January 30, 2019 – Don’t Miss/Subscriber Feedback

Here is an excellent summation of silver by Jim Cook, President of Investment Rarities, Inc.

DONâ??T MISS WHAT THE WORLD IS MISSING

By James Cook

Letâ??s consider some of the many reasons that silver should go up. The fact that JPMorgan has used unsavory tactics to hold the price of this important mineral down has created some powerfully bullish consequences. The historically low price has discouraged mining for silver. Many discoveries have been made that have never been mined because of the low level of profitability. Furthermore, prospecting, drilling and exploring for silver deposits has diminished greatly. A lot less silver has been mined and consequently much less exists above ground. In fact, so little currently exists that a surge of investment buying on top of the existing industrial demand would likely lead to a shortage.

A silver shortage would most certainly lead to a price explosion. That, in turn, would lead to a buying panic among industrial users who must have silver or go out of business. Thousands of companies rely on silver. The low price also nullifies any significant search for alternatives to silver. As the price rises, industrial users wonâ??t have anything cheaper to switch into.

Silver deposits are epithermal, which means they are generally deposited near the earthâ??s surface. The big deposits like Leadville, Cerro Rico de Potosi and the Comstock Lode were on the surface and easily discovered. Most of those big deposits are mined out. Mining companies now have to do more costly deep drilling. Consequently, discoveries tend to be smaller. Almost two-thirds of the silver mined now comes as a byproduct to copper, lead, zinc and gold mining. That means the production of silver is price insensitive. In other words, no matter how high the price of silver, mining companies wonâ??t increase their production of these other metals to get more silver.

All these factors will eventually be understood and the silver market will change forever. Weâ??ve always had periods where investors have poured into silver. Inevitably this has caused the price to go through the roof. We are patiently waiting for this event to happen again. When it does, the worldâ??s foremost silver analyst Ted Butler claims that the gains will be huge. We canâ??t begin to comprehend the small amount of silver available in comparison to the enormous amount of buying power that can be directed into it. According to Mr. Butler, the price rise to come will be written about for centuries.

The fact that JPMorgan and its manipulative short selling are under investigation by the Justice Department is likely to be the game changer for silver. The entire world of finance appears to be ignoring this incredible news. Give full credit to Mr. Butler for unearthing this crime and repeatedly bringing it to the attention of the authorities. Further news on this subject is likely to light a fire under the silver market. Mr. Butler suggests we are on the eve of something so earth shaking in silver it can propel it upward twenty times or more. The facts donâ??t lie. Think deeply about what everybody is missing. When investment buying of silver begins in earnest Mr. Butler suggests the market will be wild, disorderly and expensive. You want to have silver put aside by then.

Subscriber Feedback

Since November 7, I have been on a nearly uninterrupted mission of openly contemplating the eventual outcome of the Justice Departmentâ??s announcement a day earlier of a guilty plea by a former trader from JPMorgan for manipulating the price of precious metals over the course of six years (from 2009 thru 2015). Feedback from subscribers has been quite interesting. All have agreed with the basic premise that silver is manipulated as portrayed and that the Justice Department should act to end it and move against JPMorgan, but itâ??s pretty evenly split between whether the DOJ will do the right thing or not. Thereâ??s a high degree of skepticism that the Justice Department will grasp the full enormity of the manipulation as Iâ??ve portrayed it and actually move against JPMorgan.

While I continue to believe that the Justice Department will, and certainly should, do the right thing this time around, it is also completely fair to say that the skepticism is richly deserved, based upon the actual record to date concerning regulatory action against a market crime that has existed for more than three decades. Iâ??ll try to make the case for why I believe the DOJ will do the right thing ahead, but first let me acknowledge why the skepticism is richly deserved, if only slightly misplaced. As I wrote very recently, the regulatory failure lies with the CFTC, the primary commodities regulator for allowing the silver manipulation to last for more than 30 years. Any blame on the Justice Department lies in it deferring to the CFTC as the primary commodity regulatory, for which it followed the normal protocol.

Normal or not, the Justice Department deferred to the CFTC on all allegations of a silver price manipulation, of which there were many made by me. Very early on, I recognized that the CFTC had dug in its heels about addressing the COMEX silver manipulation fairly and began appealing to the Justice Department for intervention. Back in 1989, I wrote to then-Attorney General Dick Thornburgh about a COMEX silver manipulation and how the CFTC wasnâ??t doing its job. Thirty years is a long time; back then I was 42 years old, this week Iâ??ll turn 72. My 40 year-old son was 10 years old when I wrote this letter. Itâ??s also hard to believe that this was before the Internet and email and I wrote this on an old portable electric typewriter â?? and with having to retype pages beyond the help of â??whiteoutâ?• it took me days to compose.

https://www.scribd.com/document/46115432/Ted-Butler-to-Dick-Thorn-Burgh-April-1989

I came close again around 2010 when there was a write-in campaign of sorts about JPMorgan to a Justice Department citizen complaint hotline that did result in written acknowledgements by the DOJ to the complaints. But in the end, the DOJ admitted it was a matter to be handled by the CFTC, as it was the primary commodities regulator. The truth is that I never succeeded in convincing the Justice Department to independently take up the issue of a COMEX silver manipulation.

With that track record and so many years gone by, why would I have any expectation that it would be any different this time around? There are two reasons for my high expectations at this time. First, the allegations of manipulation have become incredibly more defined and specific to this point. Thirty years ago, the allegation of silver manipulation was based upon the uniqueness of the enormous size of the COMEX short position and the low price. While true to this day, the issue was too esoteric or nebulous to m any (I suppose). As far as the complaints about JPMorgan in 2010, the main allegation was, once again, the enormous size of its concentrated short position, an issue that apparently was also too esoteric for many to grasp, including the Justice Department.

But consider how specific and down to earth the allegations have become over the past eight years. Over this time, it is obvious that JPMorgan has not only remained (until very recently) the largest and controlling COMEX paper short seller, it has never taken a loss in its COMEX trading and has amassed the largest physical stockpile of silver in history â?? all while being the largest paper short. In addition, over the past eight years, serious questions have arisen about record sales of US Silver Eagles and Canadian Maple Leafs, as well as unprecedented physical turnover of COMEX silver warehouse inventories.

Let me be perfectly frank â?? had anyone been able to come close to answering the questions Iâ??ve raised (â??Questions Only the DOJ Can Get Answeredâ?•) â?? Iâ??d drop this whole manipulation issue like itâ??s hot. But the fact is that no one, and I truly mean no one, has even come close to answering; not the CFTC, the CME, nor JPMorgan. Certainly not the diehard manipulation deniers. These are the questions and specific points that make the last eight years so special. Thatâ??s reason number one for why I have high expectations for the DOJ doing the right thing this time around.

As for number two, that lies in the Nov 6 announcement itself, namely, the Justice Department hasnâ??t done what it has always done previously â?? automatically deferring to the CFTC as the primary regulator. Maybe the DOJ is working with the CFTC (as I first suggested on Nov 7 â?? â??A Crack in the Dike?â?•) or maybe not (Nov 13 â?? â??Another Possibilityâ?•), but in any event, it has not simply passed it off to the CFTC as it always has in the past.

To be sure, while I do have high expectations for the Justice Department following through and doing the right thing, itâ??s not a certainty by any stretch. If it wanted to, thereâ??s little question in my mind that the DOJ could crush JPMorgan over this matter, quite literally, putting it out of business. The only question is whether the Justice Department would choose to take the serious steps it is capable of taking. Quite honestly, even if I were in the position to decide JPMâ??s fate, Iâ??m not sure what I would decide, given the potential repercussions â?? not the least of which would be the fate of 250,000 employees, the vast majority honest and not remotely involved in manipulating the price of silver.

I know many feel the opposite, namely, that JPMorgan is lord and master of all things and that includes lording over the Justice Department; but in truth neither I nor anyone else really knows for sure which it is. As a US citizen, I sure hope and expect that the Justice Department is superior to JPMorgan when it comes to the matter of the rule of law. If that is the case, while I canâ??t guarantee that the DOJ will do the right thing, based upon my two reasons, I expect that it will. Most importantly, for the Justice Department to prevail in any real sense of the word, then one thing is absolutely certain, namely, that JPMorgan must cease manipulating the price of silver. Anything less than that would mean the Justice Department has failed. Moreover, this must be reflected by the price of silver and gold rising. Thatâ??s what makes the recent price action all the more interesting.

Since the DOJ announcement on Nov 6, after a one-week downward thrust in which JPMorgan arranged to buy back silver and gold shorts, the price of each metal has risen. Through today, gold has risen by more than $100 and to eight month highs; silver by $2 and to six month highs. To this point, the price rise is explained by COMEX positioning, although certain details are missing due to the just-concluded government shutdown. And Iâ??m sure that Iâ??m not the only one noticing the absence, to this point, of the spoofing slam downs that had heretofore been a regular feature in precious metals pricing. Funny the impact a criminal guilty plea can have.

As Iâ??ve indicated previously, the recent price action in silver and gold appear somewhat â??differentâ?• from past price rallies. For instance, the rallies over the past few trading days (including today) have come on less than impressive COMEX trading volume, particularly when gold volume is adjusted for roll over switch volume into tomorrowâ??s first notice of delivery day on the traditionally big February delivery month. For sure thereâ??s been managed money buying and commercial selling on the rally, but the buying hasnâ??t been ultra-aggressive. I find this very encouraging. And by far the biggest single factor, the amount of short selling by JPMorgan is still shrouded in uncertainty, given the lack of COT data since Dec 18. If JPM has not added shorts aggressively, I would be more than encouraged.

Speaking of COT data, now that the shutdown is over (at least for now), yesterdayâ??s announcement by the CFTC dashes hopes that the agency would be publishing the data as I recommended on Saturday. Instead of publishing the most recent weekly data that which would have occurred through the close yesterday, the Commission announced it would be issuing COT reports on a chronological basis â?? oldest first, with Fridayâ??s report reflecting the reporting week ending Monday, Dec 24.

https://www.cftc.gov/PressRoom/PressReleases/7864-19

I did email the director of the Market Oversight Division yesterday explaining that all market observers (not just metals observers) would much prefer the most current data and that my understanding was that since the COT reports are compiled from large trader reporting data that must be kept current, I didnâ??t understand why the most current data couldnâ??t be published first, with delays on the older data. I was polite and indicated that I might be missing something, but, alas, I received no response by todayâ??s publication deadline. (I guess that also explains another year of why no Christmas card from the agency). Better delayed data than no data at all, I suppose, but if there is another shutdown, as has been threatened, the mystery of what JPMorgan may be up to could linger.

As far as what silver and gold prices may do in the very short term, the only truth is Iâ??m not sure. However, I am quite certain that the way I intend to play it is as if they will surge and not look back. Silver, in particular, has been depressed in price for so long that itâ??s foolish to speculate when it might turn up for good and risk missing holding it at what are certain to be considered bargain levels in the not too distant future. But it is the sudden entry of the Justice Department into the potential termination of the decades-long price manipulation that renders any debate of the decision as whether to buy or hold silver at this time as moot. Prices will do whatever they will do â?? all we can do is position ourselves in accordance with the facts as we know them to be.

Ted Butler

January 30, 2019

Silver – $16.05Â Â Â Â Â Â Â Â (200 day ma – $15.36, 50 day ma – $15.01)

Gold – $1317Â Â Â Â Â Â Â Â Â Â (200 day ma – $1252, 50 day ma – $1261)

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