October 3, 2018 – Missing the Obvious

Mondayâ??s announcement by the CFTC of an $800,000 fine and settlement with Bank of Nova Scotia for â??spoofingâ?• in the COMEX gold and silver markets received wide notice, despite being only the latest in a series of similar findings by the agency for improprieties in these markets. Enforcement Director James McDonald seemed to gush over the cooperation given by Scotiabank, as well as the CME Group for uncovering the illegal actions that occurred from 2013 to 2016. I couldnâ??t help but think of that scene from â??Casablancaâ?• where shock was feigned that gambling was taking place and the order was given to round up the usual suspects. As usual, the farcical announcement made no mention of efforts to recover damages to the victims of the spoofing.

https://www.cftc.gov/PressRoom/PressReleases/7818-18

Youâ??ll forgive my cynicism, but I hardly believe this is an occasion for self-congratulations by the agency for a job well-done. I understand such cases take time to investigate and present, but it seems to me that the agency is only now belatedly catching up to a circumstance that has been widely known to have existed for a long time. In fact, â??spoofingâ?• has been discussed for so long, on these pages and elsewhere, and had become so obvious a manipulative market device that it had become a permanent fixture in gold and silver. And as far as I can tell, spoofing still exists.

For those not familiar with the practice, spoofing is the rapid entry and just as rapid cancellation of large buy and sell orders designed not for actual execution but to spook or bluff other traders into selling or buying. As such, spoofing has no legitimate economic purpose and could and should have been completely eliminated years ago. Instead, the CFTC has settled into the role of Johnnie-come-lately and devotes attention to it now with cases that should have been brought years ago.

But itâ??s not just a matter of justice being delayed being justice denied in the now common occurrence of the CFTC bringing a series of spoofing cases that happened years ago; it is more the case that the agency is missing completely the really important issue here. That issue is that spoofing is an illegal market device used to further the much bigger crime of market manipulation. Clearly, JPMorgan and the other commercials deploy a number of market dirty tricks in order to hoodwink and snooker the technical funds into buying and selling and spoofing is a leading dirty trick. The CFTC is focusing on spoofing as if the story stops there, instead of seeing it for what it really is, namely, a device to foster the manipulation.

The CFTC has gotten very adept at focusing on what it wants to see and not on what it should be focusing on. A year and a half ago, I wrote to Director McDonald about the silver manipulation and JPMorganâ??s dominant role, including the fact that JPM had never taken a loss when adding to short positions in COMEX futures since March 2008, when it took over Bear Stearns; all while, since 2011, adding to its physical silver position on the cheap.

http://silverseek.com/commentary/another-opportunity-16489

Despite making that letter public and urging others to write to McDonald as well, since April 2017, JPMorgan had bought back at least 10,000 net short contracts at a profit on four separate occasions going into June 12, when it once again added aggressively to shorts, increasing its short position in COMEX silver futures to 40,000 net contracts (200 million ounces) as silver rallied to $17.25.

JPMorganâ??s aggressive shorting, its most aggressive in years, succeeded in capping the silver rally and ushered in a protracted decline into September, in which silver fell more than $3 an ounce.

Since the price top in June, two highly discernible things have occurred, namely, JPMorgan bought back, at yet another large profit, its entire 40,000 contract short position, as well as simultaneously accumulating a massive new amount of physical silver at the cheap prices it largely created. The physical silver accumulation included nearly 11 million oz JPMorgan stopped in its own name in the September COMEX futures deliveries, as well as share to metal conversions in the big silver ETF, SLV, of at least that same amount. By the way, hereâ??s a recent audio interview in which I lay all this out.

https://www.youtube.com/watch?v=SsyWyKGsjdA&feature=youtu.be

The buy back and covering of 40,000 short silver contracts by JPMorgan since June 12, has earned the bank somewhere around $300 million, based upon JPM capturing $1.50 of the $3 decline. Again, this is from data derived from the ongoing Commitments of Traders (COT) and Bank Participation reports. Who says crime doesnâ??t pay? It sure pays for JPMorgan. As to how McDonald and the CFTC canâ??t or wonâ??t see this, even after it was described in detail in advance, is obviously explained by a superseding arrangement not to go after JPMorgan â?? Iâ??d guess from the Treasury Department and the Federal Reserve as a condition of the Bear Stearns takeover (which may be running out).

The main question, of course, is whether JPMorgan will simply go back and do it again and add to silver shorts on the next rally. I have opined that they wonâ??t, but thatâ??s just my opinion. But this price capping, perfect trading record and physical metal accumulation by JPMorgan is getting pretty long in the tooth and increasingly obvious. Think Iâ??m exaggerating? Then please take a moment and Google â??JP Morgan silverâ?•. I just did so and within 0.29 seconds, close to 25 million entries appeared. Iâ??m fairly sure (no, I havenâ??t opened every entry) that all these entries are dated after August 2008, when I first discovered JPMorgan was the big silver crook, having inherited the mantle from Bear Stearns.

At least on the Internet, JPMorganâ??s involvement in silver is widely known, even if that is not the case yet in the mainstream media. As such, you can be sure that JPMorgan is aware of the growing attention to its activities in silver and gold, because it would be negligent if it wasnâ??t. In addition, I continue to send all my articles to the bank as well as the regulators.Â I maintain that JPM is run by the smartest people in the business and the bank is well aware of the outstanding allegations pertaining to its activities in silver and gold. Therefore, at some point, I believe JPMorgan must address these allegations or somehow make them go away.

Due to the passage of time and the sheer volume of allegations made over the past ten year, itâ??s hard for me to see how or why JPM would suddenly start to lash out now to cutoff the continuing flow of allegations (he said with great hope). If JPMorgan or the CFTC or the CME Group could have addressed the increasingly specific allegations of JPMâ??s perfect trading record and physical accumulation of metal, we would have heard from them by now. Instead, all that exists is the sound of silence.

Let me be clear â?? JPMorgan may very well add to shorts in silver (and gold) again, just as it has done on numerous past occasions. Apparently, it appears to operate above the law. But at the same time, say over the past ten years, JPM has been among the most outspoken of all financial institutions on a wide variety of issues, from industry and trade policy to issues related to equal employment rights for women and minorities and veterans. You would be hard-pressed to find a public policy issue in which JPMorgan has not been vocal. That is, all except one â?? addressing the open and public allegations that it has manipulated the silver (and gold) market. Here, JPMorgan is uncharacteristically quiet; silent, in fact.Â As are the CFTC and the CME Group.

Therefore, JPMorgan must find another way to make the allegations of manipulation go away. Otherwise, I can easily envision how it likely faces a situation in which a final straw breaks the camelâ??s back. The final straw in this case could be the reaction if JPMorgan does add to silver shorts and caps prices yet again. With more aware of JPMâ??s outsized role in silver and gold than ever before, armed with the specific allegation in advance that it holds the key to price movement, it stands to reason there will be more of an outcry if JPMorgan manipulates prices again. To this point, itâ??s been fairly easy to track JPMorganâ??s futures positioning via the COT and Bank Participation reports and I canâ??t see why those same reports wonâ??t indicate whether JPM aggressively shorts again.

It seems to me that the best way for JPMorgan to make the allegations of manipulation go away is for it to stop manipulating silver and gold prices. JPMorgan, after all, has no legitimate reason to short aggressively into the next silver rally, as the only reason for it to do so would be to cap prices which is manipulation in its purest form. Of course, if JPMorgan doesnâ??t add to shorts on the next rally, silver and gold will fly upward in price. Such a move would not only make more money for JPMorgan than almost can be imagined, it would also rain profits on silver and gold investors everywhere. Maybe my reasoning is somehow at fault, but I have trouble imagining great anger and a public outcry of manipulation when metals prices soar. Instead, I imagine great joy and dancing in the streets.

Certainly, when silver does finally soar in price, I will be more than happy to drop all my allegations of manipulation against JPMorgan and the CME Group and my complaints against the CFTC. At least, thatâ??s my plan. Iâ??m not going to rescind or disavow any of what Iâ??ve maintained over the past three decades; itâ??s just that my objective from the very beginning was to see the manipulation terminated because I found it intellectually and morally offensive. It was never my intention to remain locked in some type of life long personal struggle with JPMorgan.Â I just want to see the manipulation ended and for silver prices to be set free and Iâ??m hoping JPMorgan will do the right thing and not short aggressively any more.

After Fridayâ??s sharp rally, silver prices fell pretty sharply on Monday, before rebounding to recent new highs yesterday. Both gold and silver traded above their key 50 day moving averages yesterday for the first time in five months for gold and in four months in silver, but both faded and closed just under the moving averages. Today, as I write this, both gold and silver have stuck close to their 50 day moving averages in subdued trading.

COMEX trading volumes have been high these past few days on the increased price volatility in silver and gold, but changes in total open interest provide no strong clues as to positioning changes through yesterdayâ??s cutoff of the reporting week. Total open interest in COMEX silver is down about 4500 contracts over the reporting week, while total open interest in gold is down only 500 contracts. But considering the upward penetration of the 50 day moving averages for the first time in months, itâ??s hard to see how there wonâ??t be managed money buying and commercial selling in this Fridayâ??s

COT report. The key features, of course, will be how much of each and whether JPMorgan started to lean on the short side.

Iâ??m prepared for fairly substantial quantities of managed money buying and commercial selling to have occurred in gold and silver and, in fact, perhaps the most in months. I will be absolutely delighted to be proven wrong. That said, any deterioration in this weekâ??s report must be put against the perspective of the truly remarkable and unprecedented improvement in market structure that has occurred in not only gold and silver, but other metals as well since mid-year. Thereâ??s no way the market structures in silver and gold will be anything but extremely bullish, regardless of Fridayâ??s report, as you canâ??t undo months of historic positioning change in a week,

Does that guarantee there will be no further sudden selloffs? Of course not. Despite the self-crowing by the CFTC for a job well done, the simple truth is that spoofing and other dirty market tricks still exist and based upon the timetable that the agency seems to be operating under, it will be many years before any deliberate selloffs in the days ahead are even looked at.

As to what JPMorgan did in the reporting week to be published on Friday, thatâ??s still the billion dollar question. Hopefully, weâ??ll get a clear idea since there will be a Bank Participation Report published as well. Iâ??m tired of calling JPMorgan crooked, but will have no choice should the bank ramp up its short sales. Itâ??s not impossible that JPMorgan may also be growing tired of being called crooked and may take measures to end the allegations (hopefully, by not adding to short positions).

Given all that has occurred these past few months, holding a maximum position in silver at this time (no margin please), looks to be the hands down best bet. The price is downright cheap and considering the massive short positions sold by those most unqualified to be short, itâ??s only a matter of time before these traders move to buyback and unwind their historic short sales. The question was never if these technical funds would buy back shorts, but how accommodative the commercials would be when the funds moved to cover shorts. Now that we are at one of the key moving averages (the other being the 200 day ma), the odds have increased that we may find out fairly soon.

As far as the money scoreboard standing of the newly added managed money technical fund short positions since June 12, todayâ??s closing price for silver is down a few cents from Fridayâ??s close, while the price of gold is up $6 from Friday. This makes the total combined open profit held by the technical funds as down by roughly $70 million from Friday and now sits at $635 million. Thatâ??s down from a peak of $950 million when I started this scoreboard and still doesnâ??t seem like that much of a cushion for such a large short position.

Ted Butler

October 3, 2018

Silver – $14.67Â Â Â Â Â Â Â Â Â Â (200 day ma – $16.10, 50 day ma – $14.75)

Gold – $1202Â Â Â Â Â Â Â Â Â Â Â Â (200 day ma – $1284, 50 day ma – $1208)

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