that JPMorgan had, quite miraculously, gotten itself off the short hook.

Put simply, JPMorgan could never, or in at least a billion years, have openly closed out its entire paper short position on the COMEX in the conventional manner by buying back its shorts with offsetting paper purchases. Yes, JPM does buy back many paper shorts on engineered price declines, but never enough to completely eliminate its paper shorts. And as for JPMorgan buying enough paper COMEX contracts to get big net long - fugetaboutit. JPMorgan is always the short seller of last resort on every silver price rally over the past 10 years and it would be impossible for them to turn paper buyer on rising prices without causing the price to explode. This is as certain an equation in silver as any by Einstein.

Where I was wrong was in assuming that once JPMorgan had amassed enough physical silver to cover its COMEX paper short position, the price of silver would then shortly take off. Obviously that hasn't happened and the most plausible explanation is that once JPM realized it could continue to buy physical silver at depressed prices, to not only fully cover its paper short position but to build up the largest silver long position in history; it did just that and continues to do so to this day.

In fact, JPMorgan's ongoing physical silver accumulation is also the most plausible explanation for why the manipulation persists. I assumed 200 million oz, or 400 million oz or now close to 700 million oz would be enough for anyone; seeing how 100 million oz was a very big deal for the Hunts and Buffett. (Whenever you assume, you run the risk of making an ass out of u and me). Clearly, JPMorgan wanted and bought more physical silver than I (or anyone) could reasonably expect. But now that it has done so, I can't conceive how this could be anything but ultra-bullish.

I still get suggestions and opinions that because of all the physical silver that JPMorgan has accumulated that means that it can depress the price of silver forever, selling off its metal to stem any future physical demands at low prices. I suppose this is technically true and conceivable, but it doesn't match up with JPM's usual behavior, which involves maximizing profit at all costs. I know many believe that JPMorgan might continue to manipulate silver at the request of the government, but let me just stop right here. This piece is about too few recognizing that silver is manipulated in price and how JPM has used the manipulation to accumulate the largest physical hoard of silver in history.

Any discussion about what JPM intends to do with this silver is putting the cart before the horse in that the point is that so few know that silver is manipulated and JPM has used it to acquire 675 million oz. Debating what JPM might do with its silver is a clear admission that it has acquired the silver I allege and in the manner I allege. For the time being, this is the only issue that matters, period.

Turning to developments since the weekly review, the main development has been the price and trading action on the COMEX this week, including Monday which was a holiday in which electronic trading was open. Considering it was a holiday, the trading volumes in COMEX gold and silver were high. Since Monday's trading witnessed new price highs for the move, it is very reasonable to assume there was managed money buying and commercial selling on that day, further deteriorating the market structures in gold and silver.

But prices sold off starting very early Tuesday, particularly in silver, on even higher volume and it is hard to imagine that wasn't accompanied by managed money selling and commercial buying. The selloff was much more pronounced in silver than it was in gold in that silver's 200 day moving average was penetrated to the downside before rebounding later in the day, while gold never came close to penetrating either of its two key moving averages (the 50 and 200 day ma's).

As a result, it wouldn't surprise me if the managed money traders in silver sold on the Tuesday selloff what they bought on Monday's rally; where I don't suspect there was much managed money selling in gold over the two days. The total change in open interest for Tuesday (which includes both Monday and Tuesday combined) would seem to suggest that as well, as total open interest in silver fell by nearly 4000 contracts, while total open interest in gold increased by more than 7300 contracts in Tuesday's final official open interest.

Of course, yesterday's close was also the cutoff for the reporting week and gold's total open

interest increased by nearly 27,000 contracts for the four day week. Since every day was an up day for gold, in which new multi-month price highs were achieved as prices gained more than \$20 for the reporting week, it is reasonable to assume that the managed money traders bought that many net gold contracts, mostly new longs since the managed money short position was so low to begin with. More of a question was if the gold commercials did all the selling or if the other large speculators and smaller non-reporting traders sold as much as they did over the last few reporting weeks.

That's also a key question in silver, made more complicated by the small increase in total open interest of only 1500 contracts over the reporting week. As has been the case over the past few weeks, managed money buying in silver includes both new longs and closed out shorts, since the managed money short position was high to begin with (where it wasn't in gold). Mathematically, new managed money buying and short covering tends to be reflected as no big change in total open interest, so even small total open interest changes can still result in big net changes. One needn't look for more evidence of this than what was seen in last week's report, where total open interest was up only 2600 contracts in silver, but where the managed money net buying was more than 22,000 contracts.

Making matters more complicated in silver is that the price action over the reporting week was much less impressive than for gold's steady march to new price highs. In fact, there were slight moving average penetrations to the downside in silver on three of the four trading days in the reporting week ended yesterday, which is generally not indicative of aggressive managed money buying. So while there is good reason to expect that the market structure in gold deteriorated by the total change in open interest (27,000 contracts), I'm not sure what to expect in silver, although it shouldn't surprise you to learn I am hoping for as small a deterioration as possible.

Should gold's market structure deteriorate by the amounts suggested, that would put the structure well into the bearish range, but still leaving further room for additional managed money buying. However, there can be no doubt that what has driven the \$100 rally since the December lows has been the net buying by the managed money traders over the past month of more than 140,000 contracts (including this week's expected buying). That's the equivalent of 14 million gold ounces and no other buying anywhere else comes close. It must be remembered that a bearish market structure on the COMEX doesn't necessarily translate into lower prices in the short term; but should gold prices get smacked to the downside, no one has to look far for what would cause such a selloff.

Because silver has been visibly struggling to the upside relative to gold, almost by definition, its market structure doesn't appear to have deteriorated as much as gold's. Still, silver's \$1.50 rally since the lows of December was driven exclusively by managed money buying to the tune of 60,000 net contracts (allowing for moderate deterioration in Friday's report). That's still the equivalent of 300 million oz and no matter how you slice it 300 million oz in silver is and should be a heck of a lot more important to the price of silver than the 14 million equivalent oz in gold bought by the managed money traders.

Therefore, I can't help but conclude that silver is the greater concern to the manipulators, as its price has either been better controlled by design or if we are seeing something different develop. More than ever, this week's COT report may yield clues as to whether this is a fake out or breakout; in what the raptors, the managed money and other traders and the big shorts, particularly JPMorgan, are all up to.

Then again, while it's always important to monitor and examine the changes in COMEX market structure on a weekly basis, since they are the truest reflection of the manipulation; it mustn't be overlooked that JPMorgan has accumulated the largest hoard of physical silver in history, even if JPM and the regulators continue to refuse to disprove or deny the allegations.

Ted Butler

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Silver – \$17.10 (200 day ma – \$16.95, 50 day ma – \$16.71)

Gold – \$1334 (200 day ma – \$1275, 50 day ma – \$1285)

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