September 10, 2010 – Shameful and Dangerous

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The Bank Participation Report for September has been released. Rather than wait until tomorrow, I thought I'd report on it now. It can be found here and covers the month through September 7, 2010 – http://www.cftc.gov/MarketReports/BankParticipationReports/index.htm

(Click on September futures). My quick interpretation is that it is both shameful and dangerous.

There was a 5600 contract increase in the net short position in the US bank category. That's a 28 million ounce increase to a total net short position of more than 157 million ounces (31,500 contracts) held by one or so US banks. This is the category in which JPMorgan would be listed. Last year, the CFTC stopped listing the number of banks in this report when it was less than four, because it made it too easy for me to identify JPMorgan as the big short. So, it is possible that there is more than one US bank significantly shorting silver in addition to JPMorgan. I still think JPMorgan is the main silver manipulator, but they are certainly free to man up and deny or explain their involvement in the silver manipulation. In the interim, I am convinced JPMorgan was and is the big short in COMEX silver.

Earlier, I had been reporting that JPMorgan was reducing their silver short position over the past few months. All the data verified that and I stand by my previous observations. What occurred is that JPMorgan changed tactics, starting on August 24. Whereas the data in the COTs and Bank Participation reports up until then indicated an ongoing net short position reduction in the big 4 category of the COT and the US bank section of the BP report, it changed after August 24. Then, JPMorgan started shorting silver aggressively again.

Here's why I think JPMorgan shorted more, putting its head back into the lion's mouth, after closing out a bunch of silver short positions. I don't think they thought they had any other choice. On August 24, the price of silver was around $18. Over the next couple of days it jumped sharply, to $19 and then continued to move up from there. The technical funds were buying aggressively and the commercials as a group sold to them. Without JPMorgan's additional 5000 or 6000 or more short contracts, the commercials stood a good chance of being overrun to the upside. I'm sure JPMorgan was afraid of this and helped out their collusive commercial brother crooks. I'm also sure that without JPMorgan's pile-on, the price of silver would have exploded upward. It still may.

A while back, several readers asked me if it was not possible for JPMorgan to close out its entire silver short position, seeing how they had reduced it by a third or so at unchanged prices. My answer then was that JPM had closed out the easy stuff, or the low hanging fruit, and that any further covering would come with more of an impact on price. I also wrote that JPMorgan was damned if they do and damned if they don't, namely, they would eventually be blamed for manipulation whether they covered or not. This recent significant addition of concentrated short positions confirms both my points. They couldn't close out more short contracts easily and, at this point, they are up to their eyeballs in the silver manipulation anyway, so why not short more to keep the price from exploding?

Interestingly, we're back to almost the exact same levels of short concentration in the current Bank Participation Report as we were in the landmark report of August 2008, which started me on the journey of singling out JPMorgan as the big silver manipulator. In the interim, JPMorgan has continued to dominate the silver market. There's no way they can deny their involvement, all they can hope to do is to somehow explain it away. They can start by showing how holding short more than 20% of the world production of silver is not manipulative.

What's shameful about this increase in the big silver short position (I'm sure it will be confirmed in the COT due later today), is that it stands against everything commodity law tries to advance. The most concentrated and manipulative short position in history just got a lot more concentrated. Where is the CFTC? JPMorgan reveals it is exiting proprietary trading and then increases its giant silver short position? The new Financial Regulatory Reform law intends that big banks stop manipulating markets and thereby creating a danger to us all, and JPMorgan drastically ups the danger meter? And all this is taking place as the two-year mark has come in what is supposed to be a silver investigation into this very matter? Have we all gone collectively insane?

The danger to the market is that the prospects for disorderly trading have been greatly increased due to JPM's actions. But I can't be sure if the danger is to the upside or downside. Or more correctly, whether we explode forthwith or after a jolt to the downside. If JPMorgan hadn't sold the thousands of silver contracts it just sold, we would already be much higher in price. That's flat-out manipulation. But JPMorgan has also greatly increased the danger to itself, as there is now a lot more fuel to launch a short-covering rally of epic proportions. That's what is so bad about JPMorgan's behavior; they have recklessly upped the ante for everyone. Forgive my language, but who the hell do these clowns think they are? Our markets are not their private sandbox. You can be sure I'll be sending this to JPMorgan and to the CFTC.

The advice for silver investors has not changed. Hold fully-paid for positions tightly and prepare for bone-jarring volatility. If you feel the need to do something, rattle on JPMorgan's and the CFTC's cage.

Ted Butler

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Silver – $19.88

Gold -$1247

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