November 6, 2019 – In Your Face

There are so many instances of slaps in the face suffered by silver and gold investors that sometimes itâ??s hard to enumerate them all. Yes, prices are up, particularly for gold, from the extreme lows of the past few years, but the slaps keep coming. Yesterdayâ??s deliberate price smash is yet another slap in the face, but thatâ??s just the start. No, just because silver and gold prices suddenly go down is that concrete proof of manipulation, but there exists no other reasonable explanation, away from futures positioning on the COMEX between a few very large traders â?? and that positioning is manipulative on its face – mainly because all the traders are speculating, not hedging.

Perhaps the biggest slap of all is that today is the one-year anniversary of the US Justice Departmentâ??s announcement of a criminal guilty plea by one of JPMorganâ??s precious metals traders for spoofing. Why on earth would that be a slap in the face to silver and gold investors? Clearly, the announcement itself wasnâ??t a slap; rather, it is the fact that a full year has passed and the manipulation still exists. I did have high hopes that the Justice Departmentâ??s involvement would bring an end to a price manipulation that has lasted for decades, but that is no longer the case.

Instead, it is obvious that the Justice Department has taken the same approach taken before it by the CFTC, the CME Group and JPMorgan itself, namely, the failure to acknowledge any serious allegations of manipulation â?? you know, the see no, hear no and speak no evil of a manipulation clearly in place. Itâ??s particularly disturbing that the DOJ has been duped into not seeing what is an easy to prove scandal of the most serious kind. Up until now, I understood why the CFTC, CME and JPMorgan have refused to even acknowledge the allegations of manipulation for fear of being dragged into a discussion of the indefensible, but a big part of me believed that the Justice Department was above all that. Thatâ??s no longer the case. The unfolding facts make clear all have been corrupted.

Where do I get off saying that the DOJ, CFTC, CME and JPMorgan are corrupt? It begins and ends with their collective refusal to even acknowledge any of the allegations, centering on the concentrated short selling in both COMEX silver and gold and the fact that JPMorgan has been accumulating massive amounts of physical silver and gold, all while being the largest short seller. Throw in the fact that JPM (or the other big shorts) has never lost when adding short positions over the past decade.

To be sure, the lack of acknowledgement has been an effective tool, as it eliminates the need to respond; but it is also highly dishonest, since the allegations are clear and serious. So what can be done to end what is arguably the most blatant and long lasting price manipulation in history, considering that those who took an oath to uphold the law refuse to do so? The simple answer is not much. A more advanced answer is everything and anything that comes to mind. That includes not being dissuaded by those in a position of power refusing to do the right thing and, most importantly, being positioned for the end of the manipulation that will come regardless of the regulatorsâ?? failure to regulate.

In fact, encouragement should be derived from the failure of the Justice Department, the CFTC, the CME and JPMorgan to address open allegations of malfeasance and corruption, as whenever else in your life have you witnessed such an occurrence? There has to be a good reason why the regulators and JPMorgan wonâ??t address allegations that are growing stronger and more widespread and there is such an answer â?? the fear of stepping into the trap of a deepening lie.

Itâ??s even gotten to the point where the CFTC wonâ??t even respond, in a timely manner anyway, to notifications that its premier and most widely watched publication, the Commitments of Traders (COT) report, contained serious errors in this weekâ??s report. Letâ??s face it, more market observers and participants follow and rely on the COT report than ever before, so I understand the reticence of the agency of having to admit to a serious reporting error. But because the COT report is more relied on than ever before, the Commission canâ??t refuse to correct any obvious errors, no matter how embarrassing that may be. I understand the CFTCâ??s quandary â?? who wants to acknowledge a serious error pointed out by a persistent critic? But this is an official and important government publication and obvious errors must be corrected forthwith.

Not only have the errors in this past weekâ??s report not been corrected (as of todayâ??s publication time), Iâ??ve yet to receive even an acknowledgement that my several notifications were even received. Hey, maybe Iâ??m the one wrong here, but the CFTC hasnâ??t bothered to claim there are no errors. By the way, the short position of the non-reporting traders in COMEX silver went from, essentially, the lowest level ever in the previous week to the highest level ever, increasing by nearly 140% in one week, while all (larger) speculators bought back shorts. Thatâ??s impossible. It will be interesting to see if the Commission refuses to make the required corrections and simply continues reporting as if no errors were made â?? you know, the weasel approach.

The delay or possible refusal in the CFTC correcting the errors in this weekâ??s COT report in silver and gold seem to be in keeping with agencyâ??s overall refusal to deal with the precious metals manipulation. Letâ??s face it, refusing to acknowledge any reporting errors or the existence of a price manipulation makes corrections or rebuttal moot. Itâ??s all corrupt as hell, but effective â?? if your goal is avoid doing the right thing at all costs.

The real cost to the regulators refusing to their job is that it diminishes the ideal of an impartial rule of law. I know the DOJ and CFTC canâ??t stand up to JPMorgan and thatâ??s a loss so severe that it can barely be calculated. I said some time ago that my greatest personal fear would be to discover that the Justice Department was in on the JPM metals scam. Sadly, that fear has now been realized. Strange as this may sound, Iâ??ve never been more convinced of the coming price explosion in silver almost for the exact same reason Iâ??ve lost faith in the Justice Department. The DOJâ??s and CFTCâ??s refusal to confront JPMorgan goes hand in hand with their refusal to defend it as well. No comment also means no legitimate defense exists and that JPMorgan will be allowed to pull off the financial score of history when prices explode.

The sharp selloff on Tuesday, the cutoff day of the COT reporting week, undoubtedly featured very significant managed money technical fund selling and commercial buying, only one of the two possible outcomes for the managed money buying and commercial selling that preceded the selloff. Was Tuesdayâ??s heavy managed money selling enough to offset the earlier buying completely? Thatâ??s a question that will be answered in the new report (barring continued reporting errors). Whatâ??s not the slightest question was why prices first rose and then fell back below the key 50 day moving average.

This is the same paper positioning that sets prices as has occurred for decades. It had to be one or the other â?? either the big commercial shorts would get overrun or they wouldnâ??t. At least as concerns the Tuesday selloff, the big commercial shorts rang the cash register again (enabled by the brain dead technical funds) and at the expense of investors and producers everywhere.

Some might say that the regulators canâ??t abolish stupidity and if the technical funds insist on being patsies to the commercials, then so be it. I understand that contention, but the problem is that the private betting game on the COMEX between a few managed money traders and speculating banks is setting the price for everyone in the world, including precious metals mining companies and investors not dealing in COMEX futures. Thatâ??s what makes manipulation such a big darn deal, namely, it affects those not choosing to participate in the COMEX paper trading scam.

Getting to the heart of the matter, it comes down to 8 large speculating banks on the short side which dictate prices, only one of which (JPMorgan) is immune from damage when the whole fraud blows up (which is a dead solid certainty). The highly unusual concentration on the short side is something that affects all CME traded precious metals, including gold, platinum and palladium, but silver takes the cake, in that its concentrated short position far exceeds all other short positions in terms of real world production and consumption. The concentrated short position of the 8 largest traders in COMEX silver futures is even larger than the total commercial net short position. Take a moment to consider this.

Who in their right mind would short the cheapest commodity in the world and do so in a manner that created the largest concentrated short position of all commodities? Throw in the fact that the big short bet was completely speculative and didnâ??t represent a legitimate hedge and not only do you have a highly illogical and uneconomical bet, it is also the most crowded bet ever, with little chance of being bought back without great price volatility. The only possible conclusion is that the concentrated short bet had a manipulative affect and intent and must end badly at some point.

The fact that others seem to be noticing the predicament of the big silver shorts does not work in the big shortsâ?? favor. Iâ??m not talking about the growing numbers of market observers wising up to the COMEX silver manipulation, Iâ??m talking about the emergence of a silver whale or whales over the past six months or so (in addition to the silver whale of whales, JPMorgan). Yeah, the 8 big crooked shorts are still in control for the time being, but their days are practically numbered.

As far as what to expect in this Fridayâ??s COT report, events rule out the possibility of anything but a WAG (wild-assed guess). The early reporting week penetration of the key 50 day moving average in gold and silver to the upside was due to massive managed money buying and commercial selling and the price weakness and downward penetration of that same moving average into the Tuesday cutoff entailed the opposite. Total open interest surged on the price upswing and didnâ??t contract all that much on the price move lower, but this is also prime rollover and spread trading time and that muddles reliance on changes in the total open interest. Throw in the obvious reporting errors in this weekâ??s report that should be corrected in the new report (whether acknowledged or not) and youâ??d need a supercomputer to run all the possible outcomes. Letâ??s just say I prefer to pick the report apart when itâ??s published than guess at what it will indicate. Ditto for the Bank Participation report.

As far as the financial scoreboard for the 7 big shorts, this weekâ??s sharp selloff brought them significant relief. At yesterdayâ??s lows, the big shorts clawed back around a billion dollars in open losses on their combined gold and silver short positions, but at publication time, the relief for the week had moderated to a still substantial $750 million. At publication time, the total open and unrealized loss stood at $3.1 billion (allowing for booked profits this week).

It remains to be seen if yesterdayâ??s big plunge to the downside leads into a more substantial price decline and the cleanup of the bearish market structures in silver and gold or if the plunge was another one-off in which the big shorts clawed back some losses on a temporary basis. I still feel that if we do see a steeper price decline and the commercials manage to buy back much of their concentrated short position that will be the last such selloff.

(On a housekeeping note, Iâ??m headed back to Florida for the winter and that means that Saturdayâ??s weekly review will be published late that day or perhaps even delayed until Sunday).

Ted Butler

November 6, 2019

Silver – $17.60Â Â Â Â Â Â Â Â Â Â (200 day ma – $16.09, 50 day ma – $17.94)

Gold – $1493Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $1390, 50 day ma – $1509)

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