

## March 22, 2014 – Weekly Review

### Weekly Review

It was the worst price week of the year, as gold fell \$47 (3.4%) and silver ended \$1.15 (5.4%) lower. As a result of silver's relative underperformance compared to gold, the silver/gold ratio widened out to almost 66 to 1, putting it at the very top of the trading range over the past year. In just the last 5 weeks, the ratio widened by 10%, meaning that silver's value has slipped relative to gold and is that much cheaper than it was in terms of switching gold to silver.

In the short term, of course, silver can get even cheaper seeing as its relative value to gold isn't based upon anything that can be quantified and analyzed in free market terms. Since both silver and gold are manipulated in price on the COMEX (mainly by JPMorgan), the only sure way to predict short term movements is to know JPMorgan's intent. I can track these crooks' path through the manipulated jungle in data provided in government reports and anticipate what they might do next; but the twists and turns short term are not knowable in advance (at least by me).

Long term, however, real supply and demand will win out, unless JPMorgan manages to maintain the longest running commodity market manipulation forever. In essence, that's the bet every precious metals investor is making in holding an exposure to silver and gold, knowingly or otherwise. Even if such an investor pretended that prices aren't manipulated, that matters little, as silver prices, for certain, won't move higher until a physical shortage appears or JPMorgan stops manipulating the price. New data suggests JPM is doubling down.

Turnover or physical movement of metal into and out from the COMEX-approved silver warehouses moderated to under 2.5 million oz this week, as total inventories fell 250,000 oz to 182.5 million oz. Over the last three weeks, 10 million oz have come in or departed the COMEX warehouses as total levels have barely fluctuated on a weekly basis. There must be a reason for this activity and at the core of that reason must include the fact that most of the existing inventory is not available for sale at current prices, which necessitates the bringing in of new supply to meet demand. This certainly would not seem to be in keeping with silver's rotten price performance, both absolutely and relative to gold.

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Also not in keeping with silver's price performance is the level of sales of Silver Eagles from the US Mint, on both an absolute basis and relative to Gold Eagles. Sales of Silver Eagles, furthermore, are still constrained by rationing despite the Mint's apparent dramatic increase in coin production capacity, otherwise sales would be even greater. A short while back I commented that the ratio of Silver Eagle sales relative to ounces of Gold Eagles being sold, then near 75 to 1 on a year to date basis couldn't possibly continue. Since then, the ratio has since expanded to near 85 to 1, according to the latest data. I still have no clue as to who the big buyer might be, as the demand does not appear to be coming from the retail public.

[http://www.usmint.gov/about\\_the\\_mint/index.cfm?action=PreciousMetals&type=bullion](http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion)

The changes in this week's Commitments of Traders Report (COT) were ugly, particularly in regards to the big crook JPMorgan. There was an overall reduction in the total commercial net short position in COMEX silver, but not in regards to JPM. In COMEX gold futures, there was a sizable increase in the total commercial net short position and, here too, JPMorgan played the role of main villain.

In COMEX gold futures, the commercial net short position increased by a hefty 20,600 contracts, to a total of 145,900 contracts. This is yet another new high water mark going back to last April. Gold prices were very strong in the reporting week, hitting a series of new multi-month price highs on high volume (slicing the salami) before selling off on lower volume. Therefore, it was reasonable to expect large buying by the technical funds and selling by other speculators (wrongfully referred to as commercials). By commercial category, the 8 biggest shorts added around 4500 contracts, while the raptors sold 16,000 contracts.

The biggest speculator of all, JPMorgan, was the largest seller in COMEX gold for the third week running, accounting for 8,000 contracts or almost 40% of the net commercial selling and reducing the bank's long gold market corner to just below 40,000 contracts. I don't object to JPMorgan or anyone else selling what is owned; but I do very much object to the manner of JPM's gold sales over the past three weeks and so should every other market observer. That's because JPMorgan's sales of 19,000 gold contracts over the past three reporting weeks accounted for 65% of the 29,300 total commercial contracts sold in that time. Please think about that for a moment. How could a 65% share of net positioning not be manipulative to the price of gold? Surely, a child could see that without JPMorgan's gold sales, the price would have climbed sharply higher until other market participants entered the sell side.

I know that this COT stuff is complicated and its complexity goes a long way to explaining how and why the manipulation has lasted as long as it has. It's not as if JPMorgan is sticking up a 7-11 or mugging old ladies on the street. This is a very complicated fraud that is not easy to see with an untrained eye. Less complicated is the fact that I am openly accusing two important financial institutions, JPMorgan and the CME Group, in very specific terms, of the most serious market crime possible and those institutions can't respond as to the specifics. Therefore, we are faced with two unprecedented events — well-established, but complex market manipulations and the growing awareness of those manipulations.

We are at an important juncture in gold, in that the technical funds have just about used up the buying power stored in their formerly large short position. Only new buying by the tech funds is likely to drive gold prices higher from here and that new buying will only materialize on new price highs. The level of total net commercial shorts is up 120,000 contracts (12 million oz) from late December, meaning that speculators, principally in the form of the technical funds, were on the other side of the commercial selling. I hope no one is unaware that the buying by the technical funds is what drove gold prices higher, but it is critical to seeing the manipulation to see that the technical funds are being played by the commercials.

In COMEX silver futures, the total commercial net short position declined by 1700 contracts, to 35,900 contracts, still, effectively, at recent high and potentially bearish readings. The reduction in the commercial net short position was in keeping with the relative rotten price performance in silver during the reporting week and this year. What wasn't in keeping was the behavior within the commercial community. The technical funds reacted to silver's price weakness by adding to shorts to the tune of over 3300 contracts (unlike the short covering and big new buying in gold) and this should have resulted in commercial buying larger than what actually occurred.

The silver raptors (the smaller commercials apart from the big 8) did, in fact, buy pretty aggressively, adding 4400 contracts to a long position now measuring 26,000 contracts. But the surprise was that the 4 big shorts (JPMorgan) actually added more than 2300 new shorts on relatively rotten price action. I would peg JPMorgan's short market corner in COMEX silver to have increased to 20,000 contracts, up 2,000 contracts for the reporting and the equivalent of 100 million ounces. While 50% lower than previous market shares by this crooked bank, JPMorgan now holds 16.6% of the entire net short open interest in COMEX silver futures.

When I first calculated the aggressive selling by JPMorgan in gold and its aggressive new short selling in silver, I was taken aback by the blatant nature of the price control. There can be no doubt that JPMorgan has elevated its determination to cap gold and silver prices and appears now prepared to drive each lower. The very first thought that crossed through my mind was that I used the wrong term in describing the banks' actions. JPMorgan is not the "King Rat" of the COMEX; it is the "King Pig" for its greedy control.

An update on COMEX copper. I had predicted that the previous week's COT report would show as many as 20,000 net contracts being sold by the technical funds in COMEX copper and that was the cause of the giant decline in copper prices (not the widespread reports of collateral liquidation in China). I also suggested that all the technical fund sales might not be fully reflected in the previous report because the CFTC often has difficulty in compiling the data when there are large price moves into the cut-off date, as was the case this time in copper. Therefore, I was not overly concerned when the previous COT report showed only 8000 net contracts being sold and that I would wait until this week's report before conceding a miscalculation on my part.

The new COT report confirmed I made no miscalculation, as the technical funds sold a net 11,500 copper contracts this week and a total of 19,5000 contracts on the big price plunge. I had said that I would follow up when the new copper COT report came out and I am not doing so just because my prediction came pretty close (certainly good enough for government work). I've had my share of hits and misses over the years in predicting significant changes in COT reports and I'm not aware of many (or any) that even make such predictions, so please don't take this as me patting myself on the back. Instead, I'd like to make some other points.

First, COT predictions are not really predictions, in that they are generally based upon something that has already occurred, as opposed to something that has yet to occur. For instance, you will rarely find me predicting prices for the next week because there are too many variables (mainly reading JPMorgan's crooked mind). In this sense, COT predictions are more like analysis after the fact, but not yet reported. And I usually only make predictions of COT changes when I feel something important has occurred.

What happened in copper was important, otherwise I wouldn't have raised the issue in the first place. When the price of a vital world commodity suddenly moves 10% in price in a matter of days, such a move demands a proper analytical explanation. Although I keep reading stories of Chinese copper collateral liquidation, I see no documented facts supporting that as the right explanation for the sudden price plunge. Instead, it appeared to me that if 20,000 net contracts were, in fact, sold suddenly in COMEX copper futures by the technical funds that would explain the plunge better than anything else. After all, 20,000 COMEX copper contracts are the equivalent of 250,000 tons of copper, an amount 18 times greater than the level of total COMEX copper inventories and about equal to the much larger LME copper inventories.

Even more important is that 20,000 contracts represents around 15% of the total size of the COMEX copper futures market (minus spreads). Any market in which 15% of ownership changes hands suddenly (within days) must experience a violent change in price. Try to imagine any market in the world – stocks, bonds, real estate, no exceptions – in which 15% of ownership changed hands suddenly without price violence and you will not be able to do so. It is impossible for such a large and sudden ownership transfer not to impact the price.

The only reason I was able to predict the 20,000 contract change in COMEX copper is because I looked at the large price change first and then tried to rationalize it in market terms and not by parroting the story of the day. And the only reason I looked at it that way was because that is what I do regularly in silver and gold. Having become convinced that what drives gold and silver prices in the short to intermediate term is positioning on the COMEX, it was reasonable to look at copper through the same filter. Once you do, it is easy to see copper has contracted the COMEX disease of manipulation.

Not surprisingly, the COMEX manipulation disease involves mostly the same players – technical funds and those out to skin those funds. Least surprising of all is that the key market participant in skinning the technical funds in COMEX copper is the King Pig itself, JPMorgan. I would estimate that JPMorgan holds 15,000 long COMEX copper contracts, up from close to 12,000 as of the beginning of March. That's not as much a controlling market share as this crooked bank has held in COMEX silver and gold, but then again I don't know if it's possible for there to be bigger market shares than what JPM has held in those markets.

News reports this week indicated that JPMorgan had sold its physical commodities business in reaction to pressure from the Feds. But it is important to recognize that JPM is holding onto its gold and silver business and, I believe, its manipulative control of the COMEX, including copper. Many are surprised that JPMorgan would hold onto its manipulative tentacles on the COMEX while purportedly exiting, with great fanfare, the commodities arena, a place it never should have been in the first place.

But the simple truth is that JPMorgan can't abandon its gold and silver manipulation because it is far too entrenched to just up and quit it. If JPMorgan stopped manipulating the silver market, the price would be over \$100 in a flash and that would just be for starters. The King Pig is such an integral component of the silver manipulation that its exit would be apparent immediately to all. In a very real sense, JPMorgan is trapped in a fraudulent scam of its own creation. Then again, this is not a circumstance that last forever.

I can't tell you when and how JPMorgan's manipulative grip on the markets will end (and I am concerned in the short term), but I am convinced it will end. I base that on the premise that we're all captive to our own experiences and it seems to me I've been here before. Starting almost 20 years ago, I discovered that gold and silver leasing, accompanied by forward selling from gold and silver miners, played a key role in the ongoing price manipulation, by causing physical metal to be dumped on the market.

The whole concept of metals leasing is fraudulent in its own right, because the collateral for the lease is sold immediately with the proceeds not going to the original owner. The whole thing makes no sense when you think it through. I could see this was a fraudulent scheme concocted by the wizards of Wall Street that was destined to certain failure in the end. The biggest and most prestigious entities were involved in precious metals leasing/forward sales and I chose the highest profile gold miner, Barrick Gold, as a point of attack. Certainly, as the largest gold miner in the world, I wasn't picking on a 90 pound weakling, just like I am not picking on weaklings in JPMorgan and the CME. [https://www.butlerresearch.com/the\\_death\\_of\\_hedging.html](https://www.butlerresearch.com/the_death_of_hedging.html)

I did everything I could think of in pressuring Barrick to quit its involvement in the forward selling of gold and silver, writing to the company, its auditors and complaining to every regulator I could think of, including the CFTC and the SEC. Just like JPMorgan and the CME, Barrick never responded or rebutted my allegations, but instead went on its merry way. In the end, however, the whole leasing/forward selling experience cost Barrick \$10 billion and made them look like fools. I can't tell you when it will end or how much it will cost, but this ongoing manipulation by JPMorgan and the CME will meet the same fate. If I have any regrets in the Barrick matter, it was in not pressing harder. I'm determined to not have those regrets with JPM or the CME.

Ted Butler

March 22, 2014

Silver – \$20.30

Gold – \$1335

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