An unusual confluence of seemingly unrelated factors may have created an opportunity to do something about the silver (and gold) manipulation. On Monday, April 10, two new officials assumed key roles with the Commodity Futures Trading Commission (CFTC) – a new director of the Enforcement Division and the first chief officer of the newly-created Market Intelligence Unit. The main mission of both departments is to uncover and terminate market fraud and manipulation, the same overall prime mission of the agency itself. There's little wonder that price manipulation is the prime regulatory mission, since it is the most serious market crime possible; damaging even to those not directly involved in trading.

At the same time and as I discussed in Saturday's review, the most recent Commitments of Traders (COT) Report for COMEX silver futures featured the largest ever concentrated short position by the four largest traders and a new record large total commercial net short position. As I have been intoning for years, nothing suggests a possible market manipulation being in place than a large concentrated position. This is not my opinion alone; I've basically learned this from the CFTC. The only reason the agency calculates and publishes concentration data in every regulated futures market weekly is because an extremely large concentrated position is the first tipoff of potential market manipulation.

A concentrated position is a large market position held by a small number of traders that could grow large enough to overly influence price. Think Hunt Bros. in silver or Mr. 5% in the Sumitomo copper manipulation, where a few buyers caused prices to be much higher than warranted by actual supply/demand fundamentals. While it's easy for most to understand how a concentrated long position could result in a price considered to be artificially high, it's harder for many to understand the concept of concentration on the short side, due to the nature of short selling being difficult for most to grasp.

Commodity law does not distinguish between an upward or downward price manipulation and the CFTC calculates and publishes concentration data on both the long side and short side of all regulated futures markets. The problem is that while the CFTC publishes the data that indicate that COMEX silver has the highest level of concentration ever seen on the short side of COMEX silver futures, thus providing the strongest possible evidence of a downward price manipulation, the agency refuses to do anything about it or even acknowledge it in any way.

But thanks to the unexpected confluence of events as described above, there may be an opportunity for you to pressure the regulators to address the concentrated short position in COMEX silver futures. And let me not beat around the bush – silver would be substantially higher in price were there to be no extreme concentrated short position. That's a personal guarantee based upon simple market mechanics.

So, for anyone with an interest in higher silver prices or who is a believer that free markets, not controlled by large traders gaming the system, is the right way, then there is something you might consider doing.   Now is an ideal time to raise these very important issues about concentration and manipulation in COMEX silver. The two officials most responsible for uncovering manipulation at the CFTC just started in this capacity on Monday and should be more open to the facts than otherwise. I can understand how many might feel that contacting these officials and others might be a waste of time, given the agency's failed record over the years in this regard. Still, I'm not talking about any burdensome effort, just sending a few emails or letters to get straight answers to some very good questions.

I've already written to the two new officials (both by email and hard copy) and feel free to use what I sent. I would ask you not to improvise and include other issues, such as gold manipulation. Besides, nothing would impact gold prices more than having the silver manipulation terminated. The best approach is in being as specific and factual as possible so as to pin the agency down. They may refuse to answer and one way of insuring maximum pressure is to write to them through your elected officials. Here's the letter I wrote that you are free to copy. I'll include pertinent emails address at the end.

**April 10, 2017**

**Andrew B. Busch via Email**

**Chief Market Intelligence Officer**

**James McDonald**

**Director – Enforcement Division**

**Commodity Futures Trading Commission**

**1155 21st Street NW**

**Washington, DC 20581**

**Dear Sirs,**

**Congratulations and best wishes on your appointments to key positions at the Commission at this critical time in market history.**

**I'm writing concerning a matter that the Commission has considered on a number of past occasions – allegations of a silver price manipulation on the Commodity Exchange, Inc. (COMEX). The reason the Commission has considered the issue of a silver price manipulation several times in the past is because the agency's own public data and guidelines point strongly to such a manipulation. Never have the data been more convincing than what was just published Friday, in the Commission's release of its weekly Commitments of Traders (COT) Report, for positions held as of April 4, 2017.**

**That report indicates that the concentrated net short position held by the four largest traders in COMEX silver futures hit an all-time extreme in numbers of contracts of 78,021, the equivalent of 390 million oz. of silver. The concentrated net short position of the eight largest traders was indicated at 104,978 contracts or the equivalent of nearly 525 million oz., or more than 60% of world annual mine production. No other commodity comes close to COMEX silver futures in terms of a larger concentrated short position when compared to real world production. On its face, the large concentrated short position in COMEX silver futures would appear to be an artificial price depressant.**

**As you know, the Commission monitors and publishes concentration data in all regulated futures markets as the prime front line defense against price manipulation. After all, it would be nearly impossible to manipulate any market without a concentrated position. But not only do COMEX silver futures stand out as having the largest concentrated short position of any commodity, in terms relative to real world production, consumption and existing inventories, the concentrated short position in COMEX silver futures**

**is notable for other reasons.**

**For one reason, the big short traders do not appear to be engaged in any sort of legitimate hedging, since there are no signs they represent actual producers or hedgers of physical holdings. Separate agency data, contained in the monthly Bank Participation Report, indicate that the largest shorts are mostly domestic and foreign banks essentially operating as speculators, in a pseudo-market making capacity against other speculators. Publicly-owned mining companies are required to disclose any hedge activity and few, if any have disclosed any hedging in silver. The big short sellers in COMEX silver futures are financial firms, mostly banks, speculating against other big speculators and have no legitimate economic or hedging purpose in dealing in COMEX silver in the first place. As I'm sure you know, Congress allows futures trading for the purpose of encouraging legitimate hedging, not to encourage excessive speculation.**

**The largest COMEX silver short seller for the past nine years is JPMorgan. That has been the case ever since it acquired the failing investment bank Bear Stearns, the former largest COMEX silver short seller, according to Commission data and its correspondence with lawmakers. The special manipulative twist here is that since 2011, JPMorgan has engaged in an epic accumulation of physical silver at prices much lower than would have existed if the bank had not also been the largest silver short seller on the COMEX. In the recently completed COMEX March silver futures delivery period, JPMorgan stopped (accepted) 2689 contracts in its own proprietary trading account, plus another 739 contracts on behalf of a client(s), considerably more than the 1500 contracts allowed according to exchange regulations.**

**This while JPMorgan was the largest short holder in COMEX silver futures. It is not possible to imagine a more compelling motive or intent for manipulation than to acquire a massive amount of any commodity at depressed prices, where the acquirer is responsible for the depressed prices.**

**Almost without fail, on every past occasion where the concentrated short position in COMEX silver futures reached extreme levels, it was only a matter of time before the price of silver gets rigged lower by these big shorts to induce speculative selling from traders operating on technical price signals. In fact, COT report data indicate that JPMorgan has never taken a loss, only profits on every silver short position it has added over the past nine years. Such results would not be possible in a market that wasn't manipulated in price. In essence, speculators have taken over the price discovery process in silver because there are so few real hedgers trading on the COMEX, only speculating banks betting against other speculative traders. Even assuming the current extreme concentrated short position leads yet again to a sharp selloff in silver, there is another issue that goes to the core of regulatory concern.**

**In addition to the clear agency data pointing to a silver price manipulation, the presence of such a large and non-economic short position necessarily enhances the likelihood of disorderly market conditions once it becomes clear to enough market participants that unbacked concentrated short positions on the COMEX have been the reason why silver prices are so depressed.**

**I have communicated all this to the Commission, JPMorgan and the CME**

**Group (owner-operator of the COMEX) for many years, with hardly any acknowledgement or rebuttal. I am hoping you will consider this matter differently and act to finally end the manipulation. I'm sure how you handle this matter will define your tenure. If I can be of any further assistance, please do not hesitate to call on me.**

**Sincerely yours,**

**Ted Butler**

**Andrew B. Busch – abusch@cftc.gov**

**James McDonald – jmcdonald@cftc.gov**

**Acting Chairman J. Christopher Giancarlo – cgiancarlo@cftc.gov**

**Commissioner Sharon Y. Bowen – sbowen@cftc.gov**

On to developments since the weekly review. Through this morning, gold and silver prices are higher since last week's close, with gold upwardly penetrating its 200 day moving average on a closing basis for the first time yesterday since February a year ago. Once again, as a technical infidel or agnostic, such events don't necessarily mean much to me on their face. But recognizing that the driving price force in gold and silver is futures contract positioning on the COMEX and with much of that positioning driven by technical fund buying and selling, we're all, in a sense, forced to consider the technical angle.

While it's much easier to explain why prices moved after they have moved than to predict price movement beforehand, it's still important that one's explanation or premise be as correct as possible. For example, yesterday's sudden and high volume price spurt in gold should have left little doubt that this was an exclusive COMEX price production, tripped off by the penetration of the 200 day moving average. The sharp increase in gold total open interest for yesterday of more than 22,000 contracts, strongly implies large managed money technical fund buying, met with aggressive commercial (bank) short selling.

As such, it is fairly safe to say a number of things. One, the extremely bullish market structure in COMEX gold futures, in place for months, was most responsible for the recent rise in gold prices, as managed money buying has occurred. As a result, we are seeing a deterioration in the bullish market structure. The real questions are how much additional technical fund buying remains to occur in gold and are we now at a point where there are enough new technical fund long positions established to enable a price correction? I don't have definitive answers, but I'll try to set the parameters.

Based upon the trading action and changes in total open interest through yesterday's cutoff of the reporting week to be covered in this Friday's COT report (scheduled to be published that day despite it being a market holiday), I would expect the headline number of the total commercial net short position in gold to increase by 30,000 contracts or thereabouts. This would put the total commercial net short gold futures position around the 200,000 contract mark. This would place the headline number at levels last seen in November, not coincidentally, the last time gold prices were this high. On a number of occasions since then, the commercial net short position (and the reciprocal managed money long position) got as low as 120,000 contracts as gold prices traded about $100 lower than they are today.

So the rough parameters I would use in contract terms for gold is that as many as

80,000 net contracts could now be bought by the commercials (and sold by the managed money traders) on a price decline and between 40,000 to 140,000 net contracts may still yet be sold by the commercials (and bought by managed money traders) on higher prices should positioning hit the levels of last November or at last summer's highs. In a nutshell, should there be the expected increase in the commercial net short position, the market structure in COMEX gold would now be in a neutral position.

I'd prefer not to be wishy washy when it comes to COT market structure analysis, but in COMEX gold futures, we are about midway between the historical extremes of the past year and that's just another way of saying neutral. Price momentum could easily carry gold higher, but it's just as likely that the commercials might look to soon ring the cash register and rig a downside flush out of some unknown proportions. Gold did just as it was expected to do pricewise in climbing higher on managed money buying this year, but having done so, that changed the market structure from extremely bullish to extremely neutral.

Like Las Vegas, it's different in silver, as its market structure is as bearish as it has ever been. With no big increase in total open interest for the reporting week, I wouldn't expect another very large increase in technical fund buying and commercial selling in Friday's report, but considering the large increases over the past two weeks, that's not saying much. The COT market structure points to lower silver prices ahead and, as is usually the case, this is also the only bearish factor, as can be seen in most current market commentary.

It's no small matter that I've read more bearish (and seemingly correct) commentary on silver recently with the extreme COT readings being given as the prime negative feature than I ever recall. In a world that increasingly seems less rational in so many ways, one thing that does make perfect sense is that greater attention than ever is being placed on the positioning changes on the COMEX as presented in the COT report. After all, the connection between price movement and positioning changes is beyond uncanny; it is clearly causal. That’s the problem – speculative positioning changes shouldn’t be driving prices, but they are.

While I’m as prepared (mentally) for a deliberate silver price takedown on COT considerations as I suppose I can ever be, there are other factors present, not the least of which is the growing awareness and knowledge that silver prices are manipulated on the COMEX. This COMEX positioning fraud and manipulation will fail when it is sufficiently exposed, just like all scams and frauds, and that day is closer than ever. But there are other considerations driving me to maintain a full investment exposure, not the least of which is JPMorgan’s continued grab for physical silver and the chance for an unexpected double cross involving the other 7 big COMEX silver shorts.

Let me close by telling you that I am very thankful for the unique opportunity created by the new senior appointments at the CFTC, along with the simultaneous publication of the most concentrated data in silver shorting in history. I assure you that I am not holding my breath waiting for the CFTC to finally step up to the plate and do the right thing; not after 30 years of denial and obfuscation. I know full well that the agency’s denials up through today have only hardened it to maintain the façade that nothing is wrong in COMEX silver, despite glaring and growing evidence to the contrary. Still, it would be a waste not take advantage of an unexpected opportunity.

Ted Butler

April 12, 2017

Silver – $18.30   (200 day ma – $18.12, 50 day ma – $17.81)

Gold – $1277       (200 day ma – $1261, 50 day ma – $1237)