May 1, 2019 – A Voice From the Grave?

The news that Bart Chilton, the former commissioner of the CFTC, suddenly passed away was truly sad but also shocking, so much so that some were given to fabricating conspiracy-type explanations. Chilton certainly had a larger than life persona and many came to appreciate his colorful pronouncements, enthusiasm and willingness to respond to just about everyone who contacted him â?? qualities quite rare in a regulator. I learned this first-hand very early on when I started communicating with Chilton shortly after he became commissioner in 2007, as I recounted not even a month ago in reaction to his last known interview, with Chris Marcus from Arcadia Economics â??

http://silverseek.com/commentary/confirmation-outrage-and-disgust-17622

I stated in the first sentence of that article that Chiltonâ??s interview nearly knocked me off my feet, but I didnâ??t fully explain why that was so, which Iâ??d like to rectify today. Yes, I found the interview shocking because Chilton seemed to confirm much of what I had contended for more than a decade, but it was much more than that. I was confounded because I couldnâ??t quite fathom what prompted Chilton to â??spill the beansâ?• about the inner workings at the agency regarding JPMorganâ??s manipulation of silver after so many years. After all, there was never any acknowledgement from the â??insideâ?• that the Commission was quite close to cracking down on JPMorgan â?? Chiltonâ??s clear admission of this in his interview was the first ever. And perhaps the last.

With the revelation that Chilton was dying from pancreatic cancer, I was confounded no more – Bart Chilton was setting the record straight before his passing â?? perhaps the most noble act of a life that was more than notable. It is regretful that it would take such unfortunate circumstances â?? the immediacy of pending death â?? for the revelation to be made. While the burden on Chilton has been lifted, what does this say about all the other past and current officials at the agency and elsewhere who have chosen to remain silent about a matter of vital public interest?

The hundreds of meetings that Chilton had concerning JPMorganâ??s excessive and manipulative short positions starting in 2008 featured other participants, not just Chilton. Most of these other participants have been quick to publicly lament his untimely passing, but still appear bound by some type of strict inner code not to admit to what Chilton admitted â?? the revelation that JPMorgan had been manipulating the price of silver (and gold) since it took over Bear Stearns in 2008. I thought all these officials took an oath of office to abide by the constitution and the rule of law â?? not to continue to conceal that JPMorgan was breaking the law in full view.

Bart Chilton set the record straight and for that he is to be commended and remembered. But what about those who have remained silent or worse, continue to deny that JPMorgan is at the heart of an ongoing manipulation? The most serious market crime of all is price manipulation and the fact that the CFTC refuses to deal with the silver manipulation openly and honestly is absolutely shameful.

Another matter that has continued to puzzle me is that lack of any public reaction or admission by JPMorgan that it has been openly accused of manipulating the silver and gold markets. I think I understand JPM not challenging my allegations over the past decade that it is manipulating these markets because it seeks to avoid a potential quagmire â?? although the thought of a major financial institution turning its back on open allegations of criminal activity without reaction is unprecedented.

But Iâ??ve also been puzzled how JPMorgan could possibly avoid public acknowledgement that it is the subject of criminal investigation by the Justice Department as a result of the DOJâ??s announcement on Nov 6 which unsealed a guilty plea by one of the bankâ??s former traders and an ongoing investigation into precious metals manipulation. It is, after all, a legal requirement that public companies disclosed material information â?? which being involved in a criminal investigation by the US Department of Justice would qualify. However, that particular puzzle has been solved with the following statement in the JPMorgan 10-K and annual reports.

Hereâ??s the statement from JPMorganâ??s recently released 10-K report, page 280 â??

â??Precious Metals Investigations and Litigation

Various authorities, including the Department of Justiceâ??s Criminal Division, are conducting investigations relating to trading practices in the precious metals markets and related conduct. The Firm is responding to and cooperating with these investigations. Several putative class action complaints have been filed in the United States District Court for the Southern District of New York against the Firm and certain current and former employees, alleging a precious metals futures and options price manipulation scheme in violation of the Commodity Exchange Act. The Firm is also a defendant in a consolidated action filed in the United States District Court for the Southern District of New York alleging monopolization of silver futures in violation of the Sherman Act.â?•

Of course, it remains to be seen if the Justice Department will confine its investigation to the narrow issue of spoofing or will it open its eyes to the much more serious and pernicious overall manipulation by JPMorgan over the past eleven years; in which JPMorgan never once suffered a loss in trading COMEX silver and gold futures, only profits, and by which the crooked bank amassed 850 million physical silver oz and 20 million oz of gold on the down low.

It has now been exactly one year since I formally and privately complained to the Justice Department about JPMorganâ??s manipulation of the silver market and the CFTCâ??s malfeasance in dealing with it. Initially, I did think that there might be a connection between my complaint and the DOJâ??s announcement of the guilty plea and ongoing investigation six months later on Nov 6, but feel less so today. I hope Iâ??m wrong and the Justice Department has a good sense of whatâ??s really going on with JPMorgan in silver and gold, but Iâ??d be lying if I told you my confidence was still high in that regard.

Primarily, my confidence in the DOJ doing the right thing has sagged because the manipulation is continuing while the investigation is supposedly in force. In other words, the serial killer (JPM) is still littering the countryside with bodies, while the Justice Department appears to be contemplating its belly button. Iâ??m not aware of any legitimate law enforcement process that allows for new crimes of the very same type to be committed continuously in the course of an investigation. I just hope the DOJ handles allegations of terrorism with more care than it appears to handle allegations of serious market crimes. As I said, I hope Iâ??m wrong.

I certainly appear to be wrong in my expectations of an immediate upturn in silver and gold prices, at least as far as prices are concerned early Wednesday morning. Then again, I canâ??t recall many (or any) instances when prices turned exactly as I expected in the very short term. The whole premise behind the market structure approach is one of major market direction based upon the commercials taking advantage of the managed money technical traders â?? not the precise day of major market directional turns.

At times like now, when the managed money traders are heavily positioned on the short side, it is inevitable that these traders will reverse course at some point and buy back shorts as well as add to longs, propelling prices higher. But until they do reverse course causing prices to rise, they can continue to maintain and add to short positions, delaying the inevitable rally. Waiting for the turn up in prices can be frustrating, but thatâ??s an unavoidable component of the market structure premise.

As frustrating as it is to suffer through the waiting process once the managed money traders are on the short side, it is infinitely better than waiting out the reverse, namely, those times when prices have already risen due to heavy managed money buying. Sure, it always feels better after prices have rallied, but those good feelings are inevitably dashed when the commercials induce the managed money traders to begin to sell. I much prefer times like now, frustration and all, when I know prices will rally at some point rather than await an inevitable price fall.

Given the frustration of waiting out the inevitable turn to the buy side that the managed money traders will make at some point, I suppose one could completely reject or ignore the market structure premise and substitute some other approach. The problem is that no other market premise approach comes close to the futures positioning explanation for logic or track record. I could easily see someone deciding to buy silver because itâ??s dirt cheap and then to tune out completely the day-to-day and year-to-year price fluctuations until prices are no longer cheap, but expensive. But thatâ??s not a viable option for those interested in knowing what really makes prices cheap or expensive. If you want to know the real story in silver and gold, you must follow futures positioning market structure. Thatâ??s why more seem to turn to this approach daily.

As bad as silver price action has been today – including fresh new price lows â?? gold and silver prices were mostly higher through the reporting week ended yesterday, arguing against any big further improvement in market structure for Fridayâ??s COT report. I donâ??t think there will be significant positioning changes, although there was more than a 22,000 contract reduction in total COMEX silver open interest over the reporting week. I would imagine that was mostly due to spread liquidation ahead of yesterdayâ??s first notice day of delivery for the May silver contract. That raises the possibility that there could be some surprise, but I wouldnâ??t know what surprise to predict.

Interestingly, over the first two days of the May silver delivery, JPMorgan has stopped (taken) a total of 831 contracts or nearly 39% of the 2153 the total contracts issued. Of the 831 contracts stopped by JPM, 485 were for clients and 346 were for the JPM house account. In addition, clients of JPMorgan issued 530 silver contracts.

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

Thus, itâ??s clear that JPMorgan is still taking delivery of physical silver, as well as being the major force in all things related to silver â?? including paper positioning and physical accumulation and distribution. Since no one else appears willing to do so, please allow me ask the question as to why the most important bank in the US is allowed to be so dominant and market-controlling in silver (and gold)? Isnâ??t the role of a bank to facilitate commerce by taking deposits and making loans? How has it come that a bankâ??s license to operate now includes serious precious metals manipulation and antitrust allegations?

Yes, itâ??s good that JPMorgan no longer appears to be short at all in COMEX silver and gold and is now on the long side, in addition to holding more physical silver and gold than any non-governmental entity in history. But how it got to these positions over the past 11 years and what it has left in its wake is not good at all. Most damaging is that JPMorgan has made a mockery of the rule of law and has destroyed confidence in the regulators. Not even a deathbed confession can undo that damage.

Prices will stop going down when the last managed money sell order that can be tricked into being sold is sold. I thought we were close to that point and still feel that way. By definition, the last 25 cents or so down in silver always feels the most painful. Then, the attention will turn, once again, to what the crooks at JPMorgan intend to do when prices inevitably rally.

(On a housekeeping note, due to the arrival of first delivery day in the COMEX May silver contract, Iâ??m switching to the July contract for pricing purposes. This does add about 9 cents to the posted closing price).

Ted Butler

May 1, 2019

Silver – $14.70Â Â Â Â Â Â Â Â (200 day ma – $15.01, 50 day ma – $15.26)

Gold – $1279Â Â Â Â Â Â Â Â Â Â (200 day ma – $1254, 50 day ma – $1301)

Date Created
2019/05/01