May 13, 2015 – How Did It Come To This?

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How did it get to the point where, as a silver analyst, I spend almost all of my time talking about price manipulation and not about actual market fundamentals? Where I make consistent ugly accusations about the nation's most important bank, the world's leading derivatives exchange and the federal commodities regulator? Where I raise issues that I know are substantive and that should be forcefully addressed by these entities, yet am met only with silence?

I've been thinking about these questions and of little else. Either JPMorgan has had nothing to do with the silver manipulation since taking over Bear Stearns in 2008 or everything to do with it, including amassing hundreds of millions of actual ounces over the past four years at prices the bank deliberately rigged lower. Either the CME Group is running a modern day bucket shop with little participation by real producers and consumers, proved by the US Government's own data and one's own eyes, or I am out to lunch and know little of what I speak. Either the CFTC has convincing logical explanations that refute my allegations that it is turning a blind eye to its most important mission and chooses to keep those explanations to itself, or it is afraid to openly address the issues for fear it will expose itself as an enabler of the manipulation.

In seeking the answers to these questions and others, like why the heck is JPMorgan even involved in silver in the first place, I'm not going to subject you to a walk down memory lane today, but instead will attempt to distill the issues down to one glaring fact Â? COMEX silver trading is illegally setting the price of silver. Because the proof for this outrageous statement is so simple to demonstrate and because its remedy is so difficult, if not impossible to execute, all three key players in the silver manipulation, JPMorgan, the CME and the CFTC are reduced to silence. What proof?

Every week or even more frequently, I explain how position changes on the COMEX between two distinct groups of speculative traders set the price of silver and gold and other commodities. On one side are the technical funds in the managed money category of the CFTC's disaggregated COT report and on the other side are commercial traders who take the opposite position of whatever the managed money traders do. If the managed money traders buy, then the commercials sell and vice versa. It never varies.

In fact, if the managed money traders didn't behave like Pavlov's dogs to the stimuli of buying on upside penetrations of the moving averages and selling on downward penetrations, there would be no manipulation possible in silver or any other market. If the commercials couldn't maneuver the technical funds in the managed money category both ways, up and down, there would be no ongoing silver manipulation, just a one-time spike up or down.

The managed money traders are, by CFTC and CME classification, purely speculative traders with absolutely no legitimate bona fide hedging purpose behind their trading. That doesn't make them illegitimate traders or bad people, just that they are pure speculators and not hedgers. The commercials are thought of as legitimate hedgers by many, but in reality they, too, are pure speculators as they are more akin to bookmakers looking to profit when the managed money traders reverse positions; just like a bookie hopes to profit when someone bets on a basketball game of a horserace and loses. These commercials are banks and financial institutions, with nary a legitimate miner or industrial consumer in their ranks. Besides, what legitimate miner or industrial user would engage in a hedging strategy based exclusively upon making book with speculative traders with no regard to internal company requirements?

Every week, I usually report that the interplay between the managed money traders and the commercials makes up the bulk, if not all of the net change in positioning. Almost always, when the managed money traders buy, prices have advanced during the reporting week and fall when these traders are net sellers. Some might say this is coincidental to price movements, just like some used to say the sun orbits the earth. The fact is that managed money buying causes prices to rise and managed money selling causes prices to fall. Leaving aside that the commercials control short term prices moves through HFT and spoofing and therefore control managed money buying and selling, it is wrong that managed money speculators are causing prices to move. In fact, it's more than wrong; it's illegal according to commodity and interstate commerce law.

On this specific issue, the three main culprits behind the silver manipulation, JPMorgan, the CME and the CFTC are silent. There's a good reason for their silence Â? there is no legitimate explanation that can refute that the main, if not sole influence on silver pricing is COMEX positioning between managed money traders and the bookmakers we call commercials. And the only sure remedy to end the blatant manipulation of silver (and other commodity) prices is one that will never be voluntarily enacted, namely, outlawing or drastically reducing such trading.

The CME isn't about to outlaw or restrict anything about COMEX trading, including HFT and spoofing because its most important constituents are dependent on such illegal devices and the exchange needs the income these constituents generate. That's the problem with having a for profit entity regulate itself. The CFTC can't end the manipulative trading because it denied too frequently in the past that there was any problem in silver that to do so now would reveal to all what a laughingstock of a regulator it really is. JPMorgan is not about to give up its control of silver prices until it is darn good and ready and that happens to be the best hope for an early resolution if this greedy and crooked bank has amassed enough actual silver under its control. We'll only know that in hindsight.

So what about today's price action, in which silver and gold suddenly bounded higher? It looked to me like silver took off first and pulled gold with it, but I suppose that's not particularly important unless the pattern gets further extended. I know the dollar index weakened as the metals lifted off, right on the COMEX's traditional opening, but I didn't sense the metals were reacting to the dollar index but rather the other way around. In short, there was no real news to account for today's price rally, save the only one that I think matters Â? the COT market structure.

I don't think I could have been more bullish about gold's and silver's COT market structure in Saturday's review, so I confess to being relieved that prices broke upward instead of lower (although I was and am prepared for anything the COMEX commercial crooks may send our way). Of course, the one potential negative is the very high trading volume accompanying today's advance. If I had my wish I'd like to see a much bigger rally on much lower volume. That's because low volume would suggest not much commercial selling, while high trading volume suggest the opposite.

Let's face it Â? the important point is not that we jumped higher today on certain technical fund (managed money) buying as these traders always buy as key moving averages are penetrated. It was only a matter of time before there was a decisive upward penetration of all the important moving averages and that is in the process of occurring today. The only important moving average not penetrated on a closing basis in silver and gold has been the 200 day moving average and that has been under assault today.

The key point, as I have intoned for far too long, is the reaction of the crooked and collusive commercials, particularly the most crooked silver commercial of all, JPMorgan, to the certain technical fund buying today. Of course, we know that there is substantial commercial selling today, as the smaller commercials (the raptors) were heavily net long and almost assuredly are selling into the technical fund buying and cashing in on their bookmaking profits.

The real question, as always, is whether JPMorgan and the other large concentrated silver shorts on the COMEX are adding to their already obscenely large concentrated short position. Complicating that question is that the cutoff for this week's COT report was yesterday, so we'll have to wait until Friday May 22 to hope to learn the answer. This Friday's report shouldn't tell us much. Somehow, I believe that was planned but I'm not sure what that indicates Â? whether the big commercial crooks added to silver shorts or not. Remember, silver has the largest concentrated short position of all commodities and not one real producer is among the eight largest COMEX shorts. I'd like to see someone try to explain how silver's concentrated COMEX short position could possibly be legitimate, particularly at such low current prices. I'd pay good money to see JPM, the CME or the CFTC tackle that one.

Someday, however, I'm convinced JPMorgan won't add to its COMEX silver shorts on a rally. I just don't know if that day is this day. But it could be. The reason this is so important is because since taking over Bear Stearns' massive COMEX short positions in early 2008, on every silver rally that I recall, JPMorgan and the other big concentrated shorts provided, at the margin, enough new short contracts to cap the price on every rally since then (save the one in early 2011, for a while). If there is one single factor that proves the silver manipulation, it is this Â? the just in time, just as needed amount of additional short sales to assure an end to any and every silver rally. It is also the single factor that grants me immunity in labeling JPMorgan, the CME and the CFTC as the lowlife crooks that they are.

I think it's a reasonable bet that my unprecedented direct attacks against these three dirt bag organizations (be sure I had other words in mind) may result in a quicker resolution than otherwise in the silver manipulation. In any event, I have no regrets about my attacks. What I do know for sure is that without additional manipulative short selling by the big concentrated COMEX silver shorts, the manipulation is destined to fail. I wish I could tell you if these COMEX commercial crooks have, will or won't add shorts on this rally, but that is beyond my ability to know at this time. I'm not about to get cute and assume they have or will add manipulative shorts, particularly considering how cheap silver prices have become.

Not that anyone should rely on this to buy or sell crude oil or copper, but both markets have experienced significant technical fund buying, particularly in the form of managed money short covering. On the 50 cent per pound copper rally since late January, the managed money traders in COMEX copper have purchased over 45,000 net contracts, the equivalent of more than 560,000 tons. In NYMEX crude oil, on the near $20 rally since mid-March, managed money traders have purchased around 125,000 net contracts, the equivalent of 125 million barrels.

I'm not aware of any unusual fundamental developments in copper to account for its price rise and it looks like the same price cause as I described in silver above. Indications from reliable reports suggest no letup in the over-production of crude oil, particularly by Saudi Arabia and buying by managed money traders of NYMEX crude oil contracts seems a strong, if not sole influence for the price rally. I haven't seen it mentioned, but all the crude oil that has gone into storage over the past six months and longer is available to the market and must be worked off in time.

I'm not commenting on copper or oil to give price predictions and anyone taking them as such is missing my point. My purpose is to indicate that managed money trading, the purest form of speculative trade is having an impact on many markets, but none quite like silver. Let me be blunt Â? such trading and the obvious influence it has on price is inherently bad. Not for the CME and a few others, but for everyone else.

Ted Butler

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Silver – $17.10

Gold – $1215

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