

## June 8, 2013 – Weekly Review

### Weekly Review

The clearly deliberate price smash yesterday, ostensibly in reaction to the monthly US Employment Report, turned what had been an up week into a down week for gold and, particularly, for silver. Someone from another planet would have to answer what that report has to do with gold and silver prices, as I've never found anyone on this planet that could do so intelligently.

For the week, gold finished down \$8 (0.6%), while silver fell a substantial 50 cents (2.3%), ending at the lowest weekly close in nearly three years. As a result of silver's underperformance relative to gold, the silver/gold ratio widened out to nearly 64 to 1, also a three year extreme. I'm still convinced that silver will outperform gold impressively over the long run based upon the real supply/demand facts, as I am also convinced that silver is the most manipulated market in the world. As such, the short term will depend upon circumstances related to the manipulation, of which there is much to report today. There was a stunning development in the June Bank Participation Report, but let me run through the usual format first.

Turnover, or movement of metal into and out from the COMEX-approved silver warehouses, continued hyper-active as more than 3 million ounces were moved in and out. Total inventories fell by a million ounces for the second consecutive week to 164.7 million ounces. As has been the case for more than two years, I am more impressed by the turnover than the total inventory levels. A number of subscribers have asked me about the new disclaimer from the CME Group appearing on the daily metal warehouse reports. I admit that the timing is curious, to say the least, but I am more inclined to view it as a standard disclaimer appearing on just about every web site on the Internet (including my own).

To be sure, I am encouraged that so many have come to question the workings of the COMEX, as it is now more than 27 years since I began alleging a COMEX-inspired silver price manipulation. But it is important to stick to bedrock facts when making such allegations, lest those allegations appear far-fetched. The one thing that has elevated the allegations of a silver (and now gold) price manipulation has been the ability to confront those in the highest levels of elected and appointed position with compelling evidence of wrongdoing based upon the law and the facts surrounding manipulation. I can't see petitioning those in high office about issues that aren't linked directly to matters of law. To do so would make it too easy to be dismissed as irrelevant, something I try to avoid like the plague.

Sales of Silver Eagles weren't updated for the last few days of May, but took a fairly big jump for the first few days of June. The most plausible explanation was that erratic reporting by the US Mint was the cause. But this is not a major concern as the passage of time will smooth out the erratic reporting. However, two things do concern me. Published reports quote the Mint's acting director as indicating unprecedented demand for gold and silver coins has continued since the historic mid-April sell-off and that the Mint is buying all the blanks it can get hold of.

<http://www.reuters.com/article/2013/06/05/us-gold-mint-coin-idUSBRE95417Q20130605?feedType=RSS&feedName=businessNews>

I think this is true for silver based upon the experience of the past few years and months, but sales of Gold Eagles don't seem as torrid as for those for Silver Eagles. Certainly, there is no allocation restriction for Gold Eagles to my knowledge, as there has been for Silver Eagles. Silver Eagle sales are at record historical levels and the same can't be said for Gold Eagles. Previously, I never heard that the Mint had any problems in securing gold blanks, just silver. Don't get me wrong, I think physical gold investment demand is strong in places like India and China, but it bugs me a bit when things are misstated when they don't have to be. Study the data yourself and compare to prior years to see what I'm talking about.

[http://www.usmint.gov/mint\\_programs/american\\_eagles/?action=sales&year=2013](http://www.usmint.gov/mint_programs/american_eagles/?action=sales&year=2013) The other thing that bothers me is my sense that plain-vanilla retail demand has cooled off domestically and I'm unsure where all the demand for Silver Eagles is actually coming from.

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The big surprise for the week, aside from the dramatic price plunge on Friday, was in the June Bank Participation Report. As I'll attempt to show in a moment, there is a strong connection between the recent rotten price action and this report. Certainly, it clarified many things for me and I'd have to call the report the most significant since the Bank Participation Report of August 2008. That was the report that kicked off the infamous formal silver investigation that remains unresolved to this day and is a key feature in my attempt to get the GAO to investigate the CFTC's handling of silver-related matters. The 2008 report also led to my identification of JPMorgan as the big silver short crook, by virtue of their unprecedented concentration on the short side, as a result of acquiring Bear Stearns in March 2008. This is a concentration that has been maintained, in varying amounts, by the bank for more than five years. While many follow the Bank Participation Report currently, prior to the August 2008 report, I had never seen any commentary before this article. <http://news.silverseek.com/TedButler/1219417468.php>

The new BPR is stunning as it relates to gold, but with a strong silver connection. That connection is JPMorgan. For the past few weeks, I have speculated that JPMorgan had amassed a significant net long position in COMEX gold futures, by virtue of a growing concentrated long position by the four largest long traders in the past few Commitments of Traders Reports (COT). My speculation appears to have been confirmed in the new BPR for gold, as there was an unprecedented shift, in the US bank category, from net short to net long of nearly 50,000 contracts over the past month. That's the equivalent of 5 million ounces of gold and happens to coincide with the amount of COMEX gold contracts that I believe JPMorgan is now net long (as of Tuesday's cut-off).

Since the BPR of February 5, the US bank category position (in effect, almost exclusively JPMorgan) has swung by a net 100,000 contracts, from net short 70,000 contracts to net long 30,000 contracts (all rounded). There has never been a move of such magnitude before. Over that same time, the total net commercial short position (in the COT) declined by 113,000 contracts, meaning that JPMorgan accounted for almost 90% of the entire commercial decline. It is not possible for that extreme degree of concentration and market share not to be manipulation, pure and simple.

And here's the manipulative icing on the cake Â? JPMorgan was able to flip a net short position in COMEX gold of 50,000 contracts in February to a net long position of 50,000 contracts on a gold price decline of as much as \$350. I would submit that the singular purchase of 10 million ounces of gold (worth the equivalent of \$15 billion) within four months on a greater than 20% price decline could only be accomplished if the price was manipulated lower by the purchaser. No other explanation would be possible. Actually, as I'll show in a moment, JPMorgan bought much more gold than that.

The June Bank Participation Report also clarified some things I felt were so strange in recent COT reports that I was expecting revisions. There is no question that the prior COT report was strange, just not in the way I imagined. I'm not expecting COT revisions any longer as the numbers make sense now that JPMorgan has been revealed as the big COMEX gold buyer, although I now have to report on COT changes a little differently than I have in the past. Please allow me to explain.

Previously, because there was such a large and permanent concentrated short position by the 4 and 8 largest commercial traders in COMEX gold and silver, I described the smaller commercials as the raptors and could pinpoint the smaller commercials as being net long or short. I did this for many years and was always quite upfront that this applied only to gold and silver (due to the short concentration) and not to any of the other markets I analyzed on a COT basis for the past 30 years. Now that JPMorgan has emerged as the largest COMEX gold long, I may have to look at it differently.

In this week's COT for gold, there was a slight increase in the headline total commercial net short position of 2400 contracts, to 61,700 contracts; still the second lowest total short position in five years. I can report that the big 4 on the short side increased their net short position by more than 8,000 contracts and the big 5 thru 8 shorts added another 5000 contracts to a short position that is among the largest for the past four months. But where I would normally report that the gold raptors had increased their net long position by 10,500 contracts to a record net long position of 85,700 contracts, I can no longer do so, since the Bank Participation Report indicates that JPMorgan is now long 50,000 contracts. JPMorgan is hardly a raptor, but more akin to the largest and most vicious (and crooked) T.Rex that ever dominated the market planet. I suppose I could state it this way ^? the original raptors are long around 35,000 contracts and JPMorgan is net long the previously indicated 50,000 contracts.

JPMorgan's emergence as the big COMEX gold long changes the dynamic of the gold market. In addition to conclusively proving that this is the most crooked and evil financial institution ever to exist, it confirms the extremely bullish set up for the gold price. The most important takeaway to me is that it expands the contest from the commercials being pitted against the speculators (tech funds and the like), to include a commercial versus commercial component: or more correctly to including a JPMorgan versus other commercials component. It's no longer just the commercials against the speculators; it's the commercials and speculators who are short versus the speculators and JPMorgan which are long.

For this reason, I am less concerned that the technical fund gold shorts have bought back 18,000 contracts over the past two weeks (in the managed money category of the disaggregated COT report) as new commercial shorts have come to replace them. Now that I know that JPMorgan is firmly on the long side, I also know there is an adversary every bit as powerful and manipulative as all the commercial shorts combined. Don't get me wrong; I think JPMorgan is pond scum for how they violate the spirit and intent of commodity law, but I do prefer them to be on the long side of gold.

In silver, there was virtually no change in the total commercial net short position which now stands at 8400 contracts, still a decade low short position and strongly bullish on its face. There was no change in the big 4 net short position and the raptors edged up a few hundred contracts to a record 42,300 contract net long position. Had there been no companion release of the Bank Participation Report, I would have pegged JPMorgan's concentrated net short position as unchanged at 20,000 contracts; but after reviewing the BPR, I'd peg JPMorgan as being net short 15,000 silver contracts.

The big difference between COMEX gold and silver, in addition to silver being much more manipulated in price, is that JPMorgan, obviously, has been able to get net long gold in a big way, while the bank can't get net long (or hasn't yet) in COMEX silver. This is not a big surprise to me, as I had been assuming that JPM had gotten net long gold precisely to hedge its short silver position. The surprise, if any, is that JPMorgan was able to get other commercials to get short gold in a big way and not just technically motivated speculators. But we must all remember that the terms commercials and speculators are interchangeable; as there are very few true hedgers in COMEX futures dealings. In essence, every entity is a speculator, particularly the biggest speculator of all — JPMorgan.

I believe it would be a mistake to conclude that JPMorgan's 50,000 contract net long COMEX gold futures position is their entire gold long position, as I have been previously reporting. In addition to this 5 million oz equivalent long position, there is the matter of the 17 million ounces of physical gold that have come out of the world's gold ETFs and the COMEX warehouses since year end. At a minimum, I believe JPMorgan has secured 10 million of those gold ounces and maybe a lot more. That puts them up to 15 million gold ounces or more.

Since JPMorgan is the unquestioned leader of the OTC precious metals derivatives trade (throw in the LBMA), it's possible the bank has positioned itself by double the 15 million+ oz in COMEX and actual ounces, to the staggering total of 30 million gold ounces on the long side. A \$300 gold price rise (back to where we were at the start of February) would net the bank \$9 billion from here and a lot more on gold prices higher than that. While I now hope that JPMorgan succeeds in their profit quest, how it got positioned on the long side of gold is disturbing to say the least.

The key to understanding the scope of JPMorgan's role in the silver and gold manipulation, whether on Friday's price smash or the downward price rigging since the beginning of the year, is to grasp that JPMorgan sets prices lower first (through HFT computer algorithms) and then sits back to buy whatever anyone sells in reaction to the lower rigged prices. It's the perfect scam, as I've pointed out in the past, because JPMorgan can always say "don't blame us for the price decline, as we were buying. Blame the sellers." I would ask you to look at it differently.

I would ask you to consider that it would be impossible for any entity to buy 10 or 20 or 30 million ounces of gold in a matter of months on the deepest price decline in years. It would be like someone buying all the commercial office space in New York City in a few months 20% below market rates. Or someone buying all the stocks in the S&P in a short time frame at a big discount. That would be impossible. Just like it is impossible for JPMorgan to have bought as much gold (and silver) as they have over the past few months at such steep markdowns in price.

One would think that because there are regulators in place (the CFTC and CME Group) which are providing the evidence of JPMorgan's manipulative behavior but that do nothing to stop it is the most disturbing element of all. The Bank Participation Report of 2008 established that JPMorgan was the gold and silver crook on the short side. Likewise, the BPR of June 2013 shows that the big short crook has positioned itself massively on the long side of gold in a manner that would be impossible in a market that wasn't manipulated. I suppose the CFTC should start another phony and taxpayer-wasteful investigation to avoid answering how the heck the crooks at JPMorgan pulled it off this time.

It occurs to me that someday I may get some blowback from calling JPMorgan and the CME the crooks of crooks and the CFTC corrupt beyond measure and sending those accusations to them all. Then again, maybe not, as I've long thought that there would be blowback. That's the reason for going to the GAO and elected officials to address this market crime in progress. Think of how easy it would be for the crooks at JPMorgan, the CME and the CFTC to make this matter go away with some reasonable and timely explanations for the allegations of concentration and price aberrations and the unusual positioning of JPMorgan. But no explanations are possible that are also legitimately within the scope of commodity law. And that's why I believe the collective reputations of JPM and the regulators will continue to be tarnished, at least in the world of precious metals.

On the plus side, it's hard to conceive of the emergence of JPMorgan as the big gold long as being anything but bullish ultimately. And I think it's a plus that other big commercials and not just technical speculators are short and pitted against JPMorgan. Let the elephants fight it out as equals because when prices are unnaturally low, the advantage accrues to those who can take delivery and not have to make delivery. Taking delivery means having to write out a check and there is no amount that JPMorgan can't afford. Making delivery means securing physical supplies when that may become impossible, regardless of the names involved.

Of course, if JPMorgan can continue to accumulate inventory on lower prices, we will get lower prices temporarily. But having JPMorgan confirmed as being on the long side of gold is a game changer. That's why I continue to throw money out the window on silver call options.

Ted Butler

June 8, 2013

Silver – \$21.65

Gold – \$1384

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