September 27, 2017 – Cook Interview/Dalio's Principles

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Interview with Jim Cook

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Hereâ??s a recent interview I did with Jim Cook, President of Investment Rarities, Inc. (IRI), for whom Iâ??ve consulted for more than 17 years (where did the time go?). Itâ??s gotten to the point where about the only interviews I do are with Cook, but thatâ??s not due to our long relationship. Rather, itâ??s because he comes prepared and wastes no words, making my role easy. With Cook, itâ??s always getting to the heart of the matter, with the least amount of fluff as required.

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Cook: Are you disappointed with the recent price action in silver?

Butler: Of course, I thought we might finally be breaking out.

Cook: What happened?

Butler: Itâ??s the same old story. As I outlined previously, we were setup for a strong rally at the recent lows, but whether the rally was of the now-typical $2 to $3 variety or the big one was based upon whether JPMorgan added aggressively to COMEX silver short positions. JPMorgan, once again, stopped the silver rally cold by adding massive amounts of short contracts, just as they have on every silver rally over the past ten years.

Cook: How many contracts did they add?

Butler: Over the course of eight weeks JPMorgan added 23,000 new short contracts, the equivalent of 115 million ounces (on top of the 75 million ounces they were already short).

Cook: Why are they doing this?

Butler: To make both short term and long term profits.

Cook: How do they do that?

Butler: JPMorgan buys back the added short positions at lower prices. They have always made short term profits, with never a loss â?? a track record impossible in a free market. Secondly, since they continue to buy physical silver hand over fist at their self-created lower prices, JPM will profit immensely on their massive physical position whenever they take their foot off the neck of the price.

Cook: How much actual silver do you think they hold?

Butler: At least 650 million ounces.

Cook: How much longer do you think JPMorgan will be suppressing the price of silver so that they can accumulate more on the cheap?

Butler: Thatâ??s the billion dollar question to which I have no crystal ball. Truth be told, I thought they would have let it go when they held half as much silver as they do now. Back then they held three times as much as was held by the Hunt Brothers or Warren Buffett. Now JPM holds up to six times as much.

Cook: Can they do this forever?

Butler: Why would they? Thereâ??s no payoff for accumulating forever. The only plausible explanation for anyone massively acquiring any asset is the expectation of higher prices. JPMorgan is accumulating silver for one reason and one reason only â?? to make as large a profit as possible.

Cook: Is it possible the Government has given JPMorgan a mandate to hold down the price of gold and silver?

Butler: I know this is a popular opinion that seems to make sense, but thereâ??s little direct proof of that. Besides, thereâ??s a much better explanation.

Cook: What is that?

Butler: JPMorgan and other big banks are having a field day taking money away from the managed money traders (the longs) in full view and making billions of dollars in the process. I think thatâ??s the prime motive for the price manipulation, rather than some broad government conspiracy. The motive is big and easy money.

Cook: Could the regulators put an end to this manipulation which you call a serious crime in progress?

Butler: Sure, they could, but I doubt they will. They are probably embarrassed for not having intervened to this point. How does the CFTC come out now and crack down on JPMorgan after letting them slide for nearly ten years?

Cook: Whatâ??s the downside of the price of silver at todayâ??s levels?

Butler: A dollar or so, maybe more if JPMorgan and the commercials so decide. They need to get the technical funds to sell so that they can buy back their short positions. The only way JPMorgan and the commercials can do that is by rigging a series of new price lows that induces the technical funds to sell. I call it slicing the salami. That process seems to be underway and once it is complete, there will be little or no risk of lower prices.

Cook: Whatâ??s the upside for silver?

Butler: Almost unlimited. Thatâ??s what makes silver the best investment opportunity around. The risk in the short term is limited and when this current rig job on the COMEX is complete, there will be virtually no risk remaining â?? only massive profit potential.

Cook: A lot of people have been holding silver patiently for a long time. What do you say to them to ease their frustration?

Butler: Understanding the facts for why silver prices remain so low and why they will explode, are the only real solution to any frustration for why silver prices havenâ??t moved higher. They are the reason to expect much higher prices to come. It would be far more frustrating if we didnâ??t know about the COMEX and JPMorgan.

Cook: Are you backing off your prediction that people can make ten times their money with silver?

Butler: Heck no. In fact itâ??s a lot more likely, mathematically, for silver to go up ten times from the current price than it will be at higher prices. And considering how little actual silver exists in the world and how much of that is now owned by JPMorgan, the odds for a ten-bagger are better than ever. End of interview.

Ray Dalioâ??s Principles

Speaking of interviews, I caught a good one by Charlie Rose on Bloomberg TV the other night of Ray Dalio, founder and head of Bridgewater Associates, the worldâ??s largest hedge fund with some $150 billion in assets under management. Dalio has been making the rounds recently in promoting his new book, â??Principlesâ?•, in which he lays out his beliefs for the investment business and the business of life. Now in book form, Dailo previously offered his work for free and which was downloaded more than three million times. For very good reason, when Dalio speaks, he is listened to even more than EF Hutton.

One of the best things about Dalio (and if youâ??re unfamiliar with him, please do a search on Google) is his rags-to-riches real life experience and his strong belief that we learn through our mistakes. In his case, his biggest failure and the cause of his near financial ruin was a mistaken bet on a stock market collapse in the summer of 1982. However, instead of the market tanking for all the reasons Dalio had (correctly) anticipated, it exploded with a vengeance, creating losses and forcing him to lay off his employees (with whom he held close personal relationships) and resort to borrowing $4000 from his father to survive. For a more detailed version of the affair, hereâ??s a good link.

http://www.institutionalinvestor.com/article/3751630/asset-management-macro/the-education-of-ray-dalio.html#/.Wcupk7le7bh

Staring into his own personal abyss, Dalio vowed to learn from it and set about to do just that, succeeding far beyond what anyone could have ever imagined. What resulted was an organized and disciplined approach to dealing with decisions and mistakes. Please recognize that I am paraphrasing in very simple terms what is a detailed plan for action on his part. In essence, Dalioâ??s design was to come up with investment ideas not currently widely-embraced (allowing for big rewards if correct), but then to subject those ideas to intense and deliberate critique. In Dalioâ??s words, the critique should take the form of â??thoughtful disagreementâ?•. Spend time and energy uncovering and developing new ideas, but then spend just as much effort in trying to uncover whatâ??s wrong with the new ideas (before the market tells you that the idea was flawed). All in all, pretty good stuff.

The reason I bring all this up is because I feel it directly relates to silver as an investment idea and, all along and quite unknowingly, I may have been applying Dalioâ??s principles in my analysis of silver. Certainly, silver meets Dalioâ??s prerequisite for a profitable investment idea since it is far from widely embraced by the investment community, but there is a lot more to it than that. In fact, Dalio has been a long-time and strong proponent for gold and in the interest of full disclosure, some six or seven years ago, I wrote to him and his chief investment officer, Greg Jensen, about the merits of investing in silver. I remember having to print out and snail mail my thoughts to Dalio and Jensen because no email contact was available on the Bridgewater website. As an aside and also in the interest of full disclosure, about 12 years or so ago, maybe longer, I faxed a presentation on silver to Donald Trump where I promoted it to him both as a great investment, but also as a way of greatly bolstering his reputation as succeeding where the Hunt Bros. and Warren Buffett hadnâ??t succeeded.

Just like the vast majority of my attempts to contact those of great influence in the investment world on silver, I received no reply from Dalio (or Trump), not that I was really expecting one. That mattered little, since I promised myself long ago that I would do whatever I could imagine to get others to see what I saw in silver and no response wasnâ??t a crushing blow or deterrent. So why am I bringing up Dalioâ??s principles?

Unbeknownst to me, it seems that I have been following Dalioâ??s advice about seeking serious critique for my ideas on silver, particularly of the thoughtful disagreement variety. How else would you characterize what I do? By writing on a public and semi-public basis, including to those at the very top of regulation and the organizations I claim are manipulating the price of silver (JPMorgan and the CME Group), I would contend that what I am doing is nothing but looking for thoughtful disagreement (including perhaps from Dalio himself). Sure, I get plenty of personal insults from some, mostly anonymous, but serious critique about the body of what I write? Never.

Here are the issues. Silver (and gold) prices are set by paper dealings on the COMEX by a few large speculators (banks and managed money traders), to the exclusion of input from real producers and consumers, making the price discovery process and the resultant price artificial. For the past nearly ten years, CFTC data have indicated that JPMorgan has been the dominant paper silver short seller, along with a few other large banks and as a result of that dominance and control none have ever taken a loss when adding short positions. In addition, for the past six and a half years, JPMorgan has accumulated a massive amount of actual silver (650 million oz) at rock-bottom and self-created depressed prices.

I have carefully thought out the silver price manipulation for more than 30 years, yet I see no thoughtful disagreement to my presentation of it. Whatâ??s a guy got to do to get some thoughtful disagreement? Take a knee during the national anthem? I thought I was already doing the equivalent of that in openly calling out JPMorgan and the CME as the market crooks and manipulators they surely are. Yes, there were a few long public responses to my allegations from the CFTC, but the last was more than 9 years ago. Since then, as I have chronicled on these pages, JPMorgan has burst onto the scene as the big paper silver manipulator and physical accumulator (as a result of its takeover of Bear Stearns).

The whole thing is quite surreal â?? a major market voice preaching the need for thoughtful disagreement and the lack thereof on an issue that couldnâ??t possibly be more serious; the price manipulation of an important world commodity. It seems to me that this is not a situation that can remain unresolved indefinitely; sooner or later, someone will come up with the thoughtful disagreement that makes the body of my premise invalid or the price of silver will validate the premise by exploding.

Obviously, I would prefer a silver price explosion, but truth be told, in the interim, Iâ??d settle for some thoughtful disagreement.

On to developments since the Saturday review. The new report for securities short selling for positions held as of Sep 15 revealed an increase of short selling in both SLV, the big silver ETF and a particularly large increase in GLD, the big gold ETF. In SLV, the short position increased by more than 1.8 million shares to 15.4 million shares (ounces). In GLD, the short position increased by more than 5 million shares to nearly 18.5 million shares (1.8 million oz).

http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2

The increases (never good news) are somewhat in line with the general increase in commercial shorting in COMEX gold and silver through the report date, but other occurrences seem to be at odds with past patterns, most particularly the continued gold deposits into GLD on price weakness. Maybe the gold deposits are designed to offset the increase in the short position of GLD and if so, perhaps that will be reflected in the next short report (barring the â?•short against the boxâ?• premise). In any evet, I have no explanation for the highly counterintuitive flow of metal into the GLD on declining prices. Hopefully, one will emerge.

Price action this week has been volatile, with sharp rallies (late Monday) as expected, as well as what looks like continued salami price slices to the downside (fresh price lows were seen today in both gold and silver). I continue to expect more of the same. I hope no one thinks I know which way prices will evolve in the short term, because I donâ??t. I continue to believe that there is a greater probability of a further flush out of the managed money traders to the downside based upon past occurrences, but probabilities are just that, not certainties. Itâ??s just that itâ??s hard to argue with the perfect trading record of JPMorgan and the commercials over the many years and even decades; a record so perfect that it constitutes prima facie evidence of price manipulation.

As far as what to expect in Fridayâ??s COT report, based upon price action, trading volumes and daily changes in total open interest through yesterdayâ??s cutoff, I would imagine that the new report will feature a second reporting week of commercial buying and managed money selling. As for numbers of contracts, Iâ??d guess close to the numbers of last week; something on the order of 20,000 net contracts in gold and up to 10,000 net contracts in silver. If we come in relatively close to those numbers, it will indicate the rinse and repeat process is underway, but nowhere near completion.

Not to be overlooked as the COMEX commercial crooks continue to have their way, is that silver is absurdly undervalued and underpriced by any possible metric away from COMEX futures positioning. Seeing that such positioning is very short term in nature, it is not wise to base long term investment plans on such short term matters. But as an analyst and commentator, it is also impossible for me not to comment on them.

Ted Butler

September 27, 2017

Silver – $16.85Â Â Â Â (200 day ma – $17.12, 50 day ma – $17.07)

Gold – $1289Â Â Â Â Â Â Â Â (200 day ma – $1246, 50 day ma – $1295)

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