

November 25, 2020 – Almost Too Much to Cover

I suppose the day may come when there is not much for me to write about in silver and gold, but that day is not today. In fact, it's the opposite – too much to discuss. So let me start with what I believe is most on readers' minds, namely, the massive selloff in prices on Monday and Tuesday.

What was most unusual about this latest price smash is that it came in the face of what I have characterized as a "washed-out" market structure – meaning not a market structure featuring a large managed money long position, particularly in gold. Certainly, there have been bigger price drops of late, including the one day \$100 plunge in gold and \$2 in silver earlier in the month, but there were sharp advances going into that selloff and this latest smash took prices below the 200 day moving average in gold for the first time since March. Before then, gold had not been below its 200 day moving average since late 2018.

In addition, this is the very first downward penetration of gold's 200 day moving average in more than 12 years (and probably longer) in which JPMorgan had not been a or the leading COMEX short holder going into such a price plunge. I have no doubt JPMorgan was a buyer of futures and/or physical gold and silver (along with other commercial futures buying) on this latest price smash, but JPMorgan has not been a big futures gold and silver short holder for many months. Obviously, this didn't preclude the moving average penetration in gold, but did make it more unusual.

Not to put a hex on it, but to this point silver has yet to penetrate its 200 day moving average, still more than \$2 below the recent lows. And where gold has just set new price lows going back to mid-July, silver has yet to set new price lows made as recently as last month. As most are aware, silver tends to outdo gold on both rallies and selloffs and the last time that silver did penetrate its 200 day moving average to the downside (back in March, along with gold), it exceeded its moving average by more than \$5 and remained below it for months (until May) whereas gold's downward penetration at that time only lasted a few days and was less than a \$50 penetration. Subsequently, on the ensuing rallies from the low points in March, gold rallied as much as \$600 to new all-time highs and silver by a much steeper \$18 to 7 year highs. I would expect similar performances on the rally from whatever lows are established on this downward move.

Unfortunately, I can't rule out a bigger price drop in silver than we've seen so far, seeing as it is the most manipulated market in the world – but neither do I expect such a drop. As for why gold has dropped more than usually relative to silver this go around, the answer is simple – that's where the money is for the 8 big shorts. Even Ray Charles should be able to see the price drops in gold and silver are the work of the 8 big shorts unless one can prove that the hundreds of gold longs and many thousands of silver longs pitted against the 8 big shorts colluded among themselves to rig prices lower to hurt themselves and benefit the few big shorts. That's pretty silly.

So the question becomes how much more speculative selling and commercial buying remains to truly flush out what was already a washed out structure? I can't imagine much, but I didn't imagine much a week ago either. A number of readers asked if this recent selloff suggested that the 8 big shorts might get themselves off the hook completely from the big losses they've endured over the last year and a half (mostly in gold). It's quite true that the 8 big shorts have recouped more than \$2 billion on the steep price drop Monday and Tuesday, putting their total losses at \$10 billion and down

from as much as \$8 billion from the price highs of early August. In broad terms, eliminating the remaining \$10 billion in total losses would require a further drop of some \$300 in gold and \$5 or \$6 in silver.

And it's not just price alone required to eliminate the 8 big shorts losses – sellers must be uncovered to allow the big shorts to buy back their concentrated short position. As I've mentioned quite a few times over the past year and a half, any big potential managed money selling (in what has been a fairly washed out market structure) must come from the addition of large numbers of new short contracts, as oppose to managed money long liquidation, both in gold and silver.

There's another wild card that exists in gold and that's the fate of the other large reporting traders (who are those guys?) which have built up a record long position, as of the latest COT report, Nov 17. Through yesterday's cutoff, gold prices were down close to \$80 over the reporting week, meaning the record net long position in this category suffered a mark to market loss of around \$1.3 billion for the week. I don't have any way of anticipating what these traders will do, so I'll stick to straight analysis after the report is released.

The COT report will once again be delayed until Monday, Nov 30, given the Thanksgiving holiday on Thursday and will indicate how this and other categories behaved. One thing for sure, this should be a reporting week featuring heavy commercial buying and speculative selling, since this was a straight price down week (as opposed to the recent week where there was big position flip-flopping intraweek). I'll come back to this issue a bit later.

There was a fascinating Reuters' article on Monday highlighting JPMorgan's financial performance this year in precious metals that has been widely referenced. While the article was mostly praise-worthy of JPM (at least that was my impression), what nearly floored me was the portrayal of the bank as dominating precious metal dealings, one of my central themes for the past more than 12 years. Interestingly enough, the article was titled, "JPMorgan dominates gold market with record 1-billion-precious-metals-revenue"!

<https://www.reuters.com/article/us-precious-revenue-jpmorgan-exclusive/exclusive-jpmorgan-dominates-gold-market-with-record-1-billion-precious-metals-revenue-idUSKBN2831N5>

If I'm reading the article correctly, JPMorgan made or had greater revenues from precious metals dealings than the combined total of the next 9 or 10 largest bullion banks. In addition, the article stated that according to data from the CME Group, customers of JPMorgan accounted for more than a third of selected dealings on the COMEX. What the article didn't conclude was that such market shares are clearly monopolistic and violate basic antitrust provisions, an issue I have raised consistently about this most corrupt bank.

In fact, coupled with my longstanding and easy to prove (from COT concentration data) allegations of JPMorgan never taking a loss when adding short positions over the past more than 12 years and its accumulation of massive quantities of physical silver and gold it caused to be suppressed by excessive COMEX short sales, the Reuters' article was simply additional proof of how crooked and corrupt is JPMorgan.

A few months after the Justice Department announced the first guilty plea from a former JPMorgan precious metals trader in November 2018, I wrote an article beseeching the Antitrust Division of the DOJ to take up the issue of JPMorgan and the other big COMEX shorts monopolizing the silver

market. I even took the occasion to personally contact the Assistant Attorney General of the Antitrust Division (who I happened to have a high regard for based upon his public speeches).

<https://silverseek.com/article/new-silver-issue-justice-department>

Unfortunately, the odds of a private citizen motivating the DOJ's Antitrust Division to initiate a major case against the most important bank in the US are less than slim, but hey you never know unless you try. Certainly, there's no question that JPMorgan is a rotten, thieving anti-free market monopolist in silver and gold, although the Reuters' article uses more glowing terms in saying, essentially, the same thing. But I'm not just strolling down a recent memory lane in raising this issue, I have something else on my mind.

Yesterday, the CFTC released its allegedly long-completed, but deliberately-delayed staff report on the highly unusual manipulative events surrounding the plunge in crude oil prices to steeply negative prices back in April. The report was as clear as mud when it came to the key question, namely, which manipulative short was responsible for the debacle (with my money on JPMorgan). The good news is that you don't have to take my word that the report was a complete whitewash and not worthy of the time and expense that went into preparing it instead you can simply read the statement issued by Commissioner Dan Berkovitz.

<https://www.cftc.gov/PressRoom/SpeechesTestimony/berkovitzstatement112320a>

As a long term (35 year) follower of CFTC developments, I can tell you that I have never seen such a pointed or well-deserved intra-agency response and critique. Usually when there is internal disagreement, it's couched in technical and legal terms that induce a good night's sleep. Not this time it sounded like Berkovitz was genuinely ticked off and for very good reason, I might add, since the staff report was garbage and a free pass for the swells at the CME and JPM. To this point, I'm not stating anything that a fair reading of Berkovitz's statement by a reasonable person wouldn't also conclude.

But I would like to venture into the speculative realm a bit with what may have prompted Berkovitz to speak up so forcefully at this particular time. He did object (as did his fellow Democratic Commissioner Behnam) quite clearly to the recent enactment of no position limits passed by the Republican majority on the Commission, although not as forcefully as his reaction to the staff report. I think it has to do with the recent presidential election and the increasing realization that the next president will be Joe Biden.

This has nothing to do with anyone's partisan feelings about the election and everything to do with the mechanics of the political reality of what happens next in the sense that whoever is president gets to appoint (with Senate consent) the chairman of every federal commission and insure that three of five commissioners constituting a majority be from the same political party as the president. Therefore, if Biden is inaugurated as the next US president, as appears increasingly likely at this point, it's a foregone conclusion that every federal agency and commission will have a chairman and majority from the same political party as the president. That's just the way it is and this also applies to agencies such as the Justice Department. I don't know who will be the new Attorney General, but it won't be Bill Barr.

Therefore, I believe the likely (some would say certain) inauguration of Biden as the next president played a role in Commissioner Berkovitz's statement of outrage about the staff report. This is not a

knock, in any way, on Berkovitz's behavior. I'm sure he would have been just as offended with the report had president Trump been reelected, but after watching the Commission recently enact a position limit regime I'm sure he found personally offending, a garbage staff report pales in comparison. In other words, what I'm suggesting is that the election of Biden portends great potential regulatory change and Berkovitz's statement reflects that.

I'm already on record as portraying the year 2020 as the most significant in silver history and, while I wasn't necessarily expecting great additional change in the waning period of the year, it appears to be on us. Increasingly, I've been thinking more about about Gary Gensler and his role as a close advisor to the Biden transition team. For the benefit of newer subscribers, let me first try to fill in any missing blanks.

Gary Gensler was appointed chairman of the CFTC by then president-elect Obama and approved by the Senate in May 2009. He was a former partner of Goldman Sachs (and I believe the youngest ever at the time) and hit the road running in an attempt to institute legitimate position limits. I distinctly remember early on, as I was streaming a live CFTC public hearing on position limits at the time and he was speaking, how my wife (mindful of my sensitivity to the issue) upon overhearing the broadcast asked me if the speaker was plagiarizing me. I answered that the speaker was the head of the CFTC and he could plagiarize me all he wanted until the cows came home.

I was also keenly aware that Gensler was most concerned with position limits on energy and not silver, as the economy had just gone through the financial havoc of \$150 crude oil caused mostly by unbridled futures speculation and Gensler was determined not to let that occur again. Still, I reasoned that there was no way that silver could be excluded from a long overdue revamping of position limits with the intent to eliminate undo concentration, since it was (and is) the poster child for price manipulation. Position limits were an issue I had been advancing for decades at that point.

Making a long story short, Gensler succeeded in almost single-handedly (I believe aided by Berkovitz) and working behind the scenes in writing the commodities section of the Dodd-Frank Act and helped mightily in ushering it into law – a truly crowning achievement (although I thought the position limit formula adopted allowed for too large of a speculative position in silver). Unfortunately, all the hard work expended by Gensler came to naught, as the banks (JPMorgan) and the CME Group kept chipping away at Dodd-Frank by lobbying politicians and moving against it in the courts, finally succeeding in killing any commodity reform.

My disappointment at this turn of events was extreme, but in all fairness, had to be a mere fraction of the disappointment felt by Gensler – a literal life's work washed down the drain. After he left the agency in late 2013/early 2014, it was almost as if he entered the witness protection program, because he largely disappeared from public view, or at least it seemed that way following his highly visible former public service. At the same time, there was never any question that he was always the smartest guy in any room and as it turns out, he went on to a professorship at MIT, specializing in crypto currencies (among other things).

If you get the feeling that I have a very high regard for Gensler, you would be correct. And considering my personal ratio of who I have high regard for versus those I don't, that's saying a lot. That's why I was most pleased to read that he had ended up as an advisor to the Biden transition team. Another advisor reported to be on the Biden transition team that I also hold in high esteem is Dennis Kelleher, founder of Better Markets. Both Gensler and Kelleher can be assumed not to be beholden to,

nor loved by the big banks – attributes of the highest order in my opinion.

Following the reaching of the public service pinnacle with the enactment of Dodd-Frank and the enactment of legitimate speculative position limits for the first time in decades, Gensler plunged to depths just as great shortly thereafter, as all his efforts were dismantled. But now, seemingly out of the blue, he is now presented with an opportunity so rare as to defy mathematical odds – the opportunity for personal and professional redemption. This particular opportunity for redemption makes the kind achieved by Andy Dufresne in escaping from Shawshank Prison and causing the demise of the corrupt warden to look like kid stuff. There is no guarantee, of course, that Gensler will actually redeem himself, but I wouldn't bet against him succeeding.

Not that I have any first-hand knowledge of how it might go down, but I don't necessarily see Gensler emerging in a high-profile public role, but more as a behind the scenes trusted advisor, dispensing advice more valuable than can be imagined. Gensler has already experienced the public and private wrangling with senators and congressmen and the press and got the tee shirt and postcard – it may be time for a different approach. For instance, I would imagine some well-placed and reasoned private opinion to the DOJ's Antitrust Division about JPMorgan and the 8 big shorts monopolizing and controlling the silver (and gold) market might go a good distance further than any complaint by a private citizen such as myself. Coming from Gensler, private advice would be like (at least to me) Moses descending from the Mount with stone tablets.

I can't shake the sense that this latest price smash might have been arranged by the big shorts because they sense the tide is turning and they better get out while the getting is good. In fact, if the 8 big shorts don't know that the tide had turned long ago, then they have little hope at this point. That the big shorts are largely banks and Gensler had long ago been labeled the banks' public enemy number one and that he is ascending while the banks still appear to be stuck on the short side doesn't look particularly good for the banks.

Again, I don't imagine Gensler as any type of silver proponent, but if he's a fraction of how smart I believe he is, then he knows the concentrated short position in silver is more egregious than in any commodity and knows even better that there is no legitimate reason for 8 traders to be short to thousands of silver longs. This guy, quite literally, wrote the regulations concerning position limits and knows better than anyone that they are designed to combat undo market concentration. And even though I believe Gensler has no particular love (or hate) for silver, I believe he is highly ethical and principled, meeting and exceeding any possible threshold for genuine public service – and not some political hack (from either party) out for personal gain and aggrandizement.

Speculating further, I would imagine that Gensler has followed, from the wings, developments in the commodity markets since leaving the agency at the end of 2013. Considering his previous role as chairman of the federal commodities regulator and architect of the Dodd-Frank Act as concerns commodities, it's not possible to switch off all interest. The great thing about an interest in commodities is that it forces you to study and be aware of what's going on in the world like nothing else. You just don't go from being at what can be considered to be at the very top of the commodities world to being content in watching reruns of "I Love Lucy".

Therefore, I think it's reasonable to assume Gensler knew all along or got up to speed quickly about what JPMorgan has been up to in silver and gold to this point. Remember, JPMorgan was the big COMEX silver and gold short since it took over Bear Stearns in 2008 and remained the big short for

Gensler's entire tenure from May 2009 to January 2014. He didn't need me or anyone else to tell him this - the data had to be known by him for every day he served as chairman. I don't think Gensler fully realized that JPMorgan had been accumulating physical silver and gold as part of its criminally genius solution to neutralizing its short position prior to his departure, but there's no way he wouldn't be able to verify this today.

I don't know how to fully define any true redemption for Gensler, but I think I do know that letting JPMorgan off scot-free and allowing the 8 big shorts to continue to suppress prices is not included in any definition I can imagine. More than anything, I wish Gensler the best of fortune for whatever path he may be on.

Turning to other matters, more than 14.4 million oz of silver were removed (redeemed) from the big silver ETF, SLV over the past two days. In GLD, the big gold ETF, some 677,000 oz of gold were redeemed over the past two days. In dollar terms, the amount of silver redeemed came to \$330 million, while the dollar amount of gold was more than \$1.2 billion. Considering the steepness of the gold price decline and high trading volume in GLD on Monday and Tuesday, the redemption of physical metal looks compatible with plain vanilla net investor liquidation.

While that may also explain the redemption from SLV, the size of the redemption, level of trading volume and the "quickness" in reporting the first 10.3 million oz on Monday (usually it takes a day or so for redemptions and deposits to be reported in SLV), leads me to believe much of the redemption in SLV was due to "conversions" of shares to metal, rather than plain vanilla investor liquidation. Such conversions show up as redemptions, but the primary motive is not to shed silver holdings, but to arrange for future additional purchases for shares without hitting share ownership reporting requirements. Admittedly, there's no sure way to determine which it might be.

There was a further reduction in the short position of SLV of 1.1 million shares to just under 10.2 million shares (ounces), as of Nov 13. This is the lowest short position in quite some time in SLV, particularly in terms of percent of total shares outstanding, now close to 1.7%, and should be considered good news. Short interest in GLD increased by a relatively steep 2.3 million shares to 11.2 million shares (1.1 million oz).

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

Returning to this week's trading and price action, the decline in gold was steeper than expected or suggested by the market structure going into the decline, but still within the confines of a deliberate jam job to the downside designed to flush out any participants motivated by the penetration of the 200 day moving average. Perhaps some further testing below the \$1800 level might be ahead, along the lines of the 5 day or so on the previous downward penetration in March, but those motivated by such penetrations are likely to react fairly quickly or not at all. The net managed money long position in gold is lower now than it was at the depths of the March lows and what seems to me more critical is how the other large traders react or don't react.

It's still quite notable how silver hasn't reacted more to the downside. As previously mentioned, when gold penetrated its 200 day moving average in March, silver got price bombed to the point that it fell a full \$5 under its 200 day moving average. On this go around, silver has remained a couple of dollars above its 200 day moving average. Of course, I'd tell you how this was all going to get resolved if I knew, but you know that's not the case. Everything considered, I'm much more

afraid to sell and miss what is likely to be a price moon launch out of the blue than ride out continued price weakness. If the 8 big short crooks do managed to rip silver to the downside, I'll concentrate on figuring out how to buy more because surely that will be the last great selloff of my time (or so I believe).

Much has been written about potential delivery drama in the upcoming (Monday) first notice day of delivery for the COMEX December gold and silver contracts. Notices for delivery on Monday will be published late Friday evening, although the delivery period runs for the entire month. Of interest today, traditionally one of the heaviest days for rollovers, was a pronounced tightening in the spread differentials between December and the next months to which positions are moved or rolled. Generally such tightening is an indication short holders are more anxious to move short positions out of the delivery month to avoid having to make physical delivery. Conversely, it could also involve longs seeking to get into position to take (stop) physical delivery. Both situations are considered to be bullish.

At publication time, prices have more or less stabilized following the price beating of the past two days, leaving the 8 big shorts better off by just around \$2 billion from Friday's close, reducing their total loss to \$10.3 billion.

Ted Butler

November 25, 2020

Silver – \$23.35 (200 day ma – \$20.57, 50 day ma – \$24.42)

Gold – \$1805 (200 day ma – \$1800, 50 day ma – \$1898)

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