June 30, 2021 – The Simple Truth

After alleging a silver manipulation for more then 35 years (most of my adult life), Iâ??ve unavoidably slid into a deeper and more detailed analysis of the issue. At the same time, I am still quite sensitive to being guilty of â??confirmation biasâ?• or seeking to prove what Iâ??ve maintained all along and not being open to the possibility that I have been wrong in my allegations. To that end, I do take comfort that many commentators and analysts seem to be taking up the banner that all is not well on the COMEX and far fewer insist all is hunky-dory in the world of silver pricing.

As a consequence of digging deeper and deeper, things can get more complicated than desired, rendering the COMEX silver manipulation premise difficult for many, particularly new comers, to fully grasp. While Iâ??ll revert to the unavoidable deeper details in a moment, I thought it might be instructive to ratchet back a bit and present my silver manipulation allegation in the simplest terms possible.

Silver is manipulated and suppressed in price and has been for decades because large traders on one side of the COMEX â?? traders labeled as â??commercialsâ?• on the short side â?? are cheaters. I would describe cheating as a deliberate attempt to evade the rules of the game to achieve an unfair advantage. Cheating is up there with and largely similar to lying and stealing, traits we wouldnâ??t (or shouldnâ??t) tolerate in our children. Iâ??m tempted to add â??un-Americanâ?•, but Iâ??m sure cheating is reviled worldwide, whether in sporting events or daily life.

So where do I get off calling the commercial traders in COMEX silver as cheaters? And be sure that I am including the referees â?? the regulators at the CFTC, the CME Group and the Justice Department â?? as complicit for allowing the cheating to continue. Simply stated, the COMEX is a crooked game run by cheaters and officiated by those condoning the cheating. The cheating has been going on for so long â?? nearly 40 years â?? that it is hard for the traders involved or the regulators to acknowledge it because the potential liability fallout is too great to contemplate. After all, price manipulation is the most serious market crime of all.

The most direct victims of the commercial cheating are mostly the technical type traders in the managed money category, but the nature of price manipulation in a world commodity is that anyone involved in silver or silver mining companies is automatically subject to the manipulation of silver prices. Thatâ??s what make the COMEX silver price manipulation so evil and all-encompassing â?? even those not dealing on the COMEX are affected by the commercial cheating.

The proof of the cheating resides in the public data, specifically the data contained in the weekly Commitments of Traders (COT) report. Donâ??t worry, Iâ??m going to keep this simple. On every significant price decline in COMEX silver (and gold) for the past four decades, the commercial traders, particularly the 4 largest shorts, have been big buyers on every price decline. This was true on the most recent decline and every price decline for decades.

So, the question becomes â?? how the heck can one very specific small group of traders always end up as big buyers on every significant price decline? Doesnâ??t big buying infer higher prices? The answer is elementary â?? the big commercial buyers were cheating, as there is no other way for this to be accomplished â?? even once and not for the scores or hundreds of times this has occurred over the

decades. It is impossible for the commercials to have achieved the incredible market feat of always buying big on significant price declines without cheating. We know this intuitively, but there is also documented proof of the continuous cheating. What proof?

Look no further than the spate of recent convictions, settlements and fines (and now jail time) for â??spoofingâ?• on the COMEX. Something close to 99% of these cases have involved banks (COMEX commercials) and their employee-traders. Think thatâ??s a coincidence? And what is spoofing â?? the entry and immediate cancellation of orders designed to manipulate prices in the short term â?? other than a trading device designed to cheat? And while the regulators attempt to bask in the glow of having â??cracked downâ?• on the nasty spoofers, the sad truth is that the practice still exists â?? minus the immediate cancellation feature.

I allege the cheating is more pronounced in silver due to the incontrovertible fact that the commercials hold the largest concentrated short position in COMEX silver futures, in real world terms, than in any other commodity. As you know, Iâ??ve presented all these allegations to the CFTC through elected officials, giving the Commission every opportunity to refute my allegations (which it had done repeatedly in the past) and this time it responded that it referred the matter to its Divisions of Market Oversight and Enforcement â?? a really big change. Whether anything more comes of this we will only know in the fullness of time, but the game of cheating by the COMEX commercials is getting quite long of tooth.

And itâ??s not just that the cheating has gone on for so long; itâ??s also the more important matter that the cheating has manipulated and suppressed the price of a vital and strategic commodity which is now on the verge of a critical physical shortage that may take many years, or longer, to fully resolve. You donâ??t just artificially suppress the price of a critical world commodity for decades by means of dirty cheating trading tricks with no real-world consequences. The era of cheating trading tricks is rapidly coming to an end and the era of a world not dominated by cheating trading tricks on the COMEX is about to begin.

Itâ??s interesting that the biggest silver market cheater, JPMorgan, has insulated and removed itself from its former role as chief-cheater, by virtue of having accumulated massive amounts of physical silver (and gold) for the decade in which it cheated the market more than any other entity. Do you think JPM acquired 1.2 billion oz of physical silver (and 30 million oz of gold) in a manner that didnâ??t involve every cheating trading trick known to man? JPMorgan got the biggest spoofing fine because it was the biggest market cheat.

Finally, the ongoing cheating will end when, on the next rally, the 4 biggest COMEX silver shorts donâ??t add to short positions aggressively. It should be easy to see that the COMEX commercials always buying on significant price declines involves cheating, but the real key, as Iâ??ve maintained about forever, is whether the COMEX commercial cheats sell short on rallies.

The simplest truth of all is that there is no legitimate reason for silver to have the largest concentrated short position of all commodities. The big COMEX silver shorts must cheat to buy back as much of that short position as possible on the price decline that they rig. These commercials (banks) will always cheat â?? itâ??s what they do â?? but their need to cheat in COMEX silver will largely end when they no longer hold massive concentrated short positions.

Turning to other matters, today marks the end of the second quarter and first half and when I send this

report out later today, Iâ??ll have calculated the financial scoreboard for the 8 big shorts in COMEX gold and silver, which Iâ??ve done for two years running (and before that on selected occasions). I will say that it can hardly be a coincidence that gold and silver prices slumped sharply recently and that the 8 big shorts just happened to benefit from that slump innocently. Along with the cheating it took to buy back massive amounts of short contracts on the price slump, it canâ??t be a coincidence that the timing into quarter end was so distinctly in the big shortsâ?? favor.

Today also marked the first delivery day for the big COMEX July silver contract. There were a larger number of open contracts (near 20,000) remaining in July as recently as the day before, but that was reduced to 7707 contracts on last minute rollover switching, seemingly eliminating growing thoughts of a delivery squeeze (although we are early in the delivery month). First day deliveries of 3181 contracts further reduced the number of open contracts (mathematically), but 4500 or so open contracts is still notable.

The biggest single issuer (1500 contracts) and stopper (2213 contracts) was JPMorgan, but both sides were for clients and not for the bankâ??s house account, which was my most important concern. There is no question in my mind that JPMorgan is the biggest crook and cheater in the silver (and gold) market and I was relived to see it didnâ??t issue large numbers of silver contracts in its own account on the first delivery day, although the month is long.

Last July, JPM issued nearly 6000 contracts (30 million oz) from its house account on the first delivery day, and I had concerns of a repeat occurrence this year. Of course, silver prices still exploded towards mid-July last year, so maybe my concerns about JPMorgan delivering heavily from its house account are misplaced. I did write an article within just days of silverâ??s price run last year and canâ??t see why the same canâ??t occur this year.

https://silverseek.com/article/silver-pressure-cooker

In addition to all the positive factors in force last year at this time, a few new ones have emerged, not the least of which was the subsequent confirmation of the hundreds of millions of ounces of physical silver leased out by JPMorgan and how that leased out silver canâ??t be leased out again. Plus, JPM would reach its wrist-slap of a DOJ settlement in September. Also, there is the very significant development of the CFTC responding to concentrated short selling in silver just months ago. My point is that if silver could run last year at this time, there are even more substantive issues for it to run this year â?? possibly without looking back.

Another significant development is this weekâ??s release of the March 30, 2021 Quarterly Derivatives Report for the US Treasury Deptâ??s Office of the Comptroller of the Currency (OCC). This is the report that shows Over the Counter (OTC) derivatives positions for US banks at the end of each quarter (with a three-month delay).

https://www.occ.gov/publications-and-resources/publications/quarterly-report-on-bank-trading-and-derivatives-activities/index-quarterly-report-on-bank-trading-and-derivatives-activities.html

You may recall that a few months ago, I wrote about the previous Quarterly Derivatives Report (ended Dec 31) and how Bank of America showed up as a major participant in the precious metalsâ?? category (table 9). I had concluded that this confirmed my previous speculation in mid-2020 that a large amount (300 million oz) of physical silver was lent by JPMorgan to a then-unknown party and

how it was this metal that largely accounted for the massive amount of physical metal that found its way back then into the worldâ??s silver ETFs, particularly into SLV.

https://silverseek.com/article/new-piece-puzzle

The new OCC report indicated that of the three banks listed, only JPMorgan was reported to have a significantly lower overall precious metals exposure at the end of the first quarter, with both Citibank and Bank of America coming in with roughly unchanged derivatives positions from Dec 31. Since silver prices ended around $2 (8%) lower from Dec 31 to March 30, it made sense that derivatives positions would be lower, particularly considering that separate COT data indicated that the commercial silver short position on the COMEX was down substantially as well from yearend to March 30.

Then what could explain the lack of reduction in the derivatives positions of Citibank and Bank of America? Youâ??ll recall the dramatic silver market events around Feb 1, when over a three-day period some 110 million oz of silver was deposited in the biggest silver ETF, SLV. The only plausible explanation for how such a large amount of physical silver (subsequently redeemed and converted by a large holder(s) from shares to metal over the next few months) could be deposited was that the silver was already in place and leased by one party to another(s).

The data in the new OCC report most plausibly suggest that around 25 million oz each were leased to both Citi and Bank of America by JPMorgan. In other words, I canâ??t account for the full 100 million oz being leased by JPM to others, but the data do suggest half of it was borrowed by the other two banks. Further, the data in the report suggest that overall, some 400 million oz of silver were leased by JPMorgan over the past 15 months, leaving not much more to be leased out in the future. Â This is also confirmed by the unusual prospectus changes in SLV and SIVR in early February in which questions about future availability of silver to the ETFs were raised. In other words, the silver leasing well appears to have run dry.

As far as what to expect in Fridayâ??s COT report, up until yesterday (the day of the reportâ??s cutoff), I would have imagined not much positioning change â?? particularly after last weekâ??s significant positioning changes. As it was, the market structures in both silver and gold were quite bullish and until yesterdayâ??s price smash, looked to be all the market improvement we were likely to see.

Itâ??s hard to say by how much, but yesterdayâ??s price smash undoubtedly made the structures more bullish, particularly in gold where new price lows were achieved and total open interest increased fairly sharply, suggesting new managed money short selling. Again, I wasnâ??t expecting any further improvements in the market structures in gold and silver following last weekâ??s big changes, but there had to be some measure of an improvement, as the commercial cheaters donâ??t bomb prices for no good reason.

I was asked a great question by a long-term subscriber this week about which was more bullish, the COMEX market structure in gold or silver. As I tried to explain to Steven, the gold market structure was close to the level it was back at the end of the March quarter, with the major difference being that the concentrated short position of the 4 largest traders is less now than back then. Also, it took about three months to get to the bullish gold market structure at the end of March, whereas it took about three weeks to get to the bullish structure of today. Gold prices did rally more than $200 from the March lows and I would expect a minimum of that ahead.

In silver, I explained that the total commercial net short position was about 12,000 contracts more today than on March 30, but that the big 4 short position was largely the same today as it was back then. Steven asked if the gold market structure was more bullish than the structure in silver, but Iâ??m very hesitant to state that as such, because much more than comparable market structures are involved.

Specifically, there is the matter of the relative concentrated short positions of each. In gold, the concentrated short position of the 8 largest traders was 20.7 million oz I the last COT report, where the concentrated short position in silver of the 8 largest traders was 357 million oz.

Now, 20.7 million oz of gold is an awful lot in dollar terms (more than $36 billion), but in terms of all the 3 billion oz of gold bullion in the world, it is way less than one-percent of all the gold in the world and the thought of the big shorts owning or coming up with that amount of physical gold not being that farfetched. Â In silver, the 357 million oz of silver held short by 8 traders is nearly 18% of all the silver bullion in the world (2 billion oz) and the chances of the 8 short traders holding or getting hold of that amount of silver is as remote of me getting hold of it. In other words, forget about it in both cases. One has to keep this in mind when comparing gold and silver.

As I get set to hit the â??sendâ?• button and close the books on the second quarter, prices at publication time indicate that the 8 big shorts will end the quarter with total losses of $10.1 billion, down close to $300 million from Fridayâ??s close, but up from the $8.3 billion loss at the quarter end on March 31. Of course, the big shorts pulled a rabbit out of their hats compared to a month or so ago, when total losses approached $14 billion. Who says cheating doesnâ??t pay?

Of course, itâ??s not just the total amount of big 8 total losses, thereâ??s also the matter of closing out the remaining concentrated short position, which becomes much more difficult once a significant number of managed money traders have already sold-out longs and added short positions. To be sure, both gold and silver appear set to rock to the upside, with the move in silver promising to be a once in a generation wealth builder.

Ted Butler

June 30, 2021

Silver – $26.20Â Â (200 day ma – $25.81, 50 day ma – $27.13, 100 day ma – $26.68)

Gold – $1769Â Â Â Â Â (200 day ma – $1836, 50 day ma â?? 1833, 100 day ma – $1792)

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