January 9, 2019 – Questions Only the DOJ Can Get Answered

Reasonable questions should be answered reasonably. When such questions cannot be answered reasonably or at all, particularly by those with a responsibility for answering, something is wrong. A good number of such questions remain unanswered in silver and those not providing answers include the federal commodities regulator (the CFTC), the designated self-regulator (the CME Group), as well as the most important bank in the US, JPMorgan.

What constitutes a reasonable question in silver? I would define questions to be reasonable if they encompass occurrences known to be unprecedented either in silver or in any other market and in which the questions have been repeatedly asked, yet remain unanswered. To be sure, there are several such unanswered questions in silver that date back as long as a decade; each one of which stands out in terms of potential significance, but taken together point to something being seriously out of kilter in the silver market.

Standing in the way of the questions being answered is that those who know, or should know the answers, just wonâ??t provide the answers. But now the Department of Justice has burst upon the silver scene by virtue of its Nov 6 announcement of a criminal guilty plea for manipulation on the COMEX by a long time former trader for JPMorgan, as well as its clear statement that it is immersed in an ongoing investigation. Overnight, the prospects for the previously unanswered questions finally being addressed have greatly improved. Make no mistake, if the Justice Department asks the right questions, the ongoing silver manipulation will come to a screeching halt.

https://www.justice.gov/opa/pr/former-precious-metals-trader-pleads-guilty-commodities-fraud-and-spoofing-conspiracy

But if the Justice Department doesnâ??t ask the right questions, it may miss the financial crime of all time. In order to prevent what would be a great miscarriage of justice, allow me to suggest the questions that should be asked by the Justice Department of those who hold the answers, but have refused to answer, namely, the CFTC, the CME Group and JPMorgan, along with others.

1. How could it be legitimately possible for JPMorgan to never have taken a loss and only achieved profits when adding to COMEX silver short futures positions since March 2008? All told, since then, JPMorgan has amassed at least $3 billion in cumulative realized profits in trading COMEX silver futures from the short side. Is such an unprecedented feat possible in a market that wasnâ??t rigged?
2. How could it be legitimately possible for JPMorgan to amass, since April 2011, the largest physical stockpile of silver in history while at the same time being the predominant and controlling short holder of COMEX futures contracts? All told, JPMorgan has accumulated 150 to 180 million ounces of silver in its own and other COMEX-approved silver warehouses and as much as 650 million ounces away from the COMEX warehouse system.
3. Was JPMorgan the biggest buyer, either directly or through intermediators, of US Silver Eagles from the US Mint from 2011 through 2016, completely misusing the bullion coin program intended for retail coin collectors to its own advantage? Was JPMorgan the biggest buyer of Canadian Silver Maple Leafs over this time?
4. Was JPMorgan the architect and initiator of the unprecedented physical movement of metal that

commenced in April 2011 and that has continued to this day in the COMEX-approved silver warehouses? Why does this physical movement exist only in COMEX silver warehouse inventories and in no other commodity?

5. Has JPMorgan used its position as custodian of the largest silver Exchange Traded Fund, SLV, as well as the leading Authorized Participant of the trust to accumulate physical silver clandestinely through share for metal conversions? Physical metal holdings are not required to be publicly disclosed and, in addition, JPMorgan is the master at concealing that which it doesnâ??t wish to be disclosed. Only the Justice Department can determine what JPMorgan holds or doesnâ??t hold in terms of physical silver.

Youâ??ll note that all five questions involve JPMorganâ??s dealings in silver and itâ??s no secret that is why I believe the bank is the prime manipulator of silver. Not being able to elicit responses from the bank or its primary regulators, the CFTC or the CME, it would be easy and highly appropriate for the Justice Department to demand answers. After all, the Justice Department is investigating JPMorganâ??s role in a silver manipulation (by virtue of its Nov 6 announcement) and it would be a shame if the only focus was on spoofing, which is just a tool of the manipulators.

At a minimum, if I am falsely maligning JPMorgan for alleging that it is manipulating the silver market, I should be made to stop. But if my allegations are close to being accurate (as I know them to be), then the bank has been involved in the most egregious market manipulation of all time. Either way, the Justice Department can settle the issue once and for all time by demanding that these questions be answered.

It has now been two months since the DOJâ??s announcement on Nov 6 of the guilty plea and ongoing investigation and three months since the plea was first recorded and sealed on Oct 9. Obviously, the Justice Department had to be pursuing the matter for several months prior to the sealed guilty plea. Therefore, the Justice Department has spent the better part of 2018 looking into the matter of a COMEX silver manipulation. No entity is better equipped for such a task than the Justice Department.

Having raised the issue of a silver manipulation for more than 30 years and the specific allegation that JPMorgan was the main manipulator since 2008, there would be something wrong if I didnâ??t feel the involvement of the Justice Department was the most important development I have seen over both time periods. I have petitioned the CFTC and the CME for decades to no avail. It may turn out that I am putting too much faith in the Justice Department for confirming my allegations, but it is at the very pinnacle of a regulatory food chain that doesnâ??t go any higher. It would be unreasonable not to have faith that the DOJ will do the right thing.

With the continuing partial US Government shutdown, this will mark the third week in which no Commitments of Traders (COT) report will be issued and there will be no monthly Bank Participation report as well. As I indicated on Saturday, that doesnâ??t mean there have been no positioning changes since Dec 18, just that we have no direct access to the hard data. Therefore, we are forced to guess at what positioning changes may have taken place. Obviously, the margin for error increases the longer the period of time no reports are forthcoming.

Since silver and gold prices were choppy (no new highs) through what would have been yesterdayâ??s normal cutoff day for the reporting week, Iâ??ll stick with the cumulative 70,000 net contract positioning change in gold and 12,000 contract change in silver I estimated on Saturday since the last COT report as of Dec 18. Thatâ??s the amount of managed money buying and commercial selling I estimate has occurred over the past three reporting weeks. I know there was a sizable jump in total silver open interest (4844 contracts) in yesterdayâ??s trading, but that looked to be due to new spread positioning, rather than new outright positions.

All told, since the price bottoms in gold and silver since Nov 13 (one week after the DOJ announcement), there has likely been a 160,000 net contract gold positioning change and as much as a 50,000 net contract positioning change in silver, putting the market structures in both into the historically neutral range. Remember, gold prices rose as much as $100 and silver by $2 over this time, due to this managed money buying and commercial selling.

However, what may be much more important is the role of JPMorgan as a participant in the commercial selling since Nov 13. It doesnâ??t look to me that JPM has been as aggressive in shorting silver on the rally over the past two months as it had been in the past, particularly back into the June high of $17.25 or even on the rally into October that didnâ??t even break $15. Of course, in the absence of current hard data, itâ??s impossible to determine what JPMorgan has been up to on the short side of silver or gold on the current rally.

Itâ??s hard for me to imagine that the crooks at JPMorgan would be so reckless so as to thumb their noses at the DOJ and re-short aggressively in the face of an ongoing investigation, but these are crooks unlike any others. I can see JPM shorting moderately to keep prices in check, so as not to make it obvious silver was manipulated by a sudden explosion in price that no shorting by it might produce. But itâ??s hard to imagine JPMorgan not modifying its behavior and to forego once again smashing prices lower again. Therein, lies the riddle of the future price outcome.

If the Justice Department investigation leads JPMorgan to radically revise its former leading role in the manipulation of silver and gold prices, there should soon be a radical revision of the price pattern that has existed for the years that JPMorgan has controlled prices. Although expected by virtually no one, this seems the most reasonable outcome to me. Expecting the Justice Department to find nothing wrong and to walk away empty-handed, leaving JPMorgan remaining completely in charge, seems completely unreasonable, although this outcome has to be considered the odds-on favorite of many (based upon the lack of commentary).

Should JPMorganâ??s former leading role as the manipulator-in-charge be abolished by the Justice Department, the manipulation, in effect, will be ripped asunder and the COMEX commercials will have lost the backstop that has guaranteed their success over the years. Without a controlling manipulator, no manipulation can succeed. Therefore, should the Justice Department assert the rule of law, it should come as a shock to the system, exerting upward pressure on silver and gold prices.

The price impact should be much greater in silver, considering how small is that market in terms of how much physical metal could be sold by anyone (away from JPMorgan) on higher prices. Gold prices should rocket higher in the event the Justice Department takes action against the COMEX price manipulation, but there are trillions of dollars of potential gold sales by world gold holders and only a few tens of billions of dollars of potential silver sales by world holders on higher prices. This is the essential difference between silver and gold, masked for years by the continuing manipulation.

The timeline and outcome canâ??t be precisely quantified in advance, but the investigation by the Justice Department is well under way and even somewhat advanced considering this is very much a crime in progress, requiring a greater urgency to complete, compared to a non-recurring crime. As such, the course I continue to remain on is one of full exposure awaiting the final DOJ findings.

Ted Butler

January 9, 2019

Silver – $15.72Â Â Â Â Â Â Â Â (200 day ma – $15.42, 50 day ma – $14.69)

Gold – $1291Â Â Â Â Â Â Â Â Â Â (200 day ma – $1256, 50 day ma – $1243)

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