

## September 18, 2013 – Will The Silver Manipulation Ever End?

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Given how things have progressed over the years, those that follow gold and silver closely are more inclined to believe that these markets are manipulated than those who feel the markets trade freely. Certainly, I don't see many pounding the table about the high integrity and fair dealings in COMEX gold and silver. Because recognition of the price manipulation in gold and silver has become so widespread and because the manipulation has lasted for so many years, instead a new phenomenon has appeared – the belief that the price suppression can last forever.

To be clear, I'm not speaking of the inevitable physical silver wholesale shortage that becomes intense enough to break the paper market's hold on prices, as that looks like a guarantee at some point. (I don't see this in gold, because of the quantity and value of gold in existence and the lack of a strong industrial consumption component). Instead, I'm speaking of the sense among many that nothing can break the manipulation short of a physical shortage. Frankly, this is a legitimate concern.

Let's face it – the chief gold and silver price manipulator, JPMorgan Chase, may be the most powerful commercial financial institution in the US, if not the world. JPM's sidekick and enabler in the manipulation, the CME Group, is the world's leading derivatives marketplace. Since neither organization has an interest in ending the gold and silver manipulations or even in addressing direct allegations of price fixing and market corners, why wouldn't the crime in progress continue? Throw in an apparently complicit and/or conflicted primary regulator, the CFTC, and you have the perfect trilogy for the gold and silver manipulations lasting for as long as can be imagined. If anything, the manipulation has become more blatant as time has progressed and appears to be getting stronger. Therefore, it's not unreasonable for anyone to conclude that this is one crime in progress likely to remain in force.

While it is understandable for more observers to expect the gold and silver manipulation to last indefinitely because it has already lasted so long, I don't feel that way. I can't guarantee that the silver manipulation will end before the inevitable physical shortage ends it, but it is far from a certainty that nothing could end it before a silver shortage hits. The best way to analyze this is to try to look at both sides of the equation as objectively as possible.

JPMorgan and the CME are powerful and that argues for a continuation of the manipulation, as does the implicit hands off stance of the CFTC, which has gone absolutely silent on matters applying to gold and, especially, silver. Considering the circumstances surrounding JPMorgan's acquisition of Bear Stearns' concentrated short positions in COMEX gold and silver in March of 2008, it is almost assured that certain arrangements were made between the US Government and JPMorgan as to the disposition of the two short market corners.

This, in essence, is at the heart of the problem. Dispensation against prosecution for market manipulation was granted to JPM at a time of intense financial crisis. Even accepting that, it is hard to see where anyone would be so foolhardy to grant JPMorgan a permanent license to manipulate silver, given the certain harm and distortions created in supply and demand. My argument against the manipulation lasting indefinitely starts with the price pattern in silver since it became clear that JPMorgan assumed the role of prime silver and gold manipulator in March 2008.

Bear Stearns failed when and because silver hit \$21 in March 2008, then the highest price for silver in more than a quarter century. At the same time, gold hit an all-time high of \$1000, and the combined loss and margin call to Bear Stearns from its silver and gold shorts was \$1 billion. I've seen no evidence that disproves that Bear Stearns went belly-up because of losses from its big gold and silver short positions. Hey  $\hat{A}$ ? if you hold the largest concentrated short positions and prices surge to historic highs, you should expect to go out of business. In this case, the expected occurred and JPMorgan was asked to take over Bear.

About nine months after JPMorgan took over the concentrated short positions from Bear Stearns, the bank succeeded in rigging silver prices to under \$9, one of the most effective manipulations in history. This was the basis for numerous civil class-action lawsuits against JPMorgan for manipulating the price of silver, although the master case was eventually dismissed. But from under \$9, silver came back, although JPMorgan was successful in keeping the price under the \$21 previous high water mark until late the fall of 2010.

Once silver broke the \$21 mark in late 2010, it quickly raced to \$49 amid clear signs (in retrospect) of a developing physical shortage. In other words, JPMorgan was unsuccessful in containing the price until May 1, 2011. Then, working in tandem with JPM's criminal partners at the CME, a series of historic price smashes put JPMorgan back in manipulative control until the present.

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My point in all this is to demonstrate that while JPMorgan has been manipulating silver prices since March 2008, there are times when the bank has lost absolute and complete control as is evident in the price action. Even assuming the silver manipulation is maintained indefinitely by JPMorgan, in concert with their criminal partners at the CME and the complicit regulators at the CFTC, a price run to the old highs and beyond cannot be ruled out simply because it has already occurred. Aside from legal and ethical considerations, if we continue to get giant price rallies, does it matter much if the manipulation remains in force?

Past price action and the duration of JPMorgan's manipulation aside, there does seem to be some remarkable changes underfoot that threaten to end the silver manipulation. For one thing, the negative press accruing to JPMorgan currently is extraordinary compared to JPM's reputation and image at the start of the bank's involvement in the manipulation in 2008. I think all would agree that a powerful bank with an untarnished reputation and great working relationships with the regulators could more successfully pull off the manipulation scam, than a bank with a recent string of infractions that has it at odds with its regulators.

Two recent articles in the NY Times would seem to indicate conclusively that JPMorgan is no longer the hero it was during the financial crisis of 2008. It is hard for me to recall so many different regulators focusing on a single bank as is now the case for JPMorgan. On Sunday, a front page feature outlined another new line of business JPMorgan was involved in that appeared questionable, at best. It had to do with ethanol tax credits and it was alleged that JPMorgan had hoarded and stockpiled the credits amid a giant run up in price.

<http://www.nytimes.com/2013/09/15/business/wall-st-exploits-ethanol-credits-and-prices-spike.html?pagewanted=all>

Why is it that there is a continuing pattern by JPMorgan (and other large banks) to game the system by coming to dominate and control any market it touches in ways never intended? And always with the same result? JPMorgan profits and everyone else loses, particularly the public. I firmly believe that JPMorgan can't help itself; given its structure and how it conducts business and its need to maintain outsized profits at all costs. In essence JPMorgan is a criminal enterprise that can't behave differently than to dominate and rig the prices of any market in which it is involved. For this reason alone it should not be allowed to trade gold and silver; to say nothing about JPM not being allowed to hold market corners. In terms of helping it to continue the silver manipulation unimpeded, JPMorgan's deteriorating reputation is scant help.

The second article in the Times dealt with the expected settlement by JPMorgan this week with several regulators for the London Whale fiasco last year. Most observers are numb to the staggering amounts of fines accruing to JPM in the never-ending improprieties; and the expected \$750 million settlement in this debacle adds to the numbness. While the expected settlement was covered widely, what was special about the article was a brief mention and explanation that the CFTC would not be participating with the other regulators in the joint settlement.

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<http://dealbook.nytimes.com/2013/09/16/jpmorgan-set-to-pay-fines-for-whale-trading-losses/>

Here's the key paragraph (that almost caused me to spill my morning coffee) –

“The Commodity Futures Trading Commission, the regulator overseeing the market in which the losses occurred, has balked at joining the broader settlement and plans to fine the bank later this year, the people briefed on the matter said. The agency split from fellow regulators as its investigation went in a different direction. **Unlike the S.E.C., the trading commission has examined whether JPMorgan amassed a position so large that it “manipulated” the market for financial contracts known as derivatives.**” (emphasis added)

Hello? Is this not the central issue I write about – JPMorgan holding such large positions in COMEX gold and silver that it automatically manipulates the price? While I am cheered that the CFTC appears to see it in credit default swaps, it makes it all the more unusual that the agency refuses to see the same issue in COMEX silver and gold.

Comparisons between the London Whale derivatives trade and JPMorgan's activities in COMEX gold and silver are revealing. The Whale trade is over; COMEX gold and silver manipulation is still a crime in progress. Which is more deserving of priority attention from the CFTC? Additionally, the CFTC only learned about the Whale trade after it blew up and that's when JPMorgan's potential manipulation came into focus. With silver and gold, the agency reports the proof weekly in its reports on market concentration.

The massive proposed fines in the London Whale trade come as JPMorgan lost \$6 billion on that trade. But what the bank lost is separate from the fact it violated internal guidelines and may have manipulated the CDS derivatives market by its large position. Had JPMorgan made \$6 billion instead, as the bank has made in COMEX gold and silver over the years, wouldn't the gain be forfeited, in addition to stiff fines being assessed?

CFTC data indicate that JPMorgan made more than \$3 billion in the downward price manipulation of COMEX gold and silver this year and so far \$350 million on its long market corner in gold to the upside more recently. This crooked bank shouldn't be allowed to keep those profits or any others improperly earned and should also be fined excessively for engineering the scam. Ironically and understandably, the fact that JPMorgan has made such large profits in manipulating gold and silver is at the heart of why many feel the bank will continue to manipulate indefinitely. Quite literally, why would JPM abandon its golden goose of rigging gold and silver prices at will?

I will stipulate that the bank wouldn't do so voluntarily and further that it would be hard for JPMorgan to suddenly cease manipulating COMEX silver and gold. That's because it holds such a disproportionate share of each market that its sudden withdrawal would be a shock to the system. That is certainly a vote for the manipulation continuing. But there are other considerations.

The most important consideration to me is the complete silence on the part of JPMorgan, the CME and the CFTC to what is a growing awareness of the manipulation. It's important to step back to appreciate how unprecedented is this silence. There has never been a case, to my knowledge, where major financial institutions, like JPMorgan and the CME Group, have not addressed public accusations of criminal market behavior. Particularly with financial organizations, where reputation is critical, there was always a zero tolerance for disparaging remarks. How more disparaging can an accusation be to a financial institution than to be accused of market manipulation? I remember stories of corporations accused of wrongdoing by anonymous posters on blog sites, seeking out the identity of those posters and forcing them to retract and cease negative comments. That's certainly not the case with JPMorgan and the CME and COMEX gold and silver and that is most unusual. Don't get me wrong, if I were JPM or the CME, I'd keep silent as well, as the alternative would be to lie.

But it is the continued silence from the CFTC that is most telling and that promises to be the key factor going forward. Unlike JPMorgan and the CME, the CFTC has spoken extensively about the silver manipulation in the past, as is proper and should be expected. On past occasions, the CFTC has responded to allegations about silver being manipulated in price due to a concentrated short position on the COMEX. Because there were many complaints from the public and because the allegations were credible, the agency issued public responses in 2004 and 2008.

In hindsight, past statements from the agency weren't truthful. Specifically, in the public response of May 2008, the CFTC stated there was nothing unusual with the concentrated short position in COMEX silver. This was a lie by omission as two months earlier, Bear Stearns faced bankruptcy because of its short gold and silver positions and the agency supervised the transfer of the short positions to JPMorgan. How much more unusual could it be?

Within months, the release of the August 2008 Bank Participation Report revealed to me that the big short position in COMEX gold and silver was transferred to JPMorgan. As a result of many of you writing to the CFTC, the agency initiated the now five year old and still unconcluded formal silver investigation by their Division of Enforcement. On a number of occasions since it began in September 2008, the agency has publicly stated that the investigation was continuing in full deliberation, although it's been quite some time since the agency has issued further updates on the status of the formal investigation. While the delay in resolving the silver investigation is frustrating, the delay and silence is better than the agency lying again.

I think there is good reason for the delay. Conditions have changed radically since the investigation began five years ago. As indicated above, JPMorgan has revealed itself in the interim to possessing the culture of corruption I accuse the bank of. The recent non-stop settlements for improprieties in every line of their businesses show JPMorgan in a very different light than back in 2008. It is not an understatement to say that JPMorgan has had a severe turn to negative reputational image over the past year or so. It's not just the public that is now aware of JPMorgan's misdeeds; this perception has had to affect the regulators as well. Undoubtedly, the CFTC has a different perception of JPMorgan than it did five years ago; we all do. I think that bodes well for an early end to the manipulation than otherwise.

I should point out that the silence from the CFTC on the silver manipulation instead of their former lying has occurred while Gary Gensler has been chairman. The formal silver investigation began in September 2008; Gensler didn't come on board until 2009. As hopeful as I was initially about Gensler and as disappointed as I've been about him later for his lack of action; neither he nor the agency has lied and said all is well in silver and gold. In a sick way that's an improvement of sorts.

At the very least, I expect that Gensler is tormented by the knowledge that JPMorgan is continuing to manipulate silver and gold prices to the detriment of the public and our markets and is contrary to the CFTC's most important mission of preventing manipulation. I think I know that there was a special deal made with JPMorgan about manipulating silver and gold when they took over Bear Stearns and that deal wasn't made by Gensler. Yet by abiding by the ill-conceived (and probably illegal) arrangement with JPMorgan, Gensler and every other official of the agency who took an oath of office to uphold the law are sanctioning a great injustice against the very people they swore to protect. This injustice overwhelms any other good that the agency is attempting. I'm glad I'm not in that position.

Perhaps the most important change over the past five years has been the price experience, particularly the sudden price sell-offs in silver that defy legitimate explanation. It is not possible for a world commodity to fall 30% or 35% or even 10% in a matter of days with no obvious economic explanation, other than price manipulation. Couple that with the clear evidence from COT data that all price drops benefit JPMorgan the most. Not only is the bizarre silver price pattern explained by JPMorgan's actions, but there are no alternative legitimate explanations that come close to making sense or standing scrutiny.

Particularly this year, with JPMorgan swinging from a short market corner in COMEX gold to a long market corner for the first time ever (picking up \$3 billion in profits), the evidence and proof of serious wrongdoing is available for all to see. Sometimes, it's hard to put five years into proper perspective, but the evidence of manipulation and the role of JPMorgan are unquestionably stronger today than it was five years ago. You have to think about that for a moment. While we are waiting for the CFTC to conclude an investigation based upon the facts in COMEX silver at that time, so much new proof has been introduced identifying JPMorgan (and the CME) as the greatest manipulators of all-time, that ten separate investigations should have been initiated on different (but related) facts and price events.

A number of subscribers have asked me about recent stories concerning whistle blowers coming forward from JPMorgan more than a year ago, alleging gold and silver manipulation at the bank and that the CFTC has sat on the evidence submitted. I hope the stories are true, but I have no way of knowing that. I do know that silver and gold have been manipulated in price to this day and the proof in the CFTC's reports is so compelling that the agency can't speak up to refute that proof. In other words, if whistle blowers do prompt action from the CFTC against JPMorgan, it will only be because COMEX silver and gold have been manipulated all along.

What I am most convinced of is that there is no way for the CFTC to move against JPMorgan for manipulating silver without acknowledging that silver has been manipulated for years (decades) while the agency denied that manipulation existed. I freely admit to not being clairvoyant. That means it would be impossible for me to allege a silver manipulation so far in advance and so consistently and for there to be a sudden and separate COMEX silver manipulation unrelated to the issues I have raised.

In fact, this is a big potential headwind against the CFTC acting against JPMorgan for manipulating silver, with or without whistle blowers. If they were to do so, the agency would be admitting that they blew it for decades prior. Admitting and rectifying error is a difficult thing for any individual or organization to do, even if it's the best course of action. In a personal message to Chairman Gensler and fellow commissioners and senior agency staff; focus on the future and the greater good. The best course is to end the silver and gold manipulation that is distorting price and hurting the public and our markets and helping only JPMorgan and a handful of select traders. The embarrassment in admitting past misjudgment will be overcome by the long-term benefit of restoring free markets in silver and gold. Besides, you can see how crooked JPMorgan has become over these past five years.

The long-awaited announcement from the Federal Open Market Committee was a surprise to the consensus expectation of a modest tapering, as the FOMC decided on no taper or reduction in the ongoing \$85 billion monthly easing. Gold and silver prices reversed course from weakness to strength. Silver had spent the majority of the day below its 50 day moving average for the first time in more than a month. Gold had been below its 50 day moving average for the past week and also made new lows for much of the day before reversing.

I'm not a Fed watcher and I don't really care what they do, as it is very much outside anything I control. Instead, I believe all such announcements are merely excuses for JPMorgan and other commercials to move the markets as they desire. I've been thinking that the downdraft in gold and silver over the past three weeks was nothing more than JPMorgan rigging prices lower to buy as many contracts as possible. That should be reflected in Friday's COT report. My guess was that JPMorgan's positioning and the price drawdown were drawing to an end and the sharp move up today may further confirm that expectation. The important point is what happens in the long run, not the short term and long term consideration

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