June 6, 2018 – Curious Silver Developments

Itâ??s always difficult to write these mid-week pieces when silver starts off the day strong, because thereâ??s no way of telling where prices will be at the end of the trading day. Most recently, rallies have been typified as managed money buying as prices have penetrated moving averages, only to be met with aggressive commercial and other selling which has quickly capped prices as a prelude to yet another flush out to the downside. Then again, thereâ??s no way of determining if a sudden flare up in price might be the start of something really big. I probably wonâ??t be sure even when this day is done, but, hopefully, Iâ??ll have a better sense at that time.

In the interim, let me discuss some recent developments in silver which mostly include things recently covered. One new development that did catch my eye was todayâ??s announcement by Sharps Pixley that it was largely discontinuing its coverage on silver for a variety of reasons. Those reasons include a lack of good silver stories (I hope that wasnâ??t a reference to me), a lack of sponsorship from silver producers and the 20% VAT that applied on physical silver purchases (but not on gold) in the UK, where the company is based.

https://www.sharpspixley.com/articles/sharps-pixley-reduces-silver-coverage_280312.html

Thereâ??s absolutely nothing scientific about this, but if our world is, in fact, governed by Someone with a sharp (pun intended) sense of humor, the timing of the announcement may suggest todayâ??s early pop might be more than the garden variety failed rally to which everyone has become accustomed. Certainly, overall investor sentiment towards silver has rarely been more apathetic than currently and while I canâ??t directly equate it to blood running in the streets, it seems close. Such low investor sentiment can hardly be associated with a major top in silver prices and truth be told, given what I know are the actual facts concerning the metal, if the Sharps Pixley announcement isnâ??t the clarion call to buy, then I donâ??t know what would be.

There are other developments in silver which may be more meaningful. For one, until today, itâ??s hard to recall a time when price volatility has been more compressed and I am including the long years when silver languished around the $5 mark. For the past four months, the silver price has been tethered to the $16.50 mark, rarely budging much more than 20 cents or so in either direction. While I am keenly aware about how artificial the COMEX price setting process has become, I also canâ??t help but think that the recent price calm might be the prelude to a great storm. The storm I envision, of course, is one that takes the price of silver sharply higher. In the meantime, itâ??s hard to see how the current tight trading range can prevail for much longer under the simple premise that those maneuvering the managed money traders in and out of positions profit little when there is little positioning.

The main development that occupies my thought process is the curious change in the positioning pattern of JPMorgan, as discussed recently. For reasons unknown, JPMorgan appears to have broken sharply with its past short selling pattern in COMEX silver futures in that it has added aggressively to its short position over the past month on not much, if any rally in the price. Heretofore, JPM has only added to its dominant and price controlling short position on clear cut rallies as and after other commercials have sold into managed money buying. Â This time, however, JPMorgan has been the featured silver short seller of first, as opposed to last resort.

Of course, it is possible that perhaps JPMorgan has not been the big new short seller in COMEX silver futures over the past month as I contend, but some other big commercial trader instead. After all, the CFTC clings, unnecessarily in my opinion, to the notion that the identity of large traders must be kept confidential even though the rest of the financial world has moved towards transparency. Therefore, fingering JPMorgan as the big silver crook cannot be ascertained solely from the COT or Bank Participation reports, although those are my principle sources. The big breakthrough in identifying JPMorgan, of course, was official CFTC correspondence to lawmakers in 2008 verifying that JPMorgan took over Bear Stearnsâ?? giant short positions in COMEX silver and gold.

The good news is that this will likely be resolved with this Fridayâ??s release of the monthly Bank Participation Report for positions held as of yesterdayâ??s cutoff (for this weekâ??s Commitments of Traders (COT) report as well). I can say that the 12,000 contract increase (60 million oz) in the short position I claim is attributable to JPMorgan over the past month did come in the COT category where the bank is included (the producer/merchant/processor/user category â?? sorry, thereâ??s no special category for crooked banks). If thereâ??s an equivalent increase in the US bank category on the short side in Fridayâ??s Bank Participation report from last monthâ??s report that will narrow it down to JPM. If not, Iâ??ll deal with it accordingly.

Assuming it is JPMorgan behind the sharp increase in the concentrated short position of the four largest silver traders, as well as the increase in the producer/merchant category, the questions become why and what next? There should be no question, in any case, as to what effect the increase in concentrated short selling has had on the price. Pure and simple, had this concentrated short selling of 12,000 net contracts not occurred over the past month, the price of silver would have moved higher. By how much is an open question only answered by the selling aggression of traders other than the one trader which did sell, but it would have taken higher prices to have discovered that.

And thatâ??s the point, namely, whoever the big single short seller of 12,000 COMEX silver contracts was over the past month, that trader manipulated the price of silver to be lower than it would have been had those contracts not been sold short. Add this to the existing list of questions that the do-nothing and corrupt regulators at the CFTC and CME Group canâ??t address. It isnâ??t material as to whether the price of silver would have been 20 cents or two dollars higher if this one trader hadnâ??t shorted 12,000 net contracts â?? it is mathematically certain that the price would have been higher by some amount. When one trader is solely responsible for determining price that is manipulation pure and simple.

Back to the why and whatâ??s next for the big new short selling, most likely by JPMorgan. Iâ??m still partial to the explanation that it was intended to show a loss for the very first time by JPMorgan as a way of countering my claim that it had never taken a loss when adding silver shorts over the past decade (thanks again, Shailendra). Any short covering by JPMorgan, whether on added or already existing short positions would light a fire under the price of silver never before seen and would be fully compatible with my vision of silverâ??s future. And whether we will witness an immediate short covering by JPMorgan or one at a later date, Iâ??m certain an eventual short covering is inevitable.

Of course, JPMorgan could still be angling to buy back short positions on sharply lower prices as it has always done previously, but as explained on Saturday, that might not be the simple walk in the park it has been due to more traders than ever competing for a share of whatever positions the managed money traders put on or take off. Todayâ??s certain managed money buying doesnâ??t change the competition JPMorgan faces.

Moreover, the apparent increase in silver shorting by JPMorgan to this point raises the question of how much more additional shorting it is capable of before others, apart from readers of these pages, start to question what the heck is going on. I recognize that very few zero in on issues related to concentration and the unique way that I classify the various trading groups on the COMEX, such as the raptors, but the concentration data are perhaps the most important of all and it might not be terribly long before more realize what JPMorgan is up to. Certainly, the CFTC (as well as the CME and JPMorgan) must be aware of these issues, not only because it compiles and publishes the concentration data, but also because I continuously send my analysis to all involved.

Having sold short so aggressively to this point, does JPMorgan intend to add even more aggressively on higher prices? JPM may be capable of adding many more silver shorts, but a limitation can come in other ways. I donâ??t care how many times I have openly labeled JPMorgan as the main silver crook, I intend to continue to do so until someone shows me why I am wrong or until these crooks stop. Unless Iâ??ve missed something, I havenâ??t run across even a hint of anyone challenging my assertion that JPMorgan is the crook of crooks I allege it is in silver and my best bet is it will change its crooked ways before I change my tune. Time will tell.

As far as what Fridayâ??s new COT report will indicate, based upon price and trading activity through yesterdayâ??s cutoff, I wouldnâ??t think much. The price range in gold and silver for the reporting week was extremely narrow and while there was some upside testing of moving averages, there was no decisive penetrations. Since Iâ??m not sure of whether there was managed money net buying or selling, specific contract predictions are out of the question. Iâ??ll be content to examine what the various categories have done, with a specific eye on you know who, with particular attention to the Bank Participation report.

I would be remiss if I didnâ??t thank those who took the time to try to spread the word, as I requested, to those who might command a wider audience platform. Early indications are promising. Thereâ??s no doubt in my mind that the silver story is more compelling today than it has ever been, thanks to the two undeniable developments of the past decade â?? JPMorganâ??s perfect trading record on the COMEX and its accumulation of more physical silver than anyone in history.

If we all had time machines and could transport ourselves back 30 years when I first stumbled upon the COMEX silver manipulation and you told me that JPMorgan would emerge as the dominant paper short seller as well as the largest physical accumulator in history, I would have been shocked. If you told me few would recognize that this had occurred and that collective investor sentiment would be to give up on silver, I never would have believed you. Then again, I would have never have believed much about how things have turned out today.

Turning to todayâ??s price action now that the regular COMEX trading session has ended; it was more of a silver than gold day in that silver did penetrate its 50 day moving average and came close to hitting its 200 day moving average, even though prices faded a bit as the day wore on. Gold prices faded as well, although didnâ??t do any moving average penetration when higher earlier. Relative trading volume was much heavier in silver as a result and there can be little doubt that there was substantial managed money buying as well. As to whether JPMorgan was a featured new short seller is less clear and the fact that because this was a day after the cutoff for this weekâ??s COT report means that it will be a week and a half before anyone can know. I donâ??t believe that was accidental.

On the surface, it would appear that today was most likely another short term positioning of the managed money traders in silver, along the lines of a quick 20 or 30 cent shearing on 10,000 or so contracts, should silver prices be pushed lower in the near future. These short term scams within the scam have become distressingly common, as you well know, even if there is a bit more upside before a takedown. That said, if silver is about to seriously take off, todayâ??s action is not necessarily incompatible with a big move. Sorry for the wishy washy commentary, but the truth is that no one knows for sure how this will turn out â?? just how it has turned out previously.

Because silver and gold are still mostly positioned at or below their key moving averages, there is still much more room to the upside in terms of potential managed money positioning. True, we are not close to the drop dead extremely bullish market structure readings in silver we were at not that long ago (a month or two ago), but thereâ??s no guarantee weâ??re going back there either. We are certainly far from bearish readings in silver or gold. Copper prices have recently surged on a bullish market structure not at extremely bullish readings and platinum is still in an extremely bullish structure but has yet to surge. I believe the market structure approach is more science than art, but not to the extent of certain future prediction precision.

The fact that silver and gold appear cheap on metrics away from COMEX market structure considerations should not be overlooked. There are not many ultra-cheap assets left in the world and precious metals are in that narrow group, particularly silver. It may turn out that the commercial crooks on the COMEX may engineer the managed money traders into an extremely bullish market structure yet again, but itâ??s hard to imagine other considerations, like non-existent investor sentiment getting more conducive for a price bottom. For instance, how many times more can Sharps Pixley announce it will no longer emphasize silver?

The key to what happens in silver is not what Sharps Pixley chooses to write about, of course, but what JPMorgan does and intends to do in actual positioning, both paper and physical. There would not appear to be, at least to me, that many options available to JPM before silver is set free to the upside. There is simply no option for it to openly explain its behavior over the past decade â?? of that I am certain.

Ted Butler

June 6, 2018

Silver – $16.69Â Â Â Â (200 day ma – $16.79, 50 day ma – $16.55)

Gold – $1300Â Â Â Â Â Â (200 day ma – $1309, 50 day ma – $1321)

Date Created
2018/06/06