November 11, 2020 – Quit Jammin' Me

In many ways, the deliberate price smash in gold and silver on Monday was every bit the same manipulative jam job seen way too many times over the past 35 years. It had all the elements of past price rigs, namely, a sharp buildup in COMEX commercial short positions and speculative (likely managed money) buying on the two prior trading days (Thursday and Friday) when prices soared upward through the key 50 day moving average in both gold and silver for the first time in months â?? only to be followed by Mondayâ??s sharp price smash back below those same moving averages and the reversal of the positions established on Thursday and Friday.

Given the extremely large amount of both the prior price gains and smash, Iâ??d estimate at least $250 million was lost by the speculative buyers turned sellers and put into the pockets of the commercial banks â?? one of the largest three day hauls in memory. This just pertains to the positions initiated and closed out over the three trading day period. As far as existing positions held and not closed out, the $2.5 billion of additional losses suffered by the 8 big shorts on last weekâ??s sharp price rally was completely offset (and then some) on Mondayâ??s price smash. Still, the 8 big shorts in COMEX gold and silver are out more than $12 billion from when I first started counting in June 2019, by far their worst losses in history and completely wiping out their total cumulative trading profits over the decades.

What was somewhat rare, but certainly not unprecedented, about the three days in question was that the positioning changes were confined within a single COT reporting week. What this means is that when the next COT report is released next Monday, Nov 16, due to the Veteranâ??s Day holiday today (Tip of the hat to all you Vets), there probably wonâ??t be much overall change for the reporting week Tuesday to Tuesday, although I would venture that there were significant intra-week positioning changes. Because all the positioning action was contained within the reporting week, thereâ??s also no legitimate way to decipher beforehand the actual positioning changes by categories.

More to the point, if JPMorgan did lend a strong helping hand and joined in with the other commercials in adding to gold and silver short positions on Thursday and Friday, only to buy back any added shorts on Monday (as I suspect), that activity wonâ??t be uncovered in Mondayâ??s new COT report. The crooks at JPM are as slick and resourceful as they come and they are clever enough to know whether their activity might be uncovered and act accordingly. Somewhat perversely, I am encouraged by what may be JPMorganâ??s likely subterfuge, as it tends to confirm my take that whether JPMorgan (and the 8 big shorts) add to short positions on the next rally is the key factor- if they are trying to hide it.

Certainly, Iâ??m not encouraged (or amused) by Mondayâ??s blatant takedown and itâ??s nearly incomprehensible how everyone paying attention isnâ??t outraged. The announcement of a vaccine for what is a worldwide pandemic is unabashed good news, and the thought that silver would get smashed as a result is patently absurd. I would remind you that when the pandemic reared its ugly head last Feb/March, silver got smashed to ten year lows, with similar price smashes in many other markets, including gold and the stock market. Now, a potential end (in time) to the pandemic is good for stocks but is bad for silver (a highly industrial metal)? Give me a break.

As I believe I conveyed in Saturdayâ??s review, the strong weekly close last week above all the moving averages and amid signs of growing physical silver demand had all the makings of a true breakout to the upside. While itâ??s true that Mondayâ??s price smash snuffed out the prospective breakout, in my opinion the selloff simply brought us back to the washed out state of the COMEX market structure that existed as of the last published cutoff date (Nov 3). Hopefully, there are fewer market observers that donâ??t recognize that COMEX speculative positioning is what sets prices for gold and silver.

While the price smash this week appears to have fixed whatever deterioration occurred in COMEX positioning last Thursday and Friday, it would appear that growing physical silver demand hardly skipped a beat. Thereâ??s no way to accurately measure demand from India and Asia on a short term basis, but it is well-known that once demand shows signs of strengthening (which it has), lower prices only tend to further strengthen such demand. Of course, there are several valid short term indicators of physical demand in the West that offer insights into demand.

On a retail basis, a bellwether for silver demand are sales of Silver Eagles from the US Mint. Very recently, such sales have been stronger than at any time this year, despite the persistence of large premiums. Other reports from the retail front also suggest that demand is the strongest of the year. On a wholesale basis, of course, the data available from the publicly traded silver ETFs are indispensable in determining demand.

While Iâ??d prefer to wait another day or so to monitor potential additional changes in the holdings of SLV, the largest silver ETF, my publishing deadline rules otherwise. Still, at this point, the physical flows in SLV are quite revealing. As of last night and as a result of the very high volume rally on Thursday and Friday and the even higher volume price smash on Monday, the net change in the physical silver holdings in SLV were a net inflow of 10.8 million ounces.

By comparison, the net change in big gold ETF, GLD, over the same price rally and subsequent smash resulted in a net reduction of 85,000 gold ounces from that ETF. I would point out, however, that reports of metal flows in the GLD appear to be timelier than for SLV by about a day or so. Still, unless there is a large outflow from SLV tonight or tomorrow night, the net inflow of physical silver on the price roundtrip must be considered impressive. Regardless of pending changes in SLV and other silver ETFs, Iâ??d like to share some additional thoughts on this issue.

Itâ??s no secret that I consider JPMorgan to be, by far, the prime influence on past and future price levels for silver and gold. Ever since it took over Bear Stearns in 2008, JPMorgan has completely dominated and controlled both metals. Prior to 2008, I donâ??t recall singling out JPMorgan, although I always included it as a leading player â?? mostly by virtue of its always-dominant role in OTC precious metals dealings (as revealed in the Treasury Departmentâ??s quarterly OCC derivatives report). But revelations the August 2008 Bank Participation report quickly led me to the realization that JPMorgan was the prime price manipulator in silver and gold and nothing over the next more than 12 years has persuaded me otherwise.

I realize most go about analyzing gold and silver without particular attention to JPMorgan and that my focus is unique and singular. Because of that, I can assure you that I constantly guard against and test myself to see if Iâ??m seeing things as they really are or if I have become too myopic in my take on JPM. Additionally, since much of what I write is controversial and even slanderous (to say the least), it is not something I undertake lightly. Most importantly, if my take was seriously off and the possibility existed that I was seriously misleading readers that would be the most devastating outcome of all and what I am most concerned with. That doesnâ??t mean, of course, that I can time the market. No one can.

With that preamble, Iâ??d like to share some thoughts Iâ??ve recently revised. One of my key findings is that JPMorgan used its leading paper COMEX short position over the past 9 years (up until the spring of this year) to suppress silver and gold prices, in order to accumulate absolutely massive quantities of physical metal holdings at bargain prices. At a minimum, I claim JPM has picked up 25 million oz of physical gold (at an average price of $1200) and one billion oz of silver (at an average price of $18) and likely much more.

I originally reached the conclusion that JPM started its physical accumulation of gold and silver sometime in 2013, close to two years after the bank began to do so. I characterized the physical accumulation as the genius perfect criminal solution to the problem faced by any manipulative short seller. As crooked as I allege JPM to be, never have I suggested it was not a market genius, if not the market genius. How else would it have been able to so double cross its former short compatriots? Admittedly, where I have been wrong is in trying to anticipate when JPMorgan would decide it held enough physical silver and gold to let prices truly rip to the upside. Although even here, with gold and silver prices well above JPMorganâ??s average price of accumulation and higher than they have been in years (when one looks further back than the highs of the last few months), JPM is in the catbirdâ??s seat. Even with the recent price smash, JPM is ahead by $23 billion on its physical silver and gold holdings â?? from breakeven as recently as mid-March.

As convinced as I am that JPMorgan has accumulated at least 25 million oz of physical gold and one billion oz of physical silver, legitimate questions have been raised about how the bank can hide such quantities on its books. In the past, I have brushed off such questions by saying that JPM is capable of reporting whatever the heck it wants to report, thanks to its army of well-paid lawyers, accountants and lobbyists. But upon further reflection, I think thereâ??s a better explanation, one I have alluded to previously, namely, the physical metal positions arenâ??t held exclusively by the bank, but by close insiders and affiliates.

Letâ??s face it, the world of business and finance runs on relationships. On favors granted and repaid. On bonds formed and nurtured over the long term. No entity is better positioned for establishing such relationships than JPMorgan. What Iâ??m suggesting is that the physical silver and gold accumulated by JPMorgan is not held solely by the bank but by a close association of insiders and related entities. Here I must also point out the unique nature of holding physical gold and silver. There are no reporting requirements for holding precious metals.

Just like no one reading this has to report holding physical gold and silver (except perhaps in an IRA account), neither does any large holder affiliated with JPM or anyone else. Thatâ??s one of the main attractions of holding physical metal. Another is that holding metal in physical form almost requires you to hold it on a long term basis, the best time frame possible. One of the great confirmations of this is the actions of JPMorgan in accumulating physical metal over the last more than nine years. Donâ??t do as these guys say, do as they do.

Perhaps the only â??problemâ?• with holding physical metals, particularly in the case of silver is the need for professional storage once one hits a certain dollar threshold. Precisely because you get so much darn metal for the money, it quickly becomes implausible to physically hold it in oneâ??s personal possession. And if you are going to hold great quantities of physical silver, sooner or later (after youâ??ve built up enough in retail forms) one must turn to silver in 1000 oz bar form. When this occurs, in addition to avoiding the back-breaking effort of lugging around bars that weigh 70 lbs. each, one must be concerned with breaking the chain of custody by holding such bars outside the system. Holding such bars outside the chain of custody of professional storage requires physical transfer and re-assaying when the time for sale arrives.

I know there is always great pushback with what Iâ??m about to say next, but all the above convinces me that silver (and gold) ETFs have been the best thing since sliced bread. Yes, of course, hold physical silver in your own possession for moderate amounts, but for serious amounts of money (say over $500,000) one has to resort to professional storage and ETFs are a reasonable alternative in this space (other alternatives include privately-arranged storage or holding metal secured through COMEX futures deliveries). That amount of money will buy you close to 20,000 oz of silver in 1000 oz bar form, more than three-quarters of a ton.

My point in bringing up what some find to be a â??touchyâ?• topic is because it gels with my new (or slightly revised) thoughts on JPMorgan and the form in which it holds physical silver and gold for itself and its closely related entities. Iâ??ve come to conclude that JPMorgan holds the bulk of the silver it has accumulated for itself and its closest affiliates in the form of the worldâ??s various silver and gold ETFs, as well as in the COMEX warehouses. Please allow me to break this down.

In terms of silver in the COMEX warehouses, Iâ??ve long-contended that JPM controlled at least 250 million oz in the total warehouse holdings of the 320 million oz or so, in addition to the 160 million oz in its own COMEX warehouse. Now that total inventories have climbed by more than 60 million oz to nearly 385 million oz and the holdings in the JPM warehouse now exceed 190 million oz, itâ??s easy to conclude JPM and its affiliates control 300 million oz in the COMEX warehouse system.

Turning to the silver held in the worldâ??s ETFs, now more than 1.1 billion oz, Iâ??m convinced JPMorgan and its affiliates control hold close to 50% or 500 million oz of the total physical silver held in the ETFs, the bulk of which is held in SLV. Of the 570 million oz held in the SLV, JPM entities and affiliates hold at least 250 million oz. To the question of â??how can this be?â?• let me answer first by reminding you that there are no reporting requirements of share ownership unless a single entity holds 5% or more of total shares outstanding. In the case of SLV, with 600 million total shares outstanding, as long as no one entity held more than around 30 million shares (28 million oz), ten or less affiliates could hold more than 250 million oz of silver through SLV share ownership without an SEC reporting requirement.

Bottom line is that I believe that JPMorgan and a handful of close affiliates and related entities hold 800 million oz of silver in full view in the form of the metal in the COMEX warehouses and in the worldâ??s silver ETFs, accounting for the bulk of the one billion oz of physical silver controlled by JPM. A similar breakdown exists in gold, in terms of COMEX warehouse and ETF holdings. Aside from the overt illegality of JPM and its affiliates acquiring the metal or shares in the ETFs at artificially suppressed prices caused by JPMorganâ??s shorting of paper COMEX contracts over the years, I donâ??t know of any laws violated at this point. Again, there are no reporting requirements for physical metal ownership.

What led me to all this was the physical inflow of 300 million oz a little while back into the worldâ??s silver ETFs. At first I believed the metal came from JPM in the form of leased metal to other commercials. Then I speculated that JPMorgan was forced to donate the metal as part of a wider settlement with the Justice Department and CFTC. Finally, Iâ??ve come full circle and have concluded my first speculation was correct and not only did JPM put the borrowing commercials which provided the metal to the ETFs deeper into a short hole, it benefitted its affiliates who were the buyers of the 300 million oz. The bullish implications of all this take my breath away. When I say that JPMorgan is a criminal market genius, Iâ??m only scratching the surface.

Finally, if this revised speculation of mine is correct (as I believe it to be), it raises an additional bullish point, namely, that a much greater percentage of the worldâ??s total inventory of silver in 1000 oz bar form is now held in the open visible form of COMEX inventories and total world ETF holdings. In other words, the 300 million oz of silver that came into the worldâ??s silver ETFs over a few months earlier this year came from previously unrecorded inventories held by JPMorgan (most likely in London). Now that the metal is out of the shadows and into the sunshine that implies that much less metal now exists in unrecorded form and that could be used to supply surges in demand. And as a result, more significance must be placed on future SLV and other silver ETF physical flows.

Turning to other developments, yesterdayâ??s short interest report on stocks indicated another fairly sharp reduction in the short position on SLV, as of Oct 30. The short position in SLV dropped to 11.3 million shares from 14.4 million shares (ounces). Whatâ??s interesting about this latest reduction is that it puts the short position in SLV at less than 2% of total shares outstanding, one of the lowest short levels in memory and squarely in the good news category.

https://www.wsj.com/market-data/quotes/etf/SLV

With the COMEX market structure now back to washed out as a result of the jam job on Monday, which persisted into today, it seems to me that it is just a matter of time before we witness a sharp rally. And I must confess to being impressed with the relative strength in silver Vis a Vis gold on this weekâ??s takedown. As you know, silver usually suffers much more than gold on sharp price breaks than it has so far this week. Again, Iâ??m not sure what to predict for Mondayâ??s COT report, aside from sensing there was significant deterioration as of last Friday and significant improvement as of yesterdayâ??s cutoff.

Amid the continuing turmoil and controversy of the recent election, presumptive President-elect Biden named a transition advisory team with one member whose name many will recognize who has apparently been spending time in the witness protection program. Of course, Iâ??m joking in referring to Gary Gensler, who was just named to lead the banking and markets regulatory team and who has spent the last six years who knows where. As long time readers will know, I hold Gensler in the highest esteem, both for his deep and intricate knowledge of markets and regulation and for his strong stance against the banksâ?? formidable lobbying machine, which, unfortunately, proved to be his undoing during his tenure as chairman of the CFTC. At one point, Gensler was declared bankingâ??s public enemy number one. I have no intention of rekindling any relationship with him, but Gensler knows better than anyone just how corrupt and powerful JPMorgan is and if anyone can limit these crooks â?? heâ??s the man.

https://www.reuters.com/article/us-usa-biden-finance/biden-taps-progressives-unions-for-economic-trade-and-finance-transition-idUSKBN27Q3G8

At publication time, the 8 big shorts saw their total loss shrink this week by $2.6 billion, slightly more than the total loss increase of the prior week. This puts their total loss at $12.2 billion.

Ted Butler

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Silver – $24.28Â Â Â Â Â Â (200 day ma – $20.24, 50 day ma – $25.02)

Gold – $1862Â Â Â Â Â Â Â Â (200 day ma – $1786, 50 day ma – $1916)

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