July 25, 2018 – The Silver Narrative

The dictionary defines the word â??narrativeâ?• as a spoken or written account of connected events which tell a story. I would add to that definition that there shouldnâ??t be any events that truly contradict the story, thus invalidating the narrative. The narrative of which I speak, of course, is the story of silver and gold prices over the past decade, but in actuality, the narrative goes back much longer than that, in fact, to the mid-1980â??s.

For at least 35 years, the price of silver has been set on the COMEX, the worldâ??s largest futures exchange. The price-setting process largely involves trading between two groups of large speculators â?? on one side, the managed money traders employing technical price signals in which to buy and sell futures contracts and on the other side, traders identified as commercials but which are mostly banks booking the technical fundsâ?? bets. The total positioning between these two groups has become so large that it has come to set the prices at which all silver is transacted in the world.

For the past ten years, starting with the takeover of Bear Stearns, JPMorgan assumed the role of prime price setter in silver, by agreeing to sell as many contracts of COMEX silver and gold short as necessary in order to cap and contain all price rallies over the past decade. I started to focus on JPMorgan as the big silver and gold price manipulator after the CFTC confirmed to lawmakers in late 2008 that the bank was responsible for the large increase in short positions in the Bank Participation Report of August 2008, the â??smoking gunâ?• which kicked off the agencyâ??s five-year formal investigation into silver manipulation.

Although the CFTC closed that investigation without addressing JPMorganâ??s continued outsized concentrated short position, which persisted throughout the investigation, separately, the agency continued to publish official statistics, in the form of Commitments of Traders (COT) and Bank Participation reports that indicated JPMorgan remained the dominant short seller. It wasnâ??t long before I started referring to JPMorgan as the chief market crook in silver and gold, something that I continue to this day, always mindful to send directly to the bank copies of any articles in which I refer to JPM. Since I mention JPMorgan in just about every article since the fall of 2008, the total number of articles I have written and sent to the bank must be around a thousand or so.

In the beginning, I was surprised not to hear back from JPMorgan, with them either denying my allegations and/or threatening legal actions demanding I stop; but I am less surprised today when I consider that all my allegations are based upon public data. In addition, I have sent the same articles to the CFTC and the CME Group (all on the same email) and havenâ??t heard anything from them either over the past ten years. Iâ??ve come to the conclusion that the reason none of these entities respond to my open allegations is that they have no good rebuttal. Many of you have written to the CFTC as well and no one has ever reported to me about getting the courtesy of a response. Manipulation deniers claim JPMorgan or the regulators canâ??t be bothered to respond to me (and you), but the issues involved seem serious enough to warrant a response.

It occurred to me that the only question is not why there havenâ??t there been responses from JPM or the regulators, but why is it that the question of manipulation is being raised in the first place by me?

For better or worse, I have devoted my entire business life (ever since that damn silver challenge by Izzy Friedman in 1985) to studying what makes the price of silver tick. Quite literally, I have spent every single day since contemplating this one issue. I have gone about my life as a family man and contributor to society, but there has not been a day in which I havenâ??t thought deeply about silver. If anyone has studied silver more intently than me, I am unaware of who that might be. And far from being apologetic about having too narrow a focus, I am grateful and ecstatic about being granted the opportunity to share my take on silver.

My point is that the question that should be asked is why someone who has studied silver intently for more than three decades would raise an issue, manipulation, which would bring such potential harm to him if it werenâ??t true? Of course, while there are many who reject my narrative, there are many more who have adopted it, including relying on the COT reports and recognizing the outsized role that JPMorgan and the COMEX play in silver and gold pricing.

My silver narrative is based upon hard data and reasonable speculation derived from that data. The short story is that while COMEX silver has been artificially priced as a result of excessive speculation between the managed money traders and the commercials since the mid-1980â??s, it took on a whole new dimension in early 2011 when JPMorgan made the critical decision to accumulate as much physical silver (and later, gold) as possible. Over the last seven years, JPMorgan has executed its physical metal accumulation flawlessly, acquiring 750 million oz of silver and 20 million oz of gold. Because I am convinced that JPMorgan would only have done this if it expected (or planned to arrange) for silver and gold prices to rise sharply, this is the most bullish factor possible and one I had no inkling of until the last five years or so.

If youâ??re looking for a more detailed narrative, you might consider listening to, or reading the transcript of an interview I did with Chris Martenson last week. Whatâ??s interesting about this interview is that it was a last minute deal, with absolutely no preparation or questions asked in advanced. In fact, when Chris called me to conduct the interview, I could tell he was down in the dumps about silverâ??s recent price performance (who isnâ??t?) and I donâ??t think he would disagree with or object to me saying that. For what itâ??s worth, I did receive an email today from a long time subscriber who told me this interview explained things better for him than anything else Iâ??ve written previously.

http://silverseek.com/commentary/new-hope-higher-silver-prices-17344

Drilling down to specifics, among those who basically accept my silver and gold narrative, there still exists a gulf by many concerning the timing of the inevitable resolution of a price explosion. Many contend that JPMorgan has such a stranglehold on price that it will maintain its perfect trading record and rake in many tens of millions of dollars by continuing to add to shorts on rallies and then buying back those shorts on falling prices. In fact, it seems almost foolish to expect JPM not to keep its impossibly perfect trading record intact. To be sure, I fully understand this contention â?? after all, Iâ??m the one who has pointed out JPMorganâ??s perfect trading record and manipulation in the first place. Further, Iâ??ve never said JPMorgan wonâ??t add to shorts on the next rally and kill the rally, just like it has killed every rally over the past ten years.

Instead, what Iâ??ve always said is that if JPMorgan doesnâ??t add short contracts aggressively on the next silver (and now gold) rally, that rally will be like no other or, in other words, the big one. As it has turned out, since JPMorgan has always added aggressively to its COMEX silver and gold short positions, the big rally to end all rallies has yet to occur. Iâ??ve always admitted to being an analyst and a very long way from being a prophet; and knowing what JPMorgan will do before it does it is beyond my analytical abilities. But my point is that no one else could possibly know what JPMorgan will do in advance either; none of us are prophets.

I understand the logic behind the conviction that JPMorgan will continue its paper rigging scam of shorting into and eventually killing all future silver and gold rallies â?? who voluntarily shuts down a business that takes in tens and even hundreds of millions of dollars over the course of a year or less? That being the case and sticking to a logical thought process, there would have to be a very compelling reason for anyone to give up a business generating tens and hundreds of millions of dollars annually.

Actually, there is a very compelling reason for JPMorgan to give up a business making it many millions of dollars â?? the opportunity to make many billions of dollars instead. The minute JPMorgan stops adding aggressively to its short positions in COMEX silver and gold, it will no longer make millions from the wash, rinse and repeat scam it has mastered over the past ten years; but that same action will allow silver and gold prices to race higher unimpeded and earn JPMorgan many of billions and tens of billions of dollars on its massive physical holdings of silver and gold. Letâ??s face it â?? thereâ??s nothing wrong with making millions of dollars, but making billions is better than making millions.

The main problem with the manipulation continuing indefinitely is that if this is what JPMorgan intends, it makes little sense for it to have accumulated the massive amounts of physical metal it has acquired. The COMEX rinse and repeat scam is strictly a paper fraud and as such, massive physical metal holdings are unnecessary for the manipulation to continue. Because there is tremendous potential COMEX paper buying already baked into the cake (in the form of managed money short covering and buying of new longs on higher prices), JPMorgan will be forced to sell short equally tremendous amounts of paper contracts if it intends to cap prices yet again. The technical funds will look to buy paper contracts, not physical metal and that will be the form of metal that JPM will be forced to sell short. Simply put, those expecting the paper scam to continue need to explain why JPMorgan accumulated such massive physical positions.

I canâ??t guarantee you that JPMorgan wonâ??t add to COMEX short positions on the next silver and gold price rally, but neither can anyone guarantee that they will add to shorts. This is the critical ingredient. As always, whether it does or doesnâ??t, JPMorganâ??s shorting or lack thereof will be completely visible in price and in the data. I can tell you that JPMorgan has never been in a better position to not sell and let â??er rip to the upside because it is more net long than ever before (after its paper short positions are subtracted from its physical long positions). That increases the odds that JPM may decide that now is the time to step aside, but also as always, weâ??ll find out what JPM does or doesnâ??t do on the next rally.

As far as what to expect in Fridayâ??s COT report, I donâ??t think much transpired positioning-wise the past few days, with most of the true positioning changes having occurred last Wednesday and Thursday when silver and gold prices set new lows (along with platinum, palladium and copper). Therefore, I would expect further managed money selling and commercial buying in Fridayâ??s report and would be surprised if new record extremes in managed money shorting didnâ??t occur in many or all the NY metals. At the same time, the fact that we are at or close to record managed money shorting extremes makes it less important that new records continue to be set. There already has been enough managed money shorting to make this a price bottom for the ages, but for a price discovery scheme as crooked as exists on the COMEX, I suppose thereâ??s always room for more. Regardless of the short term direction, the next big move should be higher and depending on what JPM does or doesnâ??t do, could be breathtaking.

Ted Butler

July 25, 2018

Silver – $15.62Â Â Â Â Â Â Â Â (200 day ma – $16.60, 50 day ma – $16.28)

Gold – $1233Â Â Â Â Â Â Â Â Â Â (200 day ma – $1301, 50 day ma – $1274)

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