

March 6, 2024 – Back to the Question of Motivation

As much as I tried to duck the question of the motivation behind why JPMorgan, in addition to sending false price signals by allowing the double-counting of recorded silver inventories under its control, would also uneconomically dump physical silver on the market, as I allege, the truth is that I think about its motivation all the time, as I am sure do many of you. Let's face it, it sure is puzzling trying to understand why JPMorgan would spend the better part of a decade accumulating close to a billion oz of physical silver – illegally I might add, since it was also the largest COMEX silver short over that time – and then turn around and dump the metal to suppress prices.

Since it is unlikely to uncover the real truth of the matter in real time, what we are left with is speculation. Sometimes, much later the truth comes out, as was the case with the late former commissioner Bart Chilton revealing just before he passed away, that there were high-level meetings, involving the Justice Department back in 2008-09, over what to do about JPMorgan's excessive concentrated silver short position, although not a word of that emerged at the time. In essence, the CFTC and DOJ stood by, doing nothing, while JPMorgan suppressed and manipulated silver (and gold) prices – not a particularly reassuring instance of proper regulation.

With that past instance in mind, I am indebted to a fellow subscriber for his speculation about what may be going on behind the scenes. In any such speculation, it is important that it fit with the facts and data as we know them to be and Turner's speculation certainly seems to check off all the boxes in that regard. Basically, Turner's thoughts include that back at time of the deferred criminal prosecution agreement and \$920 million fine in late 2020, the Justice Department secretly extracted a much harsher penalty from JPMorgan, namely, the requirement that it dispose of its accumulated physical silver hoard. In effect, such a requirement would deprive JPMorgan of the many tens of billions of dollars JPM could be expected to profit on had it been able to hold on to the metal for sale at much higher prices.

Turner's speculation struck a chord with me because such a secret agreement would seem to check off a very big box for me, namely, my contention all along that the regulators could never risk really lowering the boom on JPMorgan (as these crooks richly deserved), due the systemically important role that the bank plays in the financial system. What real good would accrue from punishing JPMorgan as it should be punished, if the end result would mean possible insolvency to the bank and untold damage to the rest of the nation? Too big to fail, indeed. So, if this is what happened behind the scenes back then (2018 to 2020), I can fully understand and appreciate the intent of the Justice Department. In fact, quite a few years back, I recall suggesting a similar solution, namely, having the US Government simply seize JPMorgan's illegally accumulated physical silver hoard for national security purposes. Should Turner's speculation be accurate, I can't help but believe that my version would have been much, much better. (Although I fully admit that keeping it quiet would have been impossible).

If the Department of Justice has done what Turner suggests, it would explain a lot, including why silver is now being dumped on the market by JPMorgan. Sure, the DOJ is extracting a significant secret punishment on JPMorgan, by depriving it from profiting from its ill-gotten accumulation, but not without equally ill-conceived pitfalls. Simply ordering JPMorgan to dispose of its accumulated metal, results in dumping and a prolonged silver price suppression and manipulation – only with the actual dumper

being, quite ironically, the DOJ and not JPMorgan. Had the metal been converted to US taxpayer ownership for future national security interests, no dumping and continued price manipulation would have resulted.

If all of this is close to being an accurate representation of what has occurred, I think the conclusion is that while the Justice Department (or whomever was the mastermind) may know a lot about the law and extracting justice, but when it comes to silver, it apparently doesn't know much. That's because it doesn't matter who is behind the current dumping - metal is being dumped regardless and that is against the law. I hope it's not the Justice Department in the illegal dumping driver's seat, because if it is, I can understand how it got there - by not knowing how markets operate. The continued dumping of silver, regardless of who is responsible, is continuing to manipulate prices and frustrating the law of supply and demand.

No doubt the Justice Department had good intentions in ordering JPM to dump its physical silver and was unaware of the market impact of such an action, but based upon my notifications to key officials on this issue, they have to know now. In any event, because any continued dumping is strictly against the law - laws that officials at the DOJ have sworn an oath to uphold - that once the issue is raised, those officials must act appropriately.

Here is the most important point. While the silver price manipulation has existed for what is now more than 40 years, it is also very much a crime in progress. That changes everything. Law enforcement officials, regulators and most importantly, the US Department of Justice, know full-well that a crime in progress takes precedent over the investigation and prosecution of crimes already completed. Such officials don't mess around when a child is kidnapped or reports of active shootings are reported and it should be no different with a serious market crime in progress. Make no mistake, the silver price suppression and manipulation is a very serious market crime in progress, despite indications from the CFTC that it has all the time in the world to deal with the matter at its leisure.

I consider the Department of Justice, rightly or wrongly, to be much different than the CFTC, in that it knows or should know how a serious market crime in progress should be handled. I have complained to the appropriate officials at the DOJ about the obvious violations that JPMorgan has made in its recently-expired deferred criminal prosecution agreement for the sending of false price signals, by most ironically, sending continued false price signals by the double-counting of recorded silver inventories under its control. I have also alleged to the DOJ that JPMorgan has and is now dumping physical silver in a continued effort to suppress silver prices. While I understand some time must be allowed for the DOJ to act, that comes up against the fact that this is a crime in progress and not the time for stalling. I guess my next step will include complaining to the Inspector General of the Justice Department, although I'm hopeful it won't come to that.

One thing is for sure, over the past 15 years, I have been persistent in sending all my articles (some 1500 in total) in which I accuse JPMorgan and the CME Group (owner of the COMEX) of being market criminals when it comes to silver to both entities, along with selected officials at the CFTC. In all that time, I have never heard a peep of protest from JPM or the CME complaining about me calling them crooks. Please know that any aspersions - concerning the reputations of important financial firms have never been tolerated in the world I grew up in and, at first, I was surprised to get no push-back from either JPM or the CME Group, considering how litigious both entities are considered. In a confession of sorts, the reason I started and continued sending my articles to JPMorgan and the CME Group was as

a bit of protection against either coming against me, as if either demonstrated that anything I was alleging was incorrect, I would have adjusted or eliminated my allegations. Obviously, that hasn't occurred to this point. It doesn't necessarily prove my allegations as being correct, but doesn't disprove them either.

Finally, while I have narrowed my focus today to the Justice Department and the continuing silver price manipulation, it's important to keep things in proper perspective. After so many years and decades of suppressed silver prices and my ongoing complaints as to what is causing that suppression, it is more than understandable that silver investors have reached the point of maximum resignation concerning the prospects (as I contend) of the end of the silver manipulation being within reach. However, I assure you that I am not foolishly or irresponsibly placing all my hopes on the Justice Department doing the right thing (although that is certainly possible), there is something else that I am depending on – the law of supply and demand.

As the only natural result of the price of a vital world commodity being suppressed and manipulated for decades, the supply/demand fundamentals for silver finally reflect this and the signs and indications abound that we are now in the first physical silver shortage in history. The results of this physical silver shortage are infinitely much more powerful to the eventual price than the actions of any regulator, including the Department of Justice. Simply put, there is no way the current physical silver shortage can end without substantially higher prices. But it is when you dig only slightly below the surface that the full consequences of the current physical silver shortage take hold.

As I have long contended, silver is the only world commodity that has a genuine dual demand profile – both as an industrial commodity and as a price investment asset. Most obvious about the developing physical shortage in silver is that industrial and other fabrication demand are 100% responsible for the current demand side of the ledger, as silver investment demand has literally disappeared. Please think about this for a moment – we have the first physical silver shortage in history with only one of silver's dual demand drivers, industrial demand, functioning. Here's the thing, silver investment demand cannot be considered dead forever – someday (and maybe someday soon) silver investment demand will kick in. Then what? Well, there's no way industrial demand would be expected to end, short of a giant meteor hitting the planet and destroying life as we know it. So, the minute silver investment demand kicks in and it could and should kick in like flipping a light switch and with industrial demand continuing to chug along – what does that do to the law of supply and demand? I'll tell you what the sudden re-introduction of silver investment demand will do – it will drive the price bonkers.

So, while I will continue to petition the regulators and the Department of Justice to do the right thing and apply the appropriate standards of justice and the rule of law to the current circumstances of the crime in progress that the silver price manipulation represents, I am not fully-dependent on any regulator doing as it should. I do confess to having full faith in the functioning of the law of supply and demand.

Moving on to the rather remarkable developments of late, including price action, over the reporting week ended yesterday, gold had rallied by more than \$100, while silver had rallied by as much as \$1.70. Time certainly gets distorted when large price moves appear and this past week is no exception. Silver looks to have struggled in keeping up with gold, seeing as gold has set a series of new all-time price highs, while silver still struggles in price, more than 50% below long-ago price highs. Yet in

percentage terms, silver outperformed gold (7.5% to 5%). Where there was no real comparison, of course, was in what the gain in gold represented in the dollar increase in total world bullion holdings compared to silver.

The \$100 increase in gold prices added \$300 billion to the dollar value of the 3 billion oz of world gold bullion inventories (excluding the 3 billion oz in gold jewelry), from roughly \$6 trillion to \$6.3 trillion. The \$1.70 increase in silver prices added less than \$3.5 billion in dollar value to the world's 2 billion oz in silver bullion inventories, still less than \$50 billion total. In other words, just the increase alone in the total value of the world's gold bullion inventories was more than six times the total value of world silver bullion inventories — a mismatch hard to put into proper words. Yet, most comparisons between gold and silver fail to point this out.

One observation I would make about the piddling total dollar amount of the world's silver bullion inventories (\$50 billion) is that taken in conjunction with my prior observation that the investment side of silver's dual demand profile is completely missing currently, I can't help but wonder what the price effect of a resumption of investment demand (and no cessation of industrial demand) would be in connection with all the newly-minted crypto and AI stock millionaires and billionaires, should they decide to diversify some of their new gains into other assets, including silver. For silver bulls, that should be a fun learning experience.

Of course, the key question on most minds is what the heck the sharp rally over the past reporting week did to the market structure in COMEX gold and silver futures. We know going into the reporting week that the market structure in gold was better (more bullish), in terms of the big 4 and 8 short position than it had been in a year and a half. I certainly tried to impart in the weekly review that this was the most bullish factor of all the bullish factors in gold. Likewise, the big 4 and overall market structure set up in silver was also white-hot bullish and there was no change in my locked and loaded expectation for an imminent price explosion. OK, we did get somewhat of a mini-price explosion over the reporting week ended yesterday — now what?

The great quandary is the extent of market structure deterioration witnessed over the reporting week and that makes this Friday's new COT report perhaps on the most consequential of all. In gold, total open interest soared by more than 60,000 contracts and even allowing for some spread-related phony increases in total open interest, it's hard not to envision a massive increase in managed money buying and commercial selling. The biggest question for me is the extent of big 4 and big 8 new shorting in gold, as it's hard for me to see how these concentrated short positions wouldn't have increased.

I have the same question in silver, although unlike the massive increase in total gold open interest, the total open interest in silver actually declined by 3000 contracts over the reporting week. I know enough to realize that there can be substantial net positioning changes in the face of relatively minor changes in total open interest, so I think there was massive managed money buying in silver, along with commercial selling, despite the rather tepid change in total open interest. Of course, what I am most interested in are the developments under the hood in silver, including the amount of raptor and big 4 and 8 selling and what the big managed money short which was in the big 4 category may have done, among other things.

None of these details can accurately be predicted (at least by me) and I'm just grateful we only have to wait two days before we read them and weep, or jump for joy; although some folks still

complain about the delay we must endure in waiting a few days for the COT report. Back in prehistoric times, shortly after dinosaurs disappeared, the COT report was released monthly and disseminated by postal mail so, while I am quite anxious to review the contents of this particular COT report, a delay of two or three days doesn't seem particularly excessive. Further, I would point out that had the recent last-minute agreement to fund the government not been reached, there would likely be no COT report at all, until the funding was approved. Yes, it is quite ironic that perhaps the only useful service provided by the CFTC will be the first to be discontinued in the event of even a limited government shut down.

My most pressing concern in the coming COT report is the behavior of the 4 big shorts in gold and silver and I'm just hopeful, particularly in silver, that the data will be clear enough to analyze objectively.

Ted Butler

March 6, 2024

Silver – \$24.35 (200-day ma – \$23.43, 50-day ma – \$23.13, 100-day ma – \$23.25)

Gold – \$2150 (200-day ma – \$1983, 50-day ma – \$2046, 100-day ma – \$2022)

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