March 2, 2019 – Weekly Review

Gold and silver prices were thumped hard to the downside this week, with gold falling $36 (2.7%) and silver down by 72 cents (4.5%). As a result of silverâ??s relative underperformance, the silver/gold ratio widened out by a full point to just under 85 to 1. Iâ??m tempted to say silver usually performs even worse on sharp price takedowns, but relative comparisons sound hollow at this point. As it was, this weekâ??s price smash erased 4 weeks of gains in gold and 7 weeksâ?? worth in silver.

If you are not disheartened by this weekâ??s price smash, then youâ??re a better man than me, because I was more than disheartened. Perhaps a better word is disappointed, particularly in the US Department of Justice, as Iâ??ll get into as we go along. (Great, now Iâ??m going to make enemies of the DOJ, always a really dumb idea). One thing I canâ??t say, however (and on this I would hope you would agree), is that this weekâ??s price smash was a complete surprise. After all, I had taken pains to present the current market structure as an â??either orâ?• situation, namely, that the commercial crooks on the COMEX would rig a sharp selloff intended to induce the managed money traders to sell to them at lower prices (as had always occurred previously) or the commercial shorts would be forced to buy back positions at higher prices for the first time ever.

In presenting the case for the first-ever commercial overrun to the upside, I cited the first-ever open acknowledgement by the Justice Department that it was investigating COMEX precious metals manipulation in its announcement of same on Nov 6. If anything could alter a repeat of an always repeated occurrence, the surely it would be the DOJ. To this point, that has proven to be a pipe dream. I intend to discuss the DOJâ??s failure to act to this point, but let me be careful to lay full blame for this weekâ??s sharp selloff (and any follow through to the downside) where it belongs â?? the commercial crooks on the COMEX, particularly the 8 largest shorts.

When it comes to financial crimes, great and small, itâ??s inevitably a case of follow the money. The COMEX price manipulation in silver and gold is no different. Thatâ??s the reason I try to construct a money scoreboard – to track how the crooks are faring financially. As recently as seven trading days ago, the 8 big shorts in COMEX gold and silver were in the red on an open and unrealized basis (mark-to-market) by roughly $1.8 billion, or around $225 million per trader on average. As a result of this weekâ??s price thumping, the entire open loss has been erased and any lower prices will bring the 8 big shorts realized profits as they aggressively buyback short positions. I ask you (and the DOJ) â?? is not this sufficient financial motive to engage in criminal behavior? Did anyone benefit more and, therefore, have more motive, to rig prices lower than the 8 big shorts?

Motive and intent alone, of course, are not enough to allege a crime as serious as market manipulation; there has to be some plausible explanation and evidence for how the crime has been executed. The DOJ announcement on Nov 6 took square aim at spoofing, the now discredited illegal practice of placing and then immediately cancelling large orders intended to move prices without order execution. Iâ??ve acknowledged that spoofing appears to be a thing of the past and I saw scant evidence that it has been used since, including in this weekâ??s price smash.

But as I pointed out the day after the DOJâ??s announcement (â??A Crack in the Dike?â?•), spoofing was only one tool in the COMEX commercialsâ?? tool box of dirty trading tricks and how it would be a shame for the Justice Department to confine its investigation to just spoofing. Last week, I described another commercial dirty trick in â??night movesâ?• â?? the illegal practice of deliberately selling small quantities of contracts when trading conditions were most illiquid to have a more pronounced effect on price than if those same contracts were sold at more liquid trading times and more advantageous prices to the sellers. So what about this weekâ??s price thumping â?? what dirty tricks did the crooked COMEX commercials use to thoroughly bomb gold and silver prices?

In addition to few â??night movesâ?• (we seemed to open lower just about every day), the main tool this week was just the same basic collusion that has been an integral component of the ongoing manipulation for decades. We know that the brain dead managed money traders are slaves to buying as moving averages are penetrated to the upside and slaves to selling as the same moving averages are penetrated to the downside. If â??weâ?• know it, the commercials actually taking the other side to the managed money buying and selling for decades know it in spades; after all, the commercials are running this scam. Armed with the firm knowledge of exactly how the managed money traders will behave once moving averages are penetrated, the commercials intentionally rig prices above and below the key moving averages by buying or selling just as many contracts as necessary to start the managed money avalanche rolling down (or up) the hill.

If you (or, preferably, the DOJ) were to look closely, this could be seen throughout yesterdayâ??s trading. Whenever prices seemed to stabilize for a short period of time, creating the impression that the managed money selling had finished; there was a sudden new price low created by small amounts of deliberate commercial selling designed to set off greater quantities of additional managed money selling. My old friend and silver mentor, Izzy Friedman, referred to this as salami slicing â?? the deliberate slight new lows designed to set off technical fund selling. Yesterday, the salami slicing was never-ending.

The key to the success of the salami price slicing rests on the ability of the commercials to sell only small quantities at critical price points with the intent of buying back much larger quantities of contracts as the trading day wears on. On big price days down, like yesterday, the commercials have never failed – always buying many more contracts than they may have had to sell at times during the day. The proof of this is in every COT report over the past thirty years covering every single big down day. Never, never, never, have the commercials, been anything but big net buyers on big down days and weeks. Iâ??ve made a big deal â?? so far without any dissenting contention – about JPMorgan never taking a loss when adding short positions; but itâ??s actually much more than that â?? the commercials as a whole also have never taken a loss when adding short positions. How is this possible?

Itâ??s only possible due to collusion. The commercials know what dunderheads and technical slaves the managed money traders are to moving average signals, but knowledge is not enough. That knowledge has to be put into action and the only way the commercials can effectuate their certain knowledge is by collusive action. They do this by agreeing, by overt plan or by decades of practical experience, never to reach up in price when the managed money traders begin to sell in earnest. The commercials collusively agree to let the managed money traders come to them.

Admittedly, this is a very sophisticated crime, not some type of in your face mugging or robbery at a 7/11, and the crooked commercials on the COMEX are as sophisticated as they come. If anyone has a better explanation for how it is that JPMorgan and the commercials as a whole have always prevailed against the managed money traders on the COMEX for decades, then Iâ??m all ears. That includes the Justice Department, which Iâ??ll address after a quick weekly review and COT analysis.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses came to 4 million oz this week, as total inventories rose by 0.8 million oz to 298.1 million oz, a new all-time record. I canâ??t call the slight new high in COMEX inventories as a complete surprise, given this week started the deliveries on the traditionally active COMEX March delivery month. JPMorganâ??s COMEX silver warehouse remained unchanged for a second week at 147.7 million oz.

The deliveries and redeliveries in the COMEX March silver contract have been heavy, with total issuances of 4220 contracts (21.1 million oz) over the first three days. The biggest issuer was Goldman Sachs in its house account (1683), plus another 316 issued for a customer. The biggest stopper was JPMorgan for customer(s) for 1621 contracts and another 362 for the bankâ??s house account. I suppose it would have been much more surprising if JPM had been a big issuer instead.

https://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

The changes in the (still delayed) Commitments of Traders (COT) report for positions as of Feb 19 were mostly in line with expectations, although I suppose I was a bit surprised there wasnâ??t managed money buying in silver. However, looking at the price action for the reporting week, the rally in silver hadnâ??t yet penetrated $16 (as it would on Feb 20), so I canâ??t say the rally into Feb 19 would have greatly stimulated managed money buying. Gold prices certainly hit new 10 month price highs on Feb 19 of $1345, so the big increase in managed money buying wasnâ??t a surprise.

In COMEX gold futures as of Feb 19, the commercials increased their total net short position by a hefty 40,400 contracts to 166,500 contracts. This is the largest (most bearish) commercial net short position since last April, when gold prices were, not coincidentally, at the same level as on Feb 19. This is not directed at subscribers, but I just canâ??t understand how anyone could fail to make the obvious connection as to what drives gold and silver prices, given the unmistakable link between COMEX futures contract positioning and price.

The last time there existed a comparable managed money net long and commercial net short position as existed on Feb 19 in gold was last April when prices were also highly comparable. In between, gold prices dipped by more than $150 as managed money traders sold and commercial bought close to 200,000 net contracts (20 million oz). From the price bottom in gold in the fall, gold proceeded to rally $150 into Feb 19, this time on close to the same 200,000 contracts of net managed money buying and commercial selling.

Not to see the connection between positioning and price is incomprehensible. And you can take it to the bank that there was massive managed money selling and commercial buying on the break in prices this week, as will be revealed in next Fridayâ??s COT report. This weekâ??s price smash wasnâ??t caused by selling by Russia or China or anyone else away from the managed money traders who were tricked, once again, into selling by the commercials. This is not how world commodity prices are supposed to be set.

As expected, there was significant new concentrated short selling in gold by the 8 largest traders who added 10,000 new shorts to a net short position amounting to 209,930 contracts on Feb 19. Â Â Â Â Â Â Â That means the smaller commercials, whoâ??ve laid fairly low until now, rushed in to add 30,000 new shorts. The commercial collusion, most assuredly, extends to these smaller commercials, aptly named the raptors.

On the buy side of gold, the managed money traders just about matched the commercial selling to the contract, as these traders bought 39,758 net contracts, comprised of 34,046 new longs as well as the buyback of 5712 short contracts. You can be certain that these newly added managed money longs were being puked up and sold for great loss yesterday. Thatâ??s the way the crooked game works. The only logical question is how much puking of longs and new short selling remains.

In COMEX silver futures, the commercials actually reduced their total net short position by 1600 contracts to 73,900 contracts. This is still a rather large and therefore bearish number that was fully reflected in this weekâ??s price carnage. As expected, the concentrated short position of the 8 largest traders increased to another new manipulative level of 102,241 contracts (511.2 million oz), although Iâ??d guess JPMorgan short position was reduced to 25,000 contracts (although Iâ??m still guessing).

The managed money traders in silver sold only 613 net contracts, consisting of the long liquidation of 1857 contracts and new short selling of 1244 contracts. With yesterdayâ??s penetration of both key silver moving averages, I would imagine the managed money traders added even more new short positions, as well as further liquidation of long positions. About the only good news to be said about this weekâ??s price smash is that the market structure is improving, but thatâ??s scant comfort at this point.

Considering the extreme market structure as of Feb 19, the sharp selloff thru yesterday can hardly be called a surprise, but that does nothing to lessen the disappointment I feel about the selloff. The disappointment has everything to do with my expectations about the Justice Departmentâ??s ongoing investigation. I think I was consistent in portraying the commercials apart from JPMorgan as being mostly unaware of the DOJâ??s investigation, because had they had a keen awareness of the investigation, these commercials wouldnâ??t have shorted so aggressively. Therefore, crooks being crooks, itâ??s not inconsistent that these commercials would rig one of their patented price smashes. Itâ??s still true that JPMorgan didnâ??t participate on the short side of silver and gold as it had on all past occasions.

I want to be extra-careful to label the commercials as being the market criminals that I know they are. Still, my disappointment doesnâ??t apply to the commercial crooks, or even to the CFTC or the CME Group, who Iâ??ve grown to accept as enablers of the manipulation and much worse. That would be like getting disappointed at a mosquito for biting you, not likely to change things. But I had (and still have) much higher expectations for the Justice Department and to see the all too familiar manipulative outcome experienced this week is debilitating.

Perhaps my hopes were too high for the Justice Department or itâ??s just that I havenâ??t given it enough time to investigate completely. But in the announcement on Nov 6 and the subsequent court filings, the DOJ repeated several times that it was involved in an â??ongoing investigation.â?• Those are its words not mine. I also know that the DOJ is extremely deliberative, as is befitting the nationsâ?? premier law enforcement and investigative entity. Still, since the time of its Nov 6 announcement, the concentrated short position in both COMEX silver and gold has, effectively, increased more in a shorter period of time and a weaker price advance than anytime previously. Thereâ??s something very wrong with a police agency allowing a serial killer to strike again and again just to amass continued evidence of a crime.

I called and wrote to the FBI ten months ago (see â??Another Possibilityâ?• Nov 14) and five months before the Justice Department secured the sealed criminal guilty plea from the ex-JPMorgan trader on Oct 9. If the DOJ was already on the trail before my complaint, then that means the investigation has existed longer than ten months. Even if my letter didnâ??t initiate the investigation, there is still no way it could possibly be cast aside once an investigation was under way. Itâ??s inconceivable to think otherwise for a deliberative investigative entity.

I will send this article to Justice Department today and it will be the thirty fourth article Iâ??ve sent to the Criminal Division since the Nov 6 announcement, in addition to sending a couple of key articles by postal mail to the Criminal Division, the FBI and the US Attorney in Connecticut. Iâ??ve yet to receive any acknowledgement, but neither was I expecting any. I did receive an acknowledgement from the Antitrust Division as a result of my very recent inclusion of that division in my correspondence, but of course, no indication that what I wrote was under consideration (as should be the response).

The Justice Department investigates and prosecutes a mind-boggling variety of crimes; from child pornography, to outlaw biker gangs and MS-13, to tax fraud and public corruption and everything possible in between. Although it has come under recent intense political criticism, we should all be extremely grateful for what the Justice Department does every day. I know I am. That said, the commodity manipulation that I allege that exists on the COMEX, centered on JPMorgan, is not something in the DOJâ??s traditional wheelhouse. After all, there exists an entirely separate federal agency, the CFTC, created to prevent commodity price manipulation.

Therein lies the problem. The CFTC has painted itself into a corner, by denying that there is or has ever been a problem in COMEX silver that it is incapable of objectively advising the Justice Department on the merits or lack thereof on my allegations of silver price manipulation via concentration. To be sure, my original complaint to the FBI was for public corruption at the CFTC. For the CFTC to say that any of my arguments have the slightest merit is tantamount to admitting that it should have acted long ago against the manipulation. So how is the Justice Department supposed to objectively measure the merits of the allegations if the CFTC is suspect?

My allegations are not the result of some matchbook cover correspondence course on commodity trading, but of nearly half a century of hands on professional experience (including allegations of attempted manipulation by the CFTC of a former client of mine, which were summarily dismissed by the CFTCâ??s own judge). Iâ??m certain that there is not an individual of comparable experience employed at the CFTC and certainly not at the Justice Department. This is a serious roadblock to the discovery of the truth in this matter, which should be the prime objective. Iâ??m also certain that this specific issue of concentrated short selling and price manipulation on the COMEX will be discovered and ended in time, but I am increasingly unsure if I will be alive to witness it.

I also fully acknowledge that it is entirely possible that I am holding the Justice Department to a timetable that might be considered overly restrictive. But if I am, thatâ??s due to the more than 30 years I have waited (in vain) for another federal agency, the CFTC, to ever engage in reasonable discourse on the matter. And itâ??s not like I havenâ??t petitioned the Justice Department previously, as evidenced by my recent inclusion of a letter I sent to then-Attorney General Dick Thornburgh 30 years ago on this very same matter.

The next couple of COT reports, particularly next Fridayâ??s for positions held as of the close of business this coming Tuesday, March 5, will show the requisite managed money selling and commercial buying which occurred thru yesterday necessary to prove the continuing manipulation yet again (as if any of us needed further proof). At some point shortly thereafter, I suppose Iâ??ll have no choice but to further pressure the Justice Department by enlisting the assistance of its various Inspector Generals and political representatives. Truth be told, Iâ??d rather have a few root canal procedures instead.

(On a housekeeping note, Iâ??m switching to the May COMEX silver contract from March, which adds â?? believe it or not â?? 10 cents to the price. Iâ??m still using April gold until the end of this month).

Ted Butler

March 2, 2019

Silver – $15.26Â Â Â Â Â Â Â Â (200 day ma – $15.27, 50 day ma – $15.59)

Gold – $1295Â Â Â Â Â Â Â Â Â Â (200 day ma – $1251, 50 day ma – $1300)

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