September 11, 2019 – The Final Brick in the Wall?

I have been reporting on the silver manipulation for close to 35 years, after discovering in 1985 that excessive and concentrated short selling on the COMEX silver futures market was the reason for the low price. For the past 11 years, I have been reporting that JPMorgan had become the kingpin of the silver manipulation when it acquired Bear Stearns in early 2008. I have been very careful to make all my findings as open as possible, including sending everything Iâ??ve alleged to JPMorgan, the CME Group and the federal commodities regulator, the CFTC, recently having included the Justice Department.

To date, none of these entities have objected or disagreed with my allegations, which not coincidentally, involve the most serious market crime possible â?? price manipulation. In fact, a former commissioner of the agency, Bart Chilton, gave a recent interview shortly before his untimely passing basically confirming the allegations I made about JPMorgan, starting in 2008. The purpose of this piece is not to walk down memory lane yet again, but rather to put what I believe may be the final chapter to a story so remarkable that it couldnâ??t possibly be invented if it werenâ??t true. To do that, please allow me to first briefly highlight the key elements to this most astounding narrative.

Inheriting the mantle of largest short seller in COMEX silver futures when it took over Bear Stearns in March 2008, JPMorgan wasted no time in asserting its dominant control of silver prices and succeeded in driving prices down from $21 on the date of the takeover to below $9 by the end of that year. JPMorgan closed out a significant chunk of its short positions on the big price plunge in 2008, earning profits in the many hundreds of millions of dollars. And although silver prices rose on an irregular basis from that point on, JPMorgan perfected the strategy of selling short enormous quantities of COMEX futures contracts on price rallies to cap those rallies and to buy back those short sales when prices fell. So successful was JPMorgan that it never once took a loss when it increased short sales, only profits.

After two years or so of manipulating the price of silver through the sale of unlimited quantities of COMEX silver futures contracts on rising prices, followed by the repurchase of those short sales on falling prices, conditions in the physical silver market began to change and by the fall of 2010, a pronounced physical tightness began to creep into the market, largely the result of investment buying in silver ETFs (exchange traded funds). Any new net investment buying in the silver ETFs required the deposit of physical metal. For example, the largest silver ETF, SLV, witnessed an inflow of 60 million physical ounces from the fall of 2010 to May 2011. It was this physical buying of silver that caused prices to rise from the mid-$20â??s to near $50 by May 1, 2011.

Since the silver price rise had nothing to do with the buying of paper COMEX silver contracts, but with physical investment demand, JPMorgan was unable to stop the price rally by the selling of short contracts. Such paper short sales are only effective against paper purchases, not physical buying. In fact, there was very little net COMEX paper buying or selling on the price rise to near $50 in April 2011, as Commitments of Traders (COT) report data from the CFTC make clear.

JPMorgan had no choice but to ride it out, namely, suffering an open and unrealized loss of as muchas $3 billion as silver prices approached $50 in April 2011, but it did not rush to cover and buy back its silver shorts at a big realized loss and instead rode it out and worked to cause silver prices to fall sharply for what turned out to be the next 8 years. But thatâ??s not all JPMorgan did.

Seeking to immunize itself from ever being in such a precarious and vulnerable position of being massively naked short in a dramatic silver price rally, JPMorgan conceived and devised a solution so brilliant that to this day, I remain awestruck. Having followed silver very closely for 25 years to that point in 2011, JPMorganâ??s solution, quite frankly, never occurred to me. In fact, it took me a couple of years to uncover the genius solution that JPMorgan conceived in April 2011 and only then by observing the solution being effected.

Iâ??m speaking, of course, of JPMorganâ??s criminally genius solution of buying enough physical silver (and gold) as the antidote for ever getting hooked on the short side of COMEX futures again. For decades, I had been convinced that sooner or later the excessive and concentrated short position in COMEX silver futures must end in a short covering price blow off. It never occurred to me that the perfect solution was to buy enough physical to offset a big paper short position – not because Iâ??m an idiot, but because the thought of buying enough physical metal would surely drive prices higher, just as it did in 2011.

What I missed was that if you acquired the physical silver in a very slow and methodical manner, never once rushing the accumulation, employed a variety of acquisition methods and always maintained a tight control on price through continued excessive paper short sales when necessary â?? not only was such a massive physical accumulation possible â?? it is exactly what Iâ??ve been reporting for years. JPMorgan has taken more than 8 years and used every acquisition method possible under the sun (COMEX futures deliveries, skimming off the weekly COMEX warehouse movement, American Eagle and Canadian Maple Leaf coins, SLV conversions), all while maintaining its role as main COMEX short seller. These crooks are in a class of their own.

Having accomplished its goal of accumulating enough physical metal to completely offset its COMEX paper short position within a couple of years of conceiving its genius solution, JPMorgan didnâ??t stop acquiring physical metal at that point. Being able to accumulate so much physical silver (300 million oz by 2013 -2014), JPMorgan decided to keep accumulating while the getting was good. I donâ??t think this was JPMorganâ??s plan from the outset, but by continuing to acquire metal at the really depressed prices of the past 5 years, turned what was a genius defensive solution into perhaps the greatest money-making opportunity ever. All told, JPMorgan has accumulated 850 million oz of silver at an average price of $18 per ounce and 25 million oz of gold at an average cost of $1200 per ounce.

OK, I can almost hear you saying â?? yes, this is a truly remarkable story, unknown to the many and even to those who have heard it, not completely accepted (even though it is all mostly substantiated). But whatâ??s this business about the final brick in the wall? Whatâ??s that all about?

Well, about a year and half ago, I started noticing JPMorgan doing something different than how it behaved previously in gold. Where JPMorgan always used to work in concert with the other big commercials, selling when they sold and buying when the other commercials bought, around April 2018, I noticed JPMorgan going against the other commercials, buying when they sold for the first time. Thatâ??s when I began referring to the double cross premise. JPM hasnâ??t continuously gone against the flow of the other commercials since then, but it has on certain occasions, including the recent run up to new highs in gold and silver, as was indicated in the most recent COT report of Sept 3, when JPMorgan was practically the sole commercial short seller in COMEX gold and silver.

As I indicated on Saturday, I believe the sharp selloff in silver and gold last Thursday and Friday featured significant managed money selling and commercial buying. Further, I believe JPMorgan was a disproportionately large commercial buyer and may have completely eliminated or have come close to eliminating its entire COMEX short position in silver and gold, leaving its massive physical holdings completely unencumbered on any upside price move.

Of course, I may be wrong in what I expect has occurred in COMEX positioning through yesterdayâ??s cutoff for the reporting week. After all, the key moving averages (the 50, 100 and 200 day maâ??s) were not penetrated in either silver or gold (although the 20 and 30 day maâ??s were penetrated to the downside in gold), and total open interest â??onlyâ?• declined by less than 20,000 contracts in gold and by just over 8000 contracts in silver. Finally and most importantly, any managed money selling and commercial buying would necessarily involve the managed money traders booking large realized profits and the commercials booking large realized losses, both unprecedented events.

Therefore, it is quite possible that I may be wrong in my expectations for very significant positioning changes in Fridayâ??s report. How significant do I expect the changes to be? Well put it this way, the largest weekly changes in my memory were something on the order of 70,000 contracts in gold and around 25,000 contracts in silver and I will be surprised if we donâ??t see changes as large or larger than those. I will be disappointed if the weekly changes are much less than that, particularly if JPMorgan has not reduced its silver and gold short positions substantially. If the changes are much less than I expect (hope), it likely means we need to see further price weakness to work off the excessive commercial short positions.

However, if JPMorgan has bought back a significant chunk of its COMEX gold and silver short positions then that, quite frankly, may be the final brick in the wall â?? clearing the way for JPM to let her rip to the upside and catching the other commercials in the mother of all potential full pants down double crosses. The remarkable final chapter to what has been a story more remarkable than the human mind could ever imagine (if I didnâ??t observe it every step of the way) may have just been written.

Yes, one needs to remember that day to day price predictions are not worth repeating aloud, but if one sees or senses something extraordinary afoot, not much is gained by keeping it to yourself. Maybe JPMorgan can help squeeze out still lower prices in the very near term in order to buy back its short positions (or go long), but it is sitting in a catbirdâ??s seat unlike ever before â?? holding 850 million oz of physical silver and 25 million oz of physical gold at a current combined open profit of more than $7.5 billion, maybe no big paper short positions and having banked at least $5 billion in cumulative trading profits in COMEX gold and silver since acquiring Bear Stearns in 2008. And as far as I know, Iâ??m the only one pointing this out.

As far as the running financial tally for the 7 big COMEX gold and silver shorts, this week has brought some relief, particularly from the horrendous standing of a week ago, when the big shorts were out a combined $5.8 billion. By weekâ??s end, the big shorts had whittled that down to $4.1 billion and as todayâ??s close, down by less than $300 million to $3.8 billion â?? or nearly $550 million per trader on average. Still, itâ??s important to remember that even with the monetary relief the big shorts have experienced in the very short term, the amount that they are out on an open and unrealized basis is the greatest they have been out in history â?? much larger than what was experienced in 2016. And this after a pretty sharp selloff from a week ago.

Thus the vulnerability of the big shorts is still a clear and present danger to them and based upon how prices and their positions have evolved, itâ??s hard for me to envision how they can get out of their predicament without some substantial realized losses, even if they succeed in driving prices lower from here. It is this vulnerability that leads me to conclude that the big shorts seriously miscalculated in putting on such large short positions on what have turned out to be such low prices. More than anything, the remaining vulnerability of the big shorts makes them extremely susceptible to any double cross that may be contemplated by JPMorgan.

While recent popular sentiment seems to have shifted to a collective opinion that favors a deeper selloff before we resume a price uptrend, Iâ??m more of a mind that JPMorgan may decide to press its advantage and allow prices to abruptly turn higher. Accordingly, Iâ??m in the process of redeploying recently extracted cash raised by peeling off some of my nutso kamikaze silver call options back into â?? you guessed it â?? other reckless nutso kamikaze calls. I guess Iâ??ll never learn.

Ted Butler

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Silver – $18.20Â Â Â Â (200 day ma – $15.54, 50 day ma – $16.77)

Gold – $1504Â Â Â Â Â Â (200 day ma – $1342, 50 day ma – $1472)

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