June 3, 2017 – Weekly Review/A Big Surprise

A strong Friday rally, which coincided with the release of the monthly employment report, sent gold and silver prices higher for the fourth straight week. Gold finished the week higher by $11 (0.9%), while silver ended 20 cents (1.2%) higher. As a result of silverâ??s slight outperformance relative to gold, the silver/gold price ratio narrowed in a bit to just under 73 to 1. As has been the case for quite some time, the silver/gold price ratio has been in a tight trading range.

While silver has certainly kept pace with gold on the price rally over the past month in percentage terms (arguably the best measure), it is also true that gold is now much closer to its price highs of the year (about $15 shy), while silver is still a full dollar below its previous price highs of the year. I say this is due to silver being manipulated in price more than gold, but I am also encouraged that silver can catch up in price in a virtual instant.

The big news of the week, as is almost always the case, concerns futures market positioning on the COMEX, although this week there is a very special and quite unexpected twist. There was no particular surprise in the new COT report which, unfortunately, came close to expectations of increased managed money buying and commercial selling in both gold and silver.

The surprise was in the shocking (at least to me) announcement yesterday around 11:30 AM EST by the CFTC of an order and simultaneous settlement of a case involving manipulation of gold and silver prices on the COMEX. I believe this announcement to be of the utmost significance and I will try to explain why after I run through the usual weekly format. This week Iâ??m even going to breeze through the changes in the new COT report to devote attention to the CFTCâ??s announcement.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses increased this week to more than 6.3 million oz, as total inventories rose by 1.2 million oz to 202.2 million oz, another 20 year high. There was a 335,000 oz deposit in the JPMorgan COMEX warehouse, which offset a partial withdrawal of nearly the same amount the previous week and increased the amount of silver held by JPM to nearly 108.5 million oz, also a new record. Itâ??s almost as if JPM â??loanedâ?• someone some metal for a week (perhaps to keep a lid on prices).

There are a few unusual developments in the current COMEX June deliveries for gold and silver, but the standout feature to me is still the complete absence of JPMorgan in either making or taking delivery in either commodity in its own proprietary trading account. Silver, in particular, is showing fairly large numbers of new contracts being created and immediately delivered against (for a non-traditional delivery month), but the issuers and stoppers are so mixed and cross-related that I canâ??t draw any concrete conclusions â?? aside from it suggesting tight wholesale conditions.

Sales of Silver Eagles picked up in May to just under 2.5 million coins, a vast improvement over the prior three months, but still a nassive decline from the average monthly pace over the prior six years. If thereâ??s a reasonable explanation for the dramatic falloff in Silver Eagle (and Canadian Maple Leaf) sales this year away from JPMorgan stepping aside from its six-year buying spree, I have yet to hear it.

https://www.usmint.gov/bullion-sales

The changes in this weekâ??s COT report were mostly expected, perhaps a bit more negative for silver and less so for gold in the reporting week ended Tuesday. Gold prices rose as much as $15 during the four-day reporting week and silver by more than 30 cents, with each market hitting new monthly highs. As such, the safe bet was to anticipate some increase in managed money buying and commercial selling, which is exactly what occurred. I would point out that during the reporting week, gold extended its stretch of trading above its key 50 and 200 day moving averages, whereas silver did not do so (until yesterday, as far as the 50 day ma).

In COMEX gold futures, the commercials increased their total net short position by 8900 contracts to 183,200 contracts. Although I expected an increase, the reported increase was a bit less than my non-specific predictions. However, I would expect that trading since the cutoff added a significant amount of commercial selling. But the bottom line is that goldâ??s market structure is still decidedly neutral, with more potential room to the upside than downside.

By commercial categories in gold, the big 4 added 11,400 new shorts and the big 5 thru 8 added 5300 additional shorts. The raptors (the smaller commercials away from the big 8 actually bought 7800 new longs, increasing their net long position to 15,300 contracts. While itâ??s never a real bullish sign when the biggest shorts add to short positions, this negative feature is somewhat offset by the unusual raptor buying and more so by the potential for added managed money buying should this buying come close to approaching last summerâ??s highs.

On the buy side of gold futures, it was mostly a managed money affair as these technically-oriented traders added 13,411 new long contracts and added 326 new shorts. Should the long side of the managed money traders reach the levels of last summerâ??s highs of near 300,000 contracts from the current level of 175,000 contracts, that will be the principle force driving gold prices higher.

In COMEX silver futures, the commercials increased their total net short position by 7100 contracts to 71,100 contracts. By commercial category, the big 4 increased their concentrated short position by 2600 contracts and the raptors sold off 4200 long contracts, leaving them 22,100 net long. The big 5 thru 8 added 300 new shorts, but imbedded in those numbers was heavy managed money short covering, which meant the bigger commercials were even more aggressive in adding shorts than indicated.

Iâ??d peg JPMorganâ??s all-important silver short position to have increased by 2500 contracts to 20,500 contracts and I am anxiously awaiting next Fridayâ??s Bank Participation Report to more precisely calibrate the short position of the silver marketâ??s biggest crook. I do think Thursdayâ??s sharp and early silver selloff was a near-exclusive JPMorgan orchestration, meaning that the bank bought back perhaps most of the new short positions it added over the past two reporting weeks. Iâ??m much less sure of what JPMorgan may have done on yesterdayâ??s rally and that will be seen in time, most likely in next weekâ??s data. But it is also quite possible that yesterdayâ??s surprise announcement by the Â CFTC may supersede yesterdayâ??s trading.

On the buy side of COMEX silver, it was strictly a managed money affair and then some, as these traders bought more than 12,200 net silver contracts, including the short covering of 9,903 short contracts and the new purchase of 2313 long contracts. I hated to see so many technical fund shorts covered on such a small overall price increase, as it was pre-ordained that these shorts would be bought back, but the world doesnâ??t always work the way I want. I do think many of these shortswere replaced on Thursdayâ??s early price swoon, but would imagine any newly added shorts that daywere bought back yesterday. Who may have sold to them yesterday is more of a concern and question.

With 28,714 managed money short contracts open as of Tuesday, there is probably about 15,000 further contracts that could be covered quickly (and not, unfortunately, the 51,000 short contracts that existed two reporting weeks ago). But with â??onlyâ?• 70,790 managed money long contracts open, there is room for the purchase of more than 40,000 new long contracts to be added should we hit the level of managed money longs that existed on April 11.

On the $2.50 deliberate price rig to the downside into early May, the commercials induced the technical funds to sell nearly 80,000 net silver contracts, the most ever. On the subsequent $1.50 rally, the technical funds have bought around 25,000 contracts through last Tuesday, leaving roughly 55,000 additional silver contracts to be purchased by the technical funds should we return to the levels of April 11. In other words, we may have used up a third of the potential managed money buying so far. In some ways, I am disappointed we havenâ??t exploded in price, but my explosion premise is not yet dead. And I canâ??t help but think that yesterdayâ??s surprise announcement by the CFTC may figure prominently in my price explosion premise.

Surprise CFTC Announcement

I was shocked by yesterdayâ??s announcement by the CFTC of an order and simultaneous settlement of manipulation charges in COMEX gold and silver futures. I first saw it in a Zerohedge article and subsequent articles on Bloomberg and in the Wall Street Journal, but all those accounts were somewhat off target compared to the CFTC announcement itself. This was one of those rare cases where the source announcement was much clearer than the articles describing it. I would ask you to take the time to read and reread the actual announcement from the CFTC, including both the press release itself and the subsequent order.

http://www.cftc.gov/PressRoom/PressReleases/pr7567-17#PrRoWMBL

http://www.cftc.gov/idc/groups/public/@lrenforcementactions/documents/legalpleading/enfdavidlieworder0

In essence, for the first time in history, the Commodity Futures Trading Commission has brought charges against someone for manipulating the gold and silver markets exactly in the manner I have described for decades. This is so astounding on its face, that I hardly know where to begin. In addition, I am writing this less than 24 hours after reading the announcement, so I reserve the right to alter my opinion as time evolves. But there is much to say at this point.

While it is true that the agency brought these charges against a former junior trader of an unnamed foreign bank (said to be Deutsche Bank), the price manipulation occurred during the time of the CFTCâ??s infamous five-year formal silver investigation. Youâ??ll remember that the original investigation by its Enforcement Division previously concluded that there were no manipulation charges worthy of pursuing. Clearly, something changed the CFTCâ??s mind. Also, please note that all the alleged price manipulation took place on the cesspool also known as the COMEX and not on any of the foreign exchanges often bandied about.

Further, as the press release makes abundantly clear, this is no one-off by the agency. I donâ??t think I am exaggerating in the slightest to say that the press release reads more like an open solicitation for others to step forward to provide information pertaining to COMEX gold and silver futures manipulation. Again, please read the documents. I donâ??t know what I am more shocked by â?? the announcement of manipulation in COMEX gold and silver futures or the very obvious intent by the Commission to pursue this further.

As for what persuaded the Commission to, effectively, change its mind about a precious metals manipulation centered on the COMEX, I donâ??t know where to start, since I have been petitioning the CFTC for decades about this very matter. But this isnâ??t about me and instead involves the long term occurrence of the most serious market crime possible â?? price manipulation. So let me put this on fast-forward in trying to explain why the CFTC chose now to wake up to a manipulation it should have seen more than 30 years ago, when I first began to petition the agency about a COMEX silver manipulation. I think it has to do with one man (not me).

A little less than two months ago, I took the occasion of two new appointments at the CFTC to petition the agency again to intervene in the ongoing silver manipulation and I also asked others to write in as well. I did so on these pages and in a public article, titled â??Another Opportunityâ?•. Once again, I thank the many hundreds of readers that took the time to write to the agency.

http://silverseek.com/commentary/another-opportunity-16489

Unless Iâ??m badly misreading what is occurring, it looks to me as if our collective efforts may have finally paid off. If you read the CFTCâ??s press release, youâ??ll undoubtedly note that the official quoted is James McDonald, the new Director of the Enforcement Division and one of the two new officials we wrote to. In addition, I also send McDonald all my articles, as I have always done with past Enforcement Directors.

In a subsequent article (on April 19), I wrote how I had received private comments attesting to McDonaldâ??s high level of integrity and hoped out loud that he might be the one to break away from the Commissionâ??s prior recalcitrance for seeing the silver manipulation as it really was. Again, unless Iâ??m mistaken badly, my hopes may have been fulfilled.

When I decided to write to the CFTC, yet again, on the occasion of the new appointments, I had three potential outcomes in mind. The first was that nothing much would change, meaning the new appointments would quietly fall into line with the previous position that no manipulation existed or could possibly exist in COMEX silver. In that case, we would all be out the time it took to write to the agency, not a particularly serious downside.

I also thought it possible that if a new high-level CFTC appointee became convinced of the merits ofmy allegations and saw that he was up against an agency that should, but wouldnâ??t address thismost serious matter, that someone with a high level of integrity might quickly resign his position. Itwasnâ??t my primary goal to back an honest man into a corner, but hey, I wasnâ??t causing themanipulation, nor did I have anything to do with anyone being appointed.

Finally, I thought that if an honest man did become convinced that my allegations had merit and decided not to resign, but to live up to the deep responsibilities entrusted to him, then that man would endeavor to do the right thing. And truth be told, I thought that should this be the outcome, then there would only be a fairly short period of time before that would become apparent, something like a month or two. After all, how long would an honest man wait before acting against the most serious market crime possible that was in conflict with the agencyâ??s prime mission? I would submit that James McDonald is that honest man and yesterdayâ??s press release certifies that.

Not for a minute do I think that yesterdayâ??s case against the junior trader was initiated after McDonaldâ??s appointment, as such cases necessarily involve long lead times. What I am suggesting is something else â?? yesterdayâ??s announcement would have never taken place were it not for McDonald. Thatâ??s because the announcement was shocking and not in keeping with prior agency findings; it was either bring the case or McDonald was out of there. Further, the announcement was more of an open invitation for others to step forward to drive an investigation into silver manipulation than it was anything else.

Some may ask why the CFTC is going after junior level traders when the crime of manipulation is as institutional as it gets. This looks quite measured and deliberate. Letâ??s face it â?? the CFTC has dropped the ball on going after the silver manipulation for decades and because of that has dug itself into a deep hole. It would be nice if the agency just came out and said that it blew it by not reacting years earlier, but there was never any realistic chance of that. This is the best it can do at this point and fits in perfectly.

If you read the announcement, I hope you are struck by the description of what the junior trader is alleged to have done wrong and the similarity to what I allege on these pages twice a week. The order didnâ??t reference managed money technical funds being snookered by the commercials, yet that is exactly what the junior trader is accused of. The announcement even uses the word â??inducedâ?• to describe the intent of the spoofing and fake price signals, same as the words I use regularly.

McDonald is no dummy; if he knows some traders are inducing others to buy and sell so that those manipulative traders can position themselves against the duped participants (as it clearly spelled out in the complaint), he knows that is proven in COT data. There is little doubt in my mind that the announcement is a â??shot across the bowâ?• for the institutional manipulators, like JPMorgan and Bank of Nova Scotia. He is taking a bottoms up approach â?? getting smaller traders to turn on larger fish up the food chain, when he could just as easily use the COT data to prove the manipulation. And he is doing so for very good reason, namely, because the CFTC canâ??t come out and admit they blew it for three decades. They have to find another way â?? pretending to go after little fish is a way of telling the big crooks that the jig is up.

Nearly eight years ago, I wrote an article entitled â??The Bomb Squadâ?• in which I described the plight of then-CFTC Chairman Gary Gensler in trying to defuse the price bomb created by the silver price manipulation. I warned that he must be very careful, as trying to dismantle the manipulation could blow up in his and the agencyâ??s face. Gensler failed for a number of reasons, but the sad part is that the market terrorists at JPMorgan, while coming to protect itself with its massive physical silver accumulation, has only added a lot more explosives to a silver bomb that still must be detonated someday.

http://www.investmentrarities.com/ted_butler_comentary11-03-09.shtml

Iâ??m convinced that McDonald and the agency now realize things have gone too far and itâ??s time to try to arrange the best outcome possible. Having missed it all these years, the options still open to the agency are now quite limited. The best alternative for the CFTC may be to signal to the big manipulators, like JPMorgan, that the game is up and let the crooked commercials on the COMEX resolve matters for themselves so that the agency can pretend the manipulation is unwinding of its own accord. This way the CFTC can maintain the cloak of deniability and finally end a completely broken price discovery process that has now come to infect other important markets. The time for instituting legitimate position limits which would have ended the manipulation many years ago has long past.

Besides, how does the Commission get around the secret and illegal agreement made between JPMorgan and the US Government when the bank rescued Bear Stearns in 2008? The simple answer is by an end run. Whatever that agreement entailed, it was never intended to last in perpetuity. Nine years of looking the other way is long enough, at least for an honest man. Perhaps the only way to demonstrate to the big COMEX commercial crooks that enough is enough is to do what the CFTC just announced â?? a deepening investigation into the COMEX silver manipulation as fair warning to end the scam.

As I said, maybe Iâ??m all wet and James McDonald is not the conscientious and honest regulator that Iâ??ve made him out to be. In that case, the silver manipulation may not be coming to a head, as Iâ??ve suggested. Time will tell. Interestingly, the key factor is still will the stone-cold crooks at JPMorgan sell aggressively short into the next silver rally? Still, I canâ??t see how yesterdayâ??s announcement isnâ??t a blockbuster event.

Ted Butler

June 3, 2017

Silver – $17.55Â Â Â Â (200 day ma – $17.64, 50 day ma – $17.44)

Gold – $1279Â Â Â Â Â Â (200 day ma – $1247, 50 day ma – $1257)

Date Created
2017/06/03