
April 11, 2018 – An Interesting Anniversary

A year ago, I took the occasion of new appointments at the CFTC as an opportunity to try once again to persuade the agency to step up to the plate and address a silver manipulation that had been in place for more than 30 years. James McDonald was the newly installed Director of the Enforcement Division. I made the letter I wrote public.

<http://silverseek.com/commentary/another-opportunity-16489>

I made special note in my letter to McDonald of the role JPMorgan played in the silver manipulation since acquiring Bear Stearns, including that JPMorgan had never taken a loss, only profits every time it added new short positions in COMEX silver futures over the past ten years. Such a perfect trading record would be impossible in any market that wasn't manipulated. In addition to JPMorgan never losing, only winning whenever it added COMEX short positions, the bank had accumulated a massive amount of physical silver at prices it was responsible for depressing (by the way, JPM has added 100 million physical ounces over the past year and now holds 700 million oz).

In hindsight, I wouldn't change a word of what I wrote a year ago. I never heard a word from the agency or McDonald and don't expect to. Regardless, I thought it might be instructive to see what transpired in the year just passed, with close attention to my allegations that JPMorgan had never taken a loss, only profits, by shorting COMEX silver contracts. How did JPMorgan fare over the past year? I mean aside from the bank adding another 100 million physical oz on the cheap?

JPMorgan not only maintained its perfect trading record, it did so in absolutely spectacular fashion, with the past year being perhaps its best year ever in trading silver. On ten separate occasions, starting with McDonald's first day on the job, JPMorgan managed to either add a significant number of net new COMEX silver shorts as silver prices rose or buy back those added shorts at a profit, never taking a loss. Keep in mind that the past year in silver was one of the least volatile, with no more than a three and a half dollars difference between the high and low prices (\$15 to \$18.50), making JPMorgan's perfect trading record all the more impressive.

Before presenting a table of JPMorgan's silver trades over the past year, let me describe the filters that I used. First, while I appreciate that many will rely on the data that I present as being factual, subscribers can double check what I present by reviewing articles I wrote over the past year and please ask any questions that come to mind. For dates, I will use the Tuesday cutoff for the closest COT report that corresponds with price.

My data source is the COT report (and Bank Participation report) as I have recorded them along the way and wrote about at the time. Finally, I arbitrarily used a minimum of 5000 net contracts as the cutoff for monitoring changes in JPM's net short position in COMEX silver futures. Keep in mind that there may have been a minor revision or two along the way as new Bank Participation Reports caused me to recalibrate JPM's silver short position.

The following table shows what I had been reporting over the past year in terms of JPMorgan's net short position and the price of silver on certain dates. My intent is to show that JPMorgan always

increased its short position into price highs and always closed out many or all of those added shorts into price lows. In constructing the table, JPMorgan's maximum and minimum COMEX silver net short positions were the focal points, with price and date secondary inputs.

Date	Price	JPM's short position	Estimated profit
April 11, 2017	\$18.50	34,000 contracts	
May 9, 2017	\$16.00	18,000 contracts	\$110 million
June 6, 2017	\$17.50	28,000 contracts	
July 18, 2017	\$15.00	10,500 contracts	\$150 million
Sept 12, 2017	\$18.20	38,000 contracts	
Oct 3, 2017	\$16.50	33,000 contracts	\$25 million
Nov 21, 2017	\$17.00	40,000 contracts	
Dec 19, 2017	\$15.70	24,000 contracts	\$75 million
Jan 9, 2018	\$17.20	33,000 contracts	
Feb 13, 2018	\$16.20	25,000 contracts	\$30 million
April 3, 2018	\$16.20	19,000 contracts	

The prices listed were the prices on the COT dates reported. Clearly, JPMorgan made profits whenever it bought back short positions at lower prices than it sold at and since it never bought back short positions at higher prices than it had sold at, it never took a loss. If anything, my estimates for what JPMorgan made in this trading is very conservative and likely much more than I've indicated.

As far as the unchanged last two prices, I believe that might be explained by the emergence of Goldman Sachs as a big silver stopper in the March COMEX futures delivery and JPMorgan backing down from taking deliveries so as not to disturb silver prices to the upside. JPM did this so that it might buy back the 6,000 short contracts that it did into April 3, since those contracts represented 30 million ounces of silver it couldn't have bought in physical terms over that time. These crooks don't miss a beat.

Again, the data portrayed in the table comes from what I've reported over the past year in running commentary. As to any suggestion that JPMorgan was only hedging, that's poppycock â bona fide hedging requires a loss on one side of the hedge and a gain on the other side of the hedge. JPMorgan never took a corresponding loss on anything as it made nothing but profits on its COMEX paper trading, all the while adding to its massive physical position at depressed prices. This is a very important issue that few seem to grasp, namely, that there is no legitimate hedging taking place in COMEX silver; certainly none by JPMorgan for its own house account.

The prime motivation for JPMorgan was not to maintain its perfect trading record on the COMEX (even though it made some \$400 million in such trading over the past year), it was always the desire to keep silver prices depressed so that it could accumulate the 700 million oz I allege it has acquired. That said, it should be crystal clear that the amounts of short positions that JPMorgan added on rallies were instrumental in capping prices as I have alleged for a decade. The table shows that JPMorgan was always the largest COMEX silver short seller at market tops which, at the margin, was the deciding factor in every silver rally petering out and ultimately failing.

The CFTC and McDonald must know this, particularly after being alerted to it so many times before, during and after JPMorgan's manipulative activities. Therefore, one must conclude that both are fully under the control of someone and my guess is that the ultimate control rests with JPMorgan. I've been told that McDonald is a straight shooter, but after the past year that's hard to accept. As I said in my letter a year ago, his tenure would be judged by how he handles this issue. To date, he has not handled it at all, unless his aim was to help JPMorgan, in which case he's done a bang up job.

In no way should any of this be taken to be at odds with my strong belief that the next move up in silver could and should be the big one. In fact, it enhances that setup in more ways than ever before.

Turning to developments since the Saturday review, trading through yesterday's cutoff for the reporting week offered decidedly mixed signals for what Friday's new COT report might indicate. Through Friday's trading, there was likely an improvement in the market structures of both gold and silver, or managed money selling and commercial buying, as gold slipped back below its 50 day moving average and silver never got close to an upward penetration of its 50 day moving average.

Price action on Monday and Tuesday (and late Friday) put gold back above its 50 day moving average, so it would be reasonable to assume there was some managed money buying and commercial selling into the cutoff. So the question is whether the managed money buying this week negated the selling late last week. Bottom line is that I'm not expecting much of a change in this week's report on gold. Of course, trading today would suggest heavy managed money buying and a deterioration in gold's market structure, but let's not get too far ahead on this.

Silver's a bit different (again), in that there looked to be pretty heavy further managed money selling and commercial buying through Friday and the rally in silver through yesterday's cutoff didn't feel like there was much managed money buying, even though prices touched, but did not decisively penetrate silver's 50 day moving average. Complicating matters is that silver's total open interest has fallen sharply over the past two days by more than 16,000 contracts, which would normally suggest heavy managed money short covering (since these traders were extremely short).

Maybe I'm reading it all wrong, but I think much of the big drop in silver's total open interest was spread liquidation and not pure managed money short covering. Spread transactions, whether newly initiated or representing liquidation have zero effect on market structure, even though they greatly impact changes in total open interest. Therefore, I still expect an increase in managed money net selling in Friday's COT report (to a new record). The good news is that we won't have to wait long to find out, in terms of net positioning changes and the business about spreads.

Obviously, there is no question that today is very different, as not only has silver penetrated its 50 day moving average, it has also threatened the penetration of its 200 day moving average as well. Gold has surged to new highs as I write this before noon, so let me discuss some other things before coming back to how things look around 3 PM when I send this piece out.

I am still in a bit of shock as to how extremely bullish the COMEX silver market structure had become prior to today. Most shocking is the how the commercials and JPMorgan have been able to orchestrate the silver market structure on what has been such a shallow dip in silver prices. Yes, the price of silver has been rotten for a very long seven years; but it has also been mostly flat for the past three years or so. I am amazed that the commercials were able to position the managed money traders on what has been not much of a recent decline in price. Let me try to explain.

Normally, in order to get the managed money traders into an extreme long or short position, it takes a good amount of "salami slicing," Izzy Friedman's term for a series of pronounced new price highs or lows that drive the managed money traders into buying or selling. Invariably, in order to do this, the commercials must allow for big temporary unrealized losses as they keep selling as the managed money traders buy or keep buying as the managed money traders sell and sell short. The commercials always "fade" the managed money traders and this fading leads to large open losses.

By the time the managed money traders have finished buying or selling, they are sitting on enormous open (unrealized) paper profits and the commercials are sitting on just as enormous open losses. Then, when the last contracts have been placed, everything reverses, and the managed money traders generally give back all their open and unrealized profits and the commercials gain back all their open losses and then some. The managed money traders always seem to snatch defeat from the jaws of victory. This is the rhythm of the market and rarely varies and I have portrayed this on too many occasions to count.

However, this time it has been different in silver. I don't know exactly how the commercial crooks arranged it, but this time in silver they engineered the managed money traders onto the short side of silver in record amounts, but somehow arranged to do so without the customary big open losses to the commercials or big unrealized open profits to the managed money traders. That's what I was referring to on Saturday when I said that the record managed money short position was put on at an average price of \$16.60, not that far from current prices.

What this means is that the managed money traders have no open profits to fall back on to absorb losses as silver prices move higher from here. Likewise, the commercials don't have their normal handicap of big open losses to overcome when they decide to engineer prices higher. In other words, the current extreme positioning in silver, from a price and open profit or loss perspective, has never been more ominous for the managed money traders or more advantageous for the commercials. Here we are, most likely one day into what could be the start of a monstrous move in silver and already the commercials are into the green and the managed money traders are already in the red. How the heck did the crooked commercials arrange this?

The commercials and, in particular, JPMorgan have achieved such a favorable position for themselves and such a precarious position for the managed money traders in silver that I can't help but feel that this is yet another reason to expect that the next move up (which may have started today) could be the big one. My reasoning is that what the commercials have achieved would be hard to replicate in the future should they let the managed money traders off easy. This argues for the commercials to ring the cash register more loudly than before.

Let's face it, matters of plagiarism aside, you have seen with your own eyes the literal explosion in commentary about the extremely bullish market structure in COMEX silver, as commentators practically trip over themselves in pronouncing a massive rally about to occur. The next rally will be the most anticipated rally ever and should it turn out to be yet another mediocre rally of the variety we've become accustomed to over the past few years, with heavy managed money buying and commercial selling that will undoubtedly be reported as well.

Therefore, if the next silver rally is of the humdrum variety we've witnessed all along, it will not go unnoticed and more attention than ever will be placed on silver being manipulated. If you think more are singing the COMEX positioning dictates the price song now, get ready for a ratcheting up of that refrain should the commercial crooks succeed in rigging prices lower once again following the next rally. This is not a song that the crooks at the CME Group or JPMorgan wish to be sung loudly.

More than anything, what matters most on the next silver rally is what the crooks at JPMorgan do in terms of adding or not adding to short positions. Should they add to short positions and cap prices yet again, more will see it than ever. With more aware of what's really going on in silver, I can't help but feel JPMorgan will step away from new shorting. If they do, then it's Katie, bar the door. Of course, all this remains to be seen, but regardless it will be reflected in future positioning changes as indicated in future COT reports. The CFTC may not be interested in enforcing commodity law, but at least it publishes the data that moves prices.

Unfortunately, this morning's early price strength has faded as the day progressed and as I get ready to send this, most of the price gains in silver have evaporated, with gold sharply retreating from its earlier highs as well. Trading volumes have been very heavy and there should be little question

there was significant managed money buying and commercial selling as prices rose. Regardless of what's reported in Friday's COT report, there was significant deterioration in gold, as well as in silver. The difference is that gold's market structure was no better than neutral going into today, while silver's market structure must still be considered extremely bullish.

One thing for sure is that today's price action was solely a COMEX positioning affair, based upon trading volume, the lack of big movement in outside markets and the simple fact that the COMEX was essentially the only market open as the action in gold and silver took place. This goes to the heart of all that matters in gold and silver. Gold's market structure still allows for big moves in either direction, while the market structure in silver allows for not much room to the downside and untold room to the upside.

Yes, the bleeding off of managed money shorts in silver today would allow the commercials the opportunity to lure back those shorts which ran out today back to the short side on price weakness from here, but there's nothing new with that. The big issue in silver is whether JPMorgan adds significant new shorts and it's way too early to know that. I don't believe JPM has added silver shorts yet and unless and until it does, silver must be held. Silver will decisively penetrate its key moving averages at some point, although no one can know when beforehand. Except JPMorgan, of course.

Ted Butler

April 11, 2018

Silver – \$16.65 (200 day ma – \$16.76, 50 day ma – \$16.54)

Gold – \$1354 (200 day ma – \$1296, 50 day ma – \$1331)

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