

May 10, 2017 – Expecting the Unprecedented

I thought it might be instructive to state in the simplest terms possible what I see ahead for the price of silver. Needless to say, it is something that I think about incessantly and this has been true for more than 30 years. I think I do a pretty good job of focusing on the factors that are most important to silver, but sometimes I know I get too caught up in the details. So let me lay out what I see as dead solid certain for the price of silver to come and leave it to you and the fullness of time to determine whether my thoughts prove to be accurate or not.

I am convinced that silver will soon explode in price in a manner of unprecedented proportions, both in terms of previous silver rallies and relative to all other commodities. Let me break that down. By unprecedented, I mean that the price of silver will move suddenly and shockingly higher in a manner never witnessed previously, including the great price run ups in 1980 and 2011, in terms of the eventual level of price (over \$50) and in how quickly that level is exceeded.

By “soon”, I mean that the move can commence at any time, but more likely before many weeks or months or certainly years have gone by. I know that the price of silver has been declining on a daily basis nonstop for three weeks now, itself an unprecedented move, but I also know the reason for the decline and how the sharply improved COMEX market structure has always guaranteed a rally in a reasonable period of time. It always feels rotten when the commercials rig the price lower and induce technical fund selling on the COMEX, but that’s also the definition of price bottoms.

The only question is always whether the next silver price rally will be the big one or will the big commercial shorts, particularly JPMorgan, add aggressively again to COMEX short positions on that rally. This is the one specific factor that will determine how soon the big silver move occurs, so in essence, I’m saying JPMorgan is not likely to add to short positions on the next rally. Admittedly, I can’t know this for sure, but I do know that the consequence of what JPMorgan does or doesn’t do is how “soon” the big one in silver will occur. Obviously, I think JPMorgan won’t sell short aggressively on the next rally.

At the heart of the unprecedented move higher I see coming in the price of silver is the manner in which it will occur. It will be a price move like no other. Simply put, it will be the greatest short covering rally in history. That’s guaranteed because the COMEX silver short position is the largest and most concentrated short position in history. I know most people’s eyes glaze over when contemplating what a short position even is, but leave that aside – there is no buying force in the financial markets more powerful than panicky buying by shorts forced to cover short positions. Therefore, it follows that the largest short position ever holds the potential for the greatest short covering rally ever.

Of course, what I just described has been true for more than 30 years, namely, COMEX silver futures have had the largest short position of any commodity in terms of real world production and inventories. Yet while silver prices have had some notable rallies over the decades, none have included a genuine short covering panic. In fact, the uniquely large and concentrated nature of the COMEX silver short position (meaning it is held by just a few traders) is the mechanism by which silver has been manipulated in price all these years.

The concentrated short position in COMEX silver futures and price manipulation are one and the same.

When it is said that all price manipulations must come to an end, in silver that means that at some point the concentrated COMEX short position no longer increases, but instead gets covered for the very first time on rising prices. I believe that time has arrived for a number of reasons. The main reason is a subtle yet distinct change in the composition of the big concentrated short position in COMEX silver.

Having studied and focused upon the concentrated short position for many years, I've witnessed and reported on the changing nature and players on the short side. From J. Aron and Drexel Burnham Trading in the early 1980's, to AIG Trading and then to Bear Stearns until early 2008, never once did the largest short sellers in COMEX silver buy back short positions on rising prices. They just continued to add short positions until the buyers, the technical funds, bought as many COMEX futures contracts as possible. Then when the technical funds inevitably sold on lower (rigged) prices, the big shorts bought back their shorts on declining the prices for profits. It was and is the perfect trading scam (as we have just witnessed again).

This changed somewhat in early 2008, when Bear Stearns, the largest COMEX silver (and gold) short ran into financial trouble and needed to be bailed out by JPMorgan which inherited and took over Bear Stearns's big silver short position. For a couple of years, until late 2010, JPMorgan maintained the silver manipulation by always aggressively increasing its dominant silver short position on price rallies and then by rigging prices lower to buy back much of its short position at profits, the same as it has done until the present.

What really changed was that a long anticipated physical shortage began to develop in 2010, driving silver prices to near \$50, which came close to busting the silver manipulation wide open to the upside. Neither JPMorgan nor the other big shorts added to COMEX short positions on that rally, but their existing short positions were so large that open and unrealized losses were quite significant and threatened to blow up on any big move above \$50. Then JPMorgan, with help from the CME Group and the federal regulators at the CFTC, rigged a severe price selloff which finally begat technical fund selling and an end to the growing physical silver investment demand. Silver prices then sold off, essentially, for the next six years up through today.

But JPMorgan's near financial disaster on the short side into April 2011 caused the bank to wake up to the real situation in silver and the bank went on to put what it had learned into practice, namely, by acquiring as much physical silver as possible, all while maintaining its profitable death grip on prices by being the largest COMEX silver short seller. Today, exactly six years after the rally to \$50, JPMorgan has amassed a physical stockpile of silver of at least 600 million ounces by my calculations at an average cost of around \$20 an ounce, all while continuing to make hundreds of millions of dollars in manipulative COMEX short selling. This epic accumulation has changed the composition of the concentrated COMEX short position more than any single factor.

For the first time since I first discovered the silver manipulation more than 30 years ago, no longer is the largest COMEX silver short subject to extreme financial damage should silver prices explode in price. Instead, JPMorgan has pulled off something I never conceived was possible - the accumulation of the largest silver hoard in world history on declining prices. Make no mistake, this was purely a criminal undertaking since JPMorgan was always the largest single COMEX silver short holder while it was acquiring actual silver, but I suppose there was no other way.

The criminal actions of JPMorgan's physical silver accumulation aside, the bank has never been

better positioned for a silver price explosion. In other words, there has never been a better time, from the selfish perspective of JPMorgan, for the price of silver to rip higher or a worse time for the other big shorts (dead men walking). And the recent deliberate price takedown has further reduced JPMorgan's COMEX short position, greatly enhancing the prospects that JPMorgan won't be adding to its COMEX short position whenever the next silver rally gets rolling.

Should JPMorgan not add to its COMEX short position on the coming certain silver price rally, then it will be only a matter of time before the remaining big COMEX shorts wake up to the fact that they are toast. By "a matter of time" I am referring to days and weeks. When silver prices rise sufficiently, the remaining shorts will panic and begin to try to cover their short positions. This buying will send silver prices skyward and then touch off, as in a spreading forest fire, all sorts of other buying, including investment buying demand and then industrial user buying, perhaps the most potent buying of all. The best analogy I can come up with is an old one - an atomic bomb on top of a hydrogen bomb on top of a neutron bomb.

Yes, I know I have expected such an outcome for 30 years and no such outcome has occurred. And I also know why that hasn't occurred, because the concentrated COMEX short selling has always increased on every inevitable silver price rally following a deliberate price selloff. While the big one has yet to occur, when I first came across the silver manipulation, prices were \$5 or less and there were more bears than there are today.

But now the largest COMEX short, JPMorgan, has positioned itself to profit from a price explosion, by virtue of its massive physical acquisition, and that changes everything. I have always postulated that one day the COMEX silver short position would blow up, but it has been only over the past few years that JPMorgan has aligned itself to be in conformity with the coming price explosion.

While the biggest single change in the composition of the concentrated COMEX short position has been the defection of JPMorgan to becoming net long by virtue of its physical metal accumulation, there are some other more subtle changes, including the complete absence of any economic legitimacy to the current short position. In essence, there are no legitimate shorts on the COMEX, in terms of miners hedging future production or those hedging against existing physical inventory. The big shorts, apart from JPMorgan, appear to be mostly foreign banks according to CFTC data and definitely not miners from the earnings statements from public mining companies. The speculating foreign banks are precisely the type of short sellers most likely to panic when silver prices start to rally and it begins to take hold on them that JPMorgan is no longer the shorts' protector and short seller of last resort.

I have been studying the silver manipulation for more than 30 years and over that time I have seen it spread to other commodities, certainly to gold, copper, crude oil and just about every market where the technical funds have risen as a potent market force to be manipulated and harvested. But no market has been as manipulated as has COMEX silver, thanks to the level of concentrated short selling compared to real world supplies. The recent selloff has affected many commodities and I do expect a vigorous turn up in gold, copper, crude oil, platinum and other markets once the technical fund selling is complete, but the rally to come in silver should far outdistance any other commodity rally.

That's because, even after the sharp improvement in the various market structures on the collective commodity selloff of late, the short position in COMEX silver will still be at astronomically high levels relative to all other commodities, particularly including gold. When the gold selloff is finished, there will be a concentrated short position of significantly less than 20 million oz (200,000 COMEX contracts).

That's very large in terms of the notional dollar amount of close to \$25 billion, but 20 million oz isn't all that much in terms of the many billions of ounces of gold existing in the world. In silver, when the selloff is complete, the seven biggest shorts (ex JPM) will still be short around 350 million oz (70,000 contracts) in a world where it is impossible to imagine such an amount being purchased except at prices \$10 to \$20 higher, at a minimum.

And when, not if JPMorgan decides not to add additional short positions in COMEX silver unleashing the price upward, other forces will kick in, such as ETF buying, which has largely been somnolent for the past six years. Here too, comparisons with gold are in order. Should gold prices rally like they did starting at the beginning of 2016, it would be reasonable to imagine 10 million ounces of gold coming into the GLD, as was the case in that year's 8 month rally. That's a lot in money terms, more than \$13 billion and such physical buying will undoubtedly enhance gold price further (in addition to COMEX positioning).

Should JPMorgan refrain from adding COMEX silver shorts on the next rally and silver prices jump to \$20 or \$30, it would not be unreasonable to imagine a \$2 to \$3 billion investment demand coming from investors on the lookout for and excited by rising prices. That's not much in investment dollar terms, but it happens to equate to 100 million oz of physical silver. I have trouble visualizing where so much silver would come from, particularly when such physical demand would likely occur as the seven big dead men walking on the COMEX are buying back shorts in a panic. And I'll leave out completely the likely buying by industrial users when they face the inevitable delivery delays caused by investment buying.

To be specific, I envision a silver price explosion for the record books that will be necessarily condensed in a time frame of incredible short duration. To be clear, I am not looking for a move to \$30 or \$50 in a year or less. I am looking for a move much higher and which will occur much more quickly. I am less sure about when it will commence, but I know that JPMorgan will decide when. Considering that JPMorgan is as favorably positioned for the big silver move as it has ever been, there is no good reason to bet against the big move occurring very soon.

What could go wrong with my vision, I mean aside from the apparent lunacy of expecting the unprecedented? Certainly, JPMorgan is in position to snuff out any developing silver rally by adding to COMEX short positions, just as it has done for the past nine years. And I suppose JPMorgan could sacrifice and, effectively, donate enough of its accumulated physical silver hoard to satisfy all potential buyers at prices lower than what I expect. But why would JPM not take the course most beneficial to its own interests and let silver prices run to the heavens? For nine years, I have openly portrayed JPMorgan as the selfish and greedy pigs and criminals that I'm convinced they are. Why would it not do what's most profitable to the bank?

One of the good things that has occurred over the past nine years and here I'm speaking of something of personal benefit, is that I've lost all fear of retaliation by JPMorgan and the CME Group and the CFTC for me referring to all of them as criminals when it comes to the silver manipulation. There was a time, early on, when I awaited the inevitable process servers with reams of legal papers for accusing JPMorgan, in particular, of criminal activities in silver. Maybe that's just another indication that I've lost my mind in not fearing JPM, but never has any such large financial institution been openly accused of criminal activities of the most serious type (market manipulation) where that institution has ignored the allegations. Talk about unprecedented.

Finally, the whole silver manipulation has become more obvious than ever, particularly this last deliberate selloff. That's evident in the fact that the concentrated short position hit an all-time extreme a few weeks back on a rally to only \$18.50 - the largest such short position at the lowest price ever. You have to put this on fast-forward and ask where this thing is headed. How much longer can a manipulation that is obvious to more observers than ever last, particularly when the biggest manipulator is openly called out and where the primary regulator can't address even the most basic questions?

If you think the answer to that question is forever, then do yourself a favor and don't buy silver. If you think such a situation can't possibly last for too much longer, then do yourself a favor and buy as much silver as you can afford.

A few updates since Saturday's review. Yesterday's new report for securities short sales for positions as of April 28, indicated slight declines in the short positions of the big silver ETF, SLV, and its gold counterpart, GLD. The short position in SLV declined by 1.2 million shares to 13.9 million shares (ounces), about as expected considering a 2 million oz deposit in the physical holdings of the trust over the reporting period. The short position in GLD declined by nearly 1.4 million shares to just under 9.2 million shares (920,000 oz). Based upon the price take down since then and the continued inflows of metal into SLV, the next short report should feature further declines.

<http://shortsqueeze.com/?symbol=SLV&submit=Short+Quote%E2%84%A2>

As for this week's COT report on Friday, yesterday's cutoff capped a reporting week in silver that featured another five consecutive days of new price lows, the same as the prior two reporting weeks and the longest continuous decline on record. In gold, new price lows were made every day of the reporting week, as well. As such, it should be expected that Friday's report will feature continued managed money selling and commercial buying, as this is the sole reason prices have declined.

In gold, total open interest through yesterday's close is down by nearly 30,000 contracts for the reporting week and, accordingly, I would up my estimate for commercial buying/managed money selling in gold from the 30,000 to 40,000 contract estimate on Saturday to 40,000 contracts or more (hopefully a lot more). I am also expecting a significant reduction in the total commercial short position in silver but it's hard to come up with a precise number.

It's a little different in silver this week as total open interest, unlike the case in gold, rose almost 7000 contracts through yesterday's cutoff. Since we can be fairly certain that the commercials weren't selling or adding to short positions, the most logical candidates for increased short selling would be the managed money shorts and other speculative short selling or an increase in spread open

interest. I'm starting to think there may have been another increase in managed money shorting based upon the increase in total open interest and a giant increase in managed money short selling in platinum in last week's COT report.

If that's the case, any increase in silver managed money shorting this week may represent new players and not the traders which refused to add to short positions last fall. However, the more managed money or other speculative short selling that occurs, the better it is as it is certain these shorts will be bought back on rising prices at some point. Also, I'll be paying close attention to managed money longs, as there must have been further technical fund selling during the reporting week, but those selling may have been replaced by the core non-technical fund longs. I hope to know a lot more when I review the new report, but a key feature will be in how many short positions the biggest silver manipulator and crook JPMorgan was able to cover.

The thought that there hasn't been a massive improvement in the market structures of silver, gold, copper, crude oil and platinum over the past weeks doesn't seem possible considering the recent price action. Most importantly, whenever we turn higher in price, silver is poised to lead the way, by how much depends on you know who.

Ted Butler

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Silver – \$16.20 (200 day ma – \$17.90, 50 day ma – \$17.63)

Gold – \$1218 (200 day ma – \$1254, 50 day ma – \$1248)

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