

## September 9, 2020 – Some Things Different; One Still the Same

With several months remaining in the year, 2020 has already qualified in my eyes as the most important year in silver (and gold) market history. Sure, I'm well aware of other years when the price moved higher or lower and years where there were highly visible news events, such as when the Hunt Brothers and Warren Buffett made historic purchases. Admittedly, 2011 is a strong contender, not just for the spike to \$50, but more for being the year that JPMorgan put its criminally genius solution in play of buying as much physical silver (and later gold) as it could to offset its paper COMEX short position.

The reasons I'd nominate the yet to be completed 2020 as the most important year in silver market history are for the many unusual things that have occurred, including the price behavior of silver. Regarding price, while there have been many years in which silver has been both higher and lower than this year, there haven't been any other years in which the price of silver has been both at ten year lows and seven year highs. Or, on a relative basis compared to its age-old precious metals companion, gold, where silver has established new relative price lows dating back 5000 years, only to reverse within months to multi-year highs. On the basis of price extremes alone, this year would seem to get the nod and I believe the highs have yet to be recorded.

As remarkable as the price extremes in silver have been so far this year, I can trace no real reason for the historic volatility to any obvious supply/demand developments as a result of the truly extraordinary developments from the worldwide pandemic. To be sure, the pandemic has turned the economic, political and investment worlds on their heads, but the net true impact on silver fundamentals seem lacking, at least to me. There was no clear reason for silver to fall to ten year lows and all-time lows relative to gold in March and then rebound sharply to multi-year highs due to the pandemic.

Of course, there had to be a reason for such extreme price moves in silver; my point is that it simply wasn't directly related to COVID-19 and its resultant economic and political turmoil. Instead, the reasons for the extreme volatility were behind the scenes and related to developments on the COMEX. The good news here is that if I am correct, there is every reason to believe the price pyrotechnics in silver have just begun. In other words, the things that are different and driving the price of silver are out of view for most observers, although there is one thing still left to change or at least change materially.

The biggest single development this year has been the apparent decision (most likely forced) by JPMorgan to end its nine year accumulation binge of physical gold and silver, first instituted in 2011. Talk about what took them so long? I've been expecting that JPMorgan had enough physical gold and silver for years to satisfy even King Midas himself, but the bank continued to accumulate even more.

As long as JPMorgan was in active-accumulation mode, there was little reason to expect prices to surge as they acquired even more. The corollary is that once prices began to surge, there would be much less of a reason for JPMorgan to actively accumulate physical silver and gold, particularly since awareness was growing of what JPM was up to. To be sure, gold prices surged much earlier than silver prices, but the bulk of the gold price advance occurred in 2020, cementing my view that this was the most important year.

With the sharp advance in gold and silver prices, it stands to reason that JPM might suspend its

physical acquisition strategy. One point I may not have made previously in anticipating how much of a gain JPMorgan had in mind as it was accumulating the 25 million+ oz of gold and now 700 million oz of remaining physical silver it holds is to think in terms of time and less in price. Whenever someone (especially perhaps the world's greatest investment entity) spends nine years accumulating specific investment assets, the odds of it turning around and dumping it quickly, like a day trader, would seem remote. Such a long acquisition phase denotes a long holding period before distribution.

One other point that I have been contemplating deeply of late is who exactly holds the physical metal that I claim JPMorgan has accumulated for all these years. There's no doubt whatsoever that the method by which JPM accumulated the physical metal – by being the biggest paper short on the COMEX, while picking up physical metal on the cheap – was the most manipulative act in history; but I've started to change my mind about who actually holds the metal. My recent thinking is that a big chunk of the physical metal may be held by insiders and friends and family and not by the bank itself.

Not only does this answer questions about how the bank can hide the metal (it can if it wants to), but puts the real beneficiaries of this perfect crime scam as insiders who hold the metal in names other than the bank itself. Remember, there is no public or regulatory reporting required for holding physical gold or silver in one's own name, no matter how large the holdings may be. This makes the perfect crime even better. Just sayin'.

As far as the regulators doing anything about this, please take any such thoughts out of your head because the very last thing the regulators want to do is claim that JPMorgan is responsible for even a fraction of what I allege because that would prove the CFTC and Justice Department have dropped the ball for many years. That isn't going to happen.

One other big thing that has changed this year is the plight of the 8 big concentrated shorts in COMEX gold and silver futures. After years, decades actually, of uninterrupted success in shorting against the managed money traders on price rallies in gold and silver and then duping the managed money traders to sell out on lower prices, this other perfect gold and silver crime came to an end. Until a bit over a year ago, the 8 big shorts had cumulative trading profits against the managed money traders of around \$2 to \$3 billion (ex JPM).

Starting in mid-2019, but truly taking hold in 2020, the 8 big shorts were unable, for the very first time, to flush out the managed money traders to the downside and were forced to hold their concentrated short positions as prices began to rise in earnest. I started calculating the developing open and unrealized losses of the big shorts (being careful to exclude JPMorgan which was protected by its physical metal) in the summer of 2019 and by yearend the total losses amounted to \$3.8 billion, wiping out the years of accumulated trading profits. After holding the line through the end of the first quarter (thanks to the smash in prices into mid-March), the fortunes of the 8 big shorts turned decidedly bleak, with losses hitting near \$18 billion a month or so ago and remaining mostly above \$15 billion to this day (I'll update the loss later).

While the 8 big shorts were able to somewhat reduce their concentrated short positions in COMEX gold and silver into the contrived mid-March price lows, they were nowhere near as successful as was JPMorgan, which completely eliminated its near 20,000 contract silver short position and near 45,000 contract gold short position that it held at the February highs. Since JPM's elimination of its entire COMEX silver and gold short position, it has remained largely flat in COMEX positioning, compared to

the 8 big shorts continuing to be stuck with their concentrated short position.

While it's certainly no guarantee that there won't be a sizable selloff in silver or gold from here, as far as I know there has never been a sizable selloff when JPMorgan didn't hold a sizable short position over the past 12 years. The fact that JPMorgan isn't short and the 8 big shorts still are, are the basics behind my double cross premise.

Therefore, the one thing that hasn't changed, in essence, is the concentrated short position of the 8 largest traders. Yes, these large traders have been able to reduce their concentrated short position from the extremes of late February, but since the aftermath of the price plunge of mid-March, not so much. The inability of the 8 big shorts to eliminate their concentrated short positions (plus the ability of JPM to do so) has come to dominate other notable developments of 2020.

I have little doubt, particularly as time has progressed, that the highly unusual and unprecedented increases in COMEX gold inventories and resultant extremely large record deliveries on COMEX gold futures contracts that began after March were directly related to the concentrated short position of the 8 largest COMEX gold shorts. Certainly, the total flow of gold into the COMEX warehouses of some 29 million oz closely matches up with the concentrated short position when the inflows began. I can't see how that could be coincidental.

In other words, unable to buy back the large concentrated short position in COMEX gold futures (because enough of the usual paper sellers couldn't be generated), the regulators, alarmed at the growing size of the open losses, insisted the big shorts bring in the physical metal. It doesn't change the magnitude of the losses, but it does most likely mean there will be no default. As I've tried to explain all along, coming up with 29 million oz of physical gold, a truly enormous amount in term of dollars (\$50 billion+), is far from impossible in actual metal terms, as such an amount is less than one percent of the gold said to exist in bullion form (and less than 0.5% in terms of total gold in existence).

I believe the regulators ordered the big COMEX gold shorts to bring in physical metal because the short positions in gold were creating virtually all the total growing open losses. Silver prices didn't jump much until less than 2 months ago, so the regulators needn't have been concerned much about the losses to the silver shorts. But now that silver prices have jumped to the point where the 8 big shorts are now out about \$3.5 billion (\$10 x 350 million oz), regulator concern should be rising.

The only problem is that whereas coming up with 1% of all the gold bullion in the world to put up or shut up in gold didn't present great difficulties for the 8 big shorts, it's going to take significantly more than 1% of all the silver bullion in the world (in 1000 oz bars) for the big shorts to prove to the regulators that they have the physical silver. There have been some recent sizable physical inflows into the COMEX silver warehouses of some 20 to 30 million oz (1% to 1.5% of all the silver bullion in existence) recently, but that still leaves 300 million oz or more to go. I know I've indicated that JPM was forced to give up 300 million oz of its physical silver hoard, but it did so before the price jump, so I don't know if that silver can be used again.

In any event, I believe this is the key issue in silver, namely, what the 8 big shorts will do. If they can't come up with the 300 to 350 million oz of physical silver (as they did in gold), then their only other choice is to buy back and cover their big shorts that way. It's not like they have a Chinese restaurant menu choice of options â it's either come up with the physical or buy back the shorts.

They did come up with the physical in gold, but it's hard for me to see them pulling that off in silver. For that reason, I'm still of a mind that thinks, look out above. But, as they say, all should be known in the fullness of time.

One final thing I should mention in this regard is even though the big shorts did managed to bring in the physical gold and may or may not succeed in bringing in all the physical silver needed to replicate their feat in gold, it would be a mistake to consider any of these actions as deliberately planned and intended from the get go. For decades, the big concentrated shorts played fast and loose (up until a year ago) against the hapless managed money traders. The commercial shorts were no more legitimately hedging than the man in the moon - they were speculatively engaged against the managed money traders and acted collusively every step of the way. Heck they did this for decades and made a fortune doing so.

Only, starting in the summer of 2019, the big shorts couldn't induce the managed money traders to sell out to them on lower prices as always and were forced to ride their shorts as prices moved higher, incurring losses far larger than ever contemplated. Now the big shorts have been abandoned and double crossed by their most important short compatriot, JPMorgan, and are stuck. For anyone to claim the big shorts were legitimately hedging all along is a lie and a con job. These pigs got stuck, pure and simple, and deserve whatever they get and I do mean good and hard.

Turning to other matters, yesterday's cutoff for this Friday's COT report marked the third reporting week running of fairly decisive price directional moves in both gold and silver; first down, then up and then down again thru yesterday's cutoff. Over the reporting week ended yesterday, both gold and silver prices traded lower every day in the classic and deliberate salami-slicing pattern intended to generate managed money selling to enable commercial buying. We did finish higher at yesterday's close, but at the price lows (where most of the trading volume occurred) gold was down as much as \$70 from the prior Tuesday's close, kissing the 50 day moving average for the first time in 3 months. At the intraday lows yesterday, silver was down as much as \$2.60 for the reporting week, but rallied on lighter volume into the close.

There's no doubt in my mind that the price takedown this reporting week was orchestrated by the commercial shorts, with likely assistance from JPMorgan (seeking to beef up long positions). The question, of course, is how much managed money and other non-commercial selling the big shorts were able to induce and, unfortunately, that is more of a guess. I'm hoping it was a lot, but I am mindful that on a similar orchestrated takedown two reporting weeks ago, the managed money traders in silver did not cooperate. Look, I know what the big commercial shorts intended this week, I just don't know how successful they might have been. Perhaps somewhat perversely, I hope the big shorts got to buy many contracts.

Just so there is no misunderstanding, I'm still expecting silver prices to erupt suddenly and forcefully based on the fundamental backdrop and the still-bullish COMEX market structure (hopefully more bullish as of the latest reporting week). The safest way to play it, of course, is simply to buy and hold silver on a fully-paid for, non-margined basis and then go fishing or spend time with your kids or grandkids. For those needing some extra-juice from leverage, stick to call options, not necessarily of the lunatic kind I engage in.

As of publication time, the rally in prices from Friday's close has eroded some of last week's relief to the big shorts. As a result of a snapback in gold prices, the 8 big shorts added about \$300

million to their total realized and unrealized losses, bringing total losses to \$15.4 billion

Ted Butler

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Silver – \$27.15 (200 day ma – \$18.61, 50 day ma – \$24.06)

Gold – \$1955 (200 day ma – \$1696, 50 day ma – \$1913)

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