Weekly Review<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

In a week characterized by days of high price volatility, gold finished higher by almost $30 (1.8%), while silver fell by 15 cents. As a result of gold's relative outperformance, the gold/silver ratio widened out by more than a full point to just over 52.5 to 1. Since I still envision silver greatly outperforming gold over the long term, this increases the attractiveness in switching gold positions into silver. No detailed discussion on the future of the ratio today, except to say an item valued in the low tens of billions of dollars (silver) can climb higher than a similar item valued in the trillions of dollars (gold).

Conditions in the wholesale world of silver still continue tight based upon my usual measurements. Turnover in the COMEX silver warehouses continues frantic, as total inventories climbed an additional 2 million oz to 141.6 million ounces, another multi-year high. My focus is still on the turnover, rather than total inventories, as the key indicator of tightness. I've read some recent comments about the significance of the decline in the registered category of the COMEX silver inventories, versus the growth in the other category, called eligible. Some commentators are suggesting that the decline in the registered category is very bullish. Since I'm very bullish on the overall outlook for silver prices, I'm hesitant to scoff at any potentially bullish factor. But having closely observed changes in COMEX silver inventories for more than 30 years, I admit this registered and eligible debate leaves me perplexed.

To me, silver is silver. The difference between the two categories of COMEX silver, registered and eligible, appears negligible to me. In both categories, the silver meets all exchange specifications to bar weight and grade. The best I have ever been able to determine is that there is a slight difference in the paper work associated with either category and that may alter storage and insurance costs. But even those slight differences have changed over the years as the exchange has moved from a paper warrant system to an electronic form of registry. I have seen surges and declines in both categories over the years, as well as in the total levels of silver inventories, with no resultant impact on price. If there is some new significance to the current changes which feature declines in registered silver versus increases in eligible and total levels, I'm not aware of it. But I admit to being confused and skeptical with the pronouncements that it is bullish that registered silver levels are declining, while the totals levels climb sharply. I believe the movement or turnover is the most important take away, not the total level or category level. Of course, I reserve the right to change my mind as conditions and information changes.

There were some withdrawals of metal from the big silver ETF, SLV, which looked unrelated to plain vanilla investor liquidation. Over the past 4 weeks, as COMEX total silver inventories have climbed by almost 8.5 million ounces, almost 5.2 million oz have been removed from the SLV. It's hard not to think some SLV silver is flowing to the COMEX. If that's the case, it would tend to support my contention that turnover indicates tightness. It would be very bullish if this silver movement is as it appears, as it would suggest hand to mouth physical movements between categories that are visible, rather than the invisible to visible physical movements we've seen over the past six years. If those seeking silver ownership in wholesale quantities must resort to taking metal from recorded inventories that would be a strong hint of the proximity of shortage.

The big news in SLV this week was the increase in the short position for the first time in two months. I won't try to sugar coat it, as the increase appears disappointing on the surface. While I was bracing for the first increase in the short position given the string of big reductions; the increase was still surprising at this time. That's because the time period covered in the new report included a fairly flat price environment accompanied by relatively low trading volume. The most redeeming feature is that the increase would fit into my take that wholesale quantities of silver are in tight supply and that the short sellers in SLV did so because they couldn't get actual silver to deposit into the Trust. The increase in the short position came to 2.7 million shares (ounces) or almost 30%, to almost 11.8 million shares, for positions held as of March 31.
http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99

Not to try to put lipstick on a pig, the increase in the short position in SLV must be put into perspective. Even after this increase, we are still down more than 14.8 million shares shorted, or 55% from where we were in mid-January. From the high point of the last year, the short position in SLV is down almost 26 million shares or 69%. Against those metrics, the 2.7 million share increase is tolerable. Not good, but tolerable. I still consider the disposition of the short position in SLV to be a key determinant to future silver price behavior (along with the resolution of JPMorgan's concentrated short position on the COMEX).

Back in January, I mentioned that I might initiate a campaign involving the SEC to work against the short position in SLV, as I was still reeling from the legal threat from BlackRock to my efforts to get them involved. I shelved plans to petition the SEC because of the steep reductions thereafter in the short position, but I will resurrect that campaign should the SLV short position climb sharply from here. Hey, we do what we must do.

Silver Eagle sales are still punk and symptomatic of soft silver retail demand. It will stay that way until the price action improves, I would guess. Interestingly, Silver Eagle sales are still quite strong relative to Gold Eagle sales; but you'll forgive me if I remain unenthused about a measurement between which is weaker.

The changes in this week's Commitment of Traders Report (COT) were as close to expectations as possible and indicated an improvement, or reduction, in the total net commercial short position in both silver and gold. In last week's review, I estimated that had the reporting week been already concluded, silver would see a reduction in the total commercial net short position of as many as 5000 contracts and perhaps 15,000 contracts in gold. Silver hit my estimates on the button. Gold only declined by 6400 contracts, as the strong surge in gold prices on Monday and Tuesday (closely above the 20 day moving average), brought in strong technical fund buying and commercial selling. Had that gold price surge not occurred within the reporting week, I'm convinced we would have seen the 15,000 contract reduction I predicted. Silver, in contrast, did not rally above its 20 day moving average on Monday and Tuesday and experienced no technical fund buying into Tuesday's cut-off.

In gold, the 6400 contract reduction brought the total commercial net short position down to 171,000 contracts, close to the late-December bullish extreme readings. The standout feature in the report was that the big 4 accounted for all of the reduction and then some. The reduction in the concentrated short gold position of the big 4 puts it at a new multi-year low level. In simple terms, the largest gold commercials are positioned well for a gold price rally.

In silver, the 5000 contract net reduction in the total commercial net short position puts that position at 26,400 contracts, the lowest level in months. That's a big weekly change, the equivalent of 25 million oz of silver, far and above the total amount of real world silver available for investment for more than two months. That means the changes in market structure on the COMEX still dictate the direction of silver prices. The raptors (the smaller commercials apart from the big 8) did most of the buying, adding 3100 contracts to their net long position, which now amounts to 16,200 contracts. The big 4 (read JPMorgan) bought back 1400 short contracts. As was reflected in the total commercial net silver short position, the raptors net long and the big 4's net short positions are at levels not seen since January.

I would estimate JPMorgan's concentrated net short position in COMEX silver futures to now be around 18,000 contracts (90 million oz). That means we are close to the mid-way mark between JPM's all-time low of 13,000 contracts net short in late December and their recent high-water mark of 24,000 contracts into Feb 28. Back in December, I had predicted that JPMorgan would not increase their silver short position on the next rally, as I had done many times before at important price bottoms. I was wrong this time, just as I had been before, as JPMorgan increased its short position by 11,000 contracts (85%) on the $10+ rally in silver into the end of February. Now JPMorgan has been able to buy back 6000 contracts on the $6 price decline from the recent highs at $37.

Had JPMorgan not sold short the additional 11,000 contracts (55 million oz) of COMEX silver, the price of silver would have climbed much higher than the $37 mark of late February. How much higher is an open question, but in my opinion, the price would have challenged and probably exceeded the $50 mark, possibly by a wide margin. The reason it's hard to pinpoint a price is because of the profound influence that JPMorgan has on the silver market. For the past four years, JPMorgan has been the short seller of last resort in the silver market and that also makes them the price-capper of last resort.

This is easy to document because the only time that JPMorgan ever refrained from selling short additional silver contracts when prices were rising was for a very brief period (a week or so) exactly a year ago. At that time, the silver price exploded to nearly $50 as JPMorgan bought and didn't sell before the COMEX commercials banded together and rigged the infamous May 1 Sunday night price massacre. The regular pattern for JPMorgan is to sell short additional contracts on price rallies until the technical funds and other leveraged traders buy as many contracts as they can. Then, all the commercials get together and rig prices lower, through collusion, to force the technical buyers to sell, so that all the commercials can buy. You know this pattern well.

What's kind of remarkable is how easy it is to pinpoint JPMorgan's role as the chief silver manipulator because their concentrated short position is the critical swing factor in the silver manipulation. It wasn't always that way, just since the Bear Stearns takeover. What is also remarkable is how I have been able to avoid any legal consequences for consistently labeling JPMorgan as the big silver manipulator. I've concluded that accurately analyzing the situation only partially explains the lack of blowback. I think it has more to do with there being nothing malicious in my depiction of JPMorgan as being the prime silver manipulator. That's because my intent is not to harm JPMorgan in any way (that includes the CME Group). All I'm doing is using public data to report a crime in progress to the appropriate regulators and I am also informing JPMorgan of that at the same time. It's not my fault that the regulators don't react. JPMorgan can go on TV a thousand times to proclaim that they are not manipulating the price of silver, but the COTs tell a much different story.

The two key questions are will the commercials be able to rig prices lower and how will JPMorgan behave on the next silver rally? We are deep into bullish COT territory, but these crooks may always do more collusive price rigging to the downside to create more speculative selling. If they do, we'll see more price pain in the short term before a major turn higher. In other words, I don't know. But considering how bullish the current structure is in silver (and gold); the logical way to play it is from the long side.

The other key question, what will JPMorgan do on the next price rally is easier for me to answer. Once again, I will predict that they won't sell on the next big rally, whenever it comes. This will free the price to dramatically higher levels. This is easier for me to answer because, just like this past December, there should be little negative consequence for me in being wrong (again). Even if JPMorgan sticks to their old manipulative ways and sells short on the next rally, they will be selling on higher, not lower prices. That means me being wrong shouldn't hurt anyone. If JPMorgan sells short again, that won't drive prices lower; it will cap and manipulate prices, but not drive them lower at the outset. On the other hand, if JPMorgan doesn't sell short on the next rally, get ready to look at current prices with the same nostalgia that we look at the single digit silver prices of old.

Here's a post from the blogosphere that I thought might be instructive. No one is above criticism, including me, and I am always more interested in hearing dissenting views than those agreeing with me, as we learn little new from agreement.

As you know, I have believed all along that Ted Butler is and has been irrational – almost insane – with his hope the CFTC will eventually enforce the law and go after JPM for silver manipulation. His latest commentary reflects this irrational hope.

In his commentary he opined that behind the scenes JPM must be under some sort of regulatory/legal heat with regard to their COMEX silver short/trading. I disagree. That CNBC stunt was nothing more than a publicity stunt for JPM. If anything, they have funded an education and recruiting resource that will train future manipulators

how to trade commodities.

The CFTC will NEVER go after JPM on this issue. NEVER. That has been crystal clear ever since the first inquiry by the CFTC on JPM’s silver trading/positions. Now there have been THREE and the CFTC does nothing.

However, criticism is not always correct and can really miss the point at times. I'll leave aside the question of my sanity as I suppose none of us can self-certify whether we are sane or not. But I would like to address the assertion that the CFTC will never go after JPMorgan or, by implication, attempt to end the silver manipulation. As we all know, never is a very long time.

I have previously admitted that the US Government could be at the core of the silver manipulation, as so many believe. That's still not my personal guess when I weigh all the data, but it is one of the few plausible explanations. If that turns out to be true, then it would be reasonable to assume that the government wouldn't move against itself. Therefore, I am wasting my time (and yours) in petitioning the CFTC to end the silver manipulation. Nice and simple and cut and dried. Not so fast; there's more to it than that.

I have been petitioning the CFTC to end the silver manipulation for 26 years. For the vast majority of that time, I believe I was the only one doing any petitioning about silver. Up until May 13, 2008, the agency has adamantly and consistently denied that a silver manipulation did exist (but not since that date). In fact, it is hard for me to remember on how many different occasions I petitioned the agency and received specific denials of a manipulation prior to the year 2000. These petitions and denials involved numerous past CFTC chairmen, exchange officials and elected representatives. The CFTC has openly acknowledged that I have been after them on this matter for more than a quarter of a century. Considering that this federal agency was created in 1974, I have petitioned it about the COMEX silver manipulation for 70% of its entire existence. I can only imagine how many at the agency would vote on the question of my sanity.

Now some might say that only proves I'm crazy for continuing to press on this matter. I would make a different point, namely, that there was never any other practical approach than in going to the CFTC repeatedly despite their denials. The agency has clear and complete jurisdiction, by law, over the matter of a COMEX silver manipulation. Forget the irrational hope that they might do something; there was and is no one else to whom to petition. It's not about hope; it's about choice and reality. Besides, the specific proof of a manipulation in silver, based upon concentration and collusive trading, are taken from data published by the CFTC itself. It was the allegations based on this data that convinced the agency to initiate and continue the (now too-long) 3.5 year old current silver investigation. It was this data that resulted in many thousands of public comments and individual petitions to the Commission about silver.

Further, I would maintain that because the CFTC has continued to consider the issues behind the allegations of a silver manipulation that the issue has become credible to growing numbers of market observers. There would have been little legitimacy attached to the allegations of a silver manipulation if the CFTC wasn't petitioned so repeatedly. Sometimes, I think some folks let their frustration about the continuing silver crime in progress color their judgment about the right thing to do about it. It seems clear to me that had I not persisted in petitioning the CFTC on this matter over the past 26 years, there would be very little, if any, legitimate discussion about a silver manipulation today.

A special bonus in the consistent denials of a silver manipulation by the CFTC has been the contribution the denials have made to our general knowledge. And just because the CFTC continued to deny a silver manipulation existed didn't mean it was correct in its denial. Nor did it mean that the agency couldn't change its mind. A case in point is in this excerpt near the end of the CFTC's 2004 letter to silver investors
http://www.cftc.gov/files/opa/press04/opasilverletter.pdf –

Should speculative position limits be placed on all silver futures months? Many of the letters we have received suggest that a speculative position limit of 1500 contracts should be placed on all NYMEX silver futures positions, rather than just applied during the spot month as is now the case□□ The letters provide no evidence for, nor do our analyses demonstrate, the need to impose position limits in silver futures outside of the spot month.□ – Michael Gorham, Director

In less than eight years, the Commission has done a complete about face and is now in the process of instituting speculative position limits on an all-months-combined basis, thanks to the Dodd-Frank Act. In government regulatory terms, this represents a sea change of dramatic proportions. Hopefully, you will remember that Chairman Gensler pushed for position limits for all commodities of finite supply that didn't have them since shortly after he became chairman in May 2009. Of course, the manipulators, led by JPMorgan and the CME Group, are still opposing these position limits and will continue to do so until the bitter end. I am still profoundly disappointed that Gensler hasn't stood up to the silver manipulators yet, but there can be no denying that the Commission is singing a completely different tune in position limits now than it did 8 years ago. That's important.

What's also important is to appreciate what we know now versus what we knew then. The first two CFTC silver investigations took place before JPMorgan became the big concentrated COMEX silver short. That means the CFTC did not give a pass to JPMorgan during the first two investigations. Look, I'm convinced that JPMorgan is the chief silver manipulator based upon their concentrated

COMEX short position and that the CME is the prime enabler due to its facilitation of HFT and collusive trading. But JPM, according to the data I study, was not the big concentrated COMEX short before it took over Bear Stearns. It has been since.

I have to laugh a bit about those who offer strong opinions not rooted in fact. This is especially true of those who "know" what the CFTC will or won't do about JPMorgan and feel free to point out I am wrong, even though their knowledge of JPMorgan being the big silver short was learned from me. It must be nice to be omniscient.

I don't pretend to know what the CFTC is going to do or say about the manipulation. Yeah, I hope and expect them to do the right thing, but I am not holding my breath. What I intend to do, to the best of my ability, is to try to force the agency to end the manipulation or to explain anew why that manipulation doesn't exist, given all the (new) evidence. I'm trying to accelerate a process that has taken far too long by any reasonable standard. If that's insanity, then so be it.

I can tell you that more people are aware of the silver manipulation than ever before and that number appears certain to grow. I am amazed by how many new web sites devoted to silver and its manipulation are popping up and how much is being written and discussed on this topic. It's hard to judge where you might be when you are in the middle of a great experiment. The Internet is so new and offers such a profoundly powerful mechanism for the uncensored dissemination of new ideas that few of us can grasp its full significance.

When I first discovered the silver manipulation more than 25 years ago, there was no Internet for me and just about all o