

After a bout of midweek price gyrations, gold and silver managed to finish higher for a second week; with gold ending \$12 (0.9%) higher and with silver finishing 30 cents (1.8%) higher. As a result of silver's relative outperformance, the silver/gold price ratio tightened in to 81 to 1; although the last word to use in describing the price ratio is "tight".

Please don't let the current extreme undervaluation of silver to gold trick you into thinking there is anything normal about this relative valuation. I am as certain as I can be that we will look back and marvel at how cheap silver had gotten relative to gold these past few years, with those who took advantage of it thanking their lucky stars for having done so.

Although the changes certainly haven't been dramatic, this week silver did close at an 11 week high with gold nearly replicating that performance. However, there have been dramatic and very promising changes in the COMEX market structure in silver over this time and this week's Commitments of Traders (COT) Report added to a very promising picture in silver, as I'll discuss momentarily.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses, despite two days of near zero movement, came close to the weekly average of the past seven years, as 3.8 million oz were moved. Total COMEX silver inventories took a slight 0.2 million oz dip from last week's record levels and ended at 263.2 million oz. Another 0.6 million oz came into the JPMorgan COMEX warehouse, increasing the subtotal there to 142.1 million oz, another new record. Thus, the world's most voracious accumulation of physical silver marches on.

The slow resolution of the COMEX April gold deliveries continued, with very few

contracts delivered this week and close to 1300 April contracts remaining open. Of course, that's a relatively small number of remaining open contracts except for the even smaller number of deliveries made to date. According to the flow of the small number of gold contracts delivered this week, JPMorgan now appears to be the largest holder of the remaining open contracts, along with HSBC, both in their respective house accounts. I fully admit that this wouldn't appear likely to result in anything earthshaking, but at the same time, the situation does suggest tightness in physical gold.

The big potential delivery story is still the upcoming May delivery in silver, now just two weeks ahead. In addition to what JPMorgan may do, I am particularly interested in what Goldman Sachs might do; which ranges from nothing, making delivery (of what it took in March) or standing for more silver. Should Goldman seek more silver and particularly if JPMorgan isn't as accommodative as it was in the COMEX March deliveries in backing down, price fireworks could result (if that doesn't happen sooner).

Since price movement has become an exclusive function of COMEX futures contract positioning, let me jump to the new COT report. You'll remember that the reporting week covered in yesterday's report featured price action that was bifurcated; with early price weakness reversing to price strength into Tuesday's cutoff for both gold and silver. We know that the managed money traders very likely sold and created the early price weakness and then reversed themselves and bought, causing prices to rise into the cutoff.

Therefore, any pre-report prediction had to be based upon netting out the managed money early selling and later buying, always tricky and why I refrained from actual

contract predictions. I did think there would be a significant improvement in silver and missed the mark and although there was an improvement in the gold market structure, it mostly related to commercial buying with little managed money selling. But there was one feature to the silver report that was most encouraging.

In COMEX gold futures, the commercials reduced their total net short position by 13,200 contracts to 175,700 contracts. This puts the gold market structure squarely in the neutral range, as of the Tuesday cutoff. By commercial categories, the big 4 bought back 3700 short contracts, while the raptors (the smaller commercials) added 15,400 new longs to a net long position that amounted to 73,600 contracts as of Tuesday. The big 5 thru 8 traders added 5900 new shorts to round out the equation, but none of that new short selling was by commercials. In a strange twist, the selling wasn't done by managed money traders, as one might expect; instead a large speculator, but not a managed money trader did the selling (unless the CFTC screwed up its reporting).

The gold raptor net long position was the highest (most bullish) since July and there can be little doubt that these smaller commercials were responsible for the sharp price rally on Wednesday in which they distributed and unloaded many long positions into managed money buying on that day as gold prices rose to near multiyear price highs. The question is how many contracts did the raptors or big commercial shorts buy on Thursday's price weakness.

Perhaps not surprisingly, there wasn't much managed money net change during the reporting week. Let me put that a different way; early reporting week selling by the managed money traders was nearly completely offset by managed money buying into Tuesday, almost exactly as expected. The managed money traders sold less than

1100 net contracts, comprised of long liquidation of 1546 contracts and the buyback of 466 short contracts. For sure, the managed money traders bought upwards of 40,000 net gold contracts on Wednesday's price strength, but subsequently sold a big chunk of those contracts on Thursday, leaving us with another sharply bifurcated reporting week thru yesterday and still with an overall market structure that must be considered neutral.

In COMEX silver futures, the commercials increased their total net short position by 1900 contracts to 4600 contracts. This is still a stunningly bullish figure, only slightly less bullish than last week's record low number. While I was somewhat disappointed we didn't achieve a new bullish extreme, my disappointment proved fleeting when I dug into the details of the report.

By commercial category, the big 4 actually reduced their net short position by a hefty 3800 contracts, as did the big 5 thru 8 traders to the tune of buying back short 1800 contracts. The raptors did all the selling in unloading 7500 long contracts (at a profit) and reducing the raptors' net long position to 68,100 contracts, still a very large and bullish long position. Let me jump to what the managed money traders did first, before returning to what has me so encouraged by this report.

The managed money traders bought 3226 net silver contracts, including new longs of 292 contracts and the buyback of 2934 short contracts. As a result, the managed money long position is still a very low 33,786 contracts and not likely to get sold off much from here, while the managed money short position is still sky-high at 70,898 contracts (although likely less than that in trading since the cutoff).

What has me so encouraged is that there was (and is) a managed money trader in the big 4 category, as well as another one or two managed money traders, in the big 5

thru 8 category going into this report. Since the managed money traders only bought back less than 3000 short contracts this reporting week and the big 8 shorts bought back a total of 5600 short contracts, then, mathematically, other commercial entities had to buy back 2600 short contracts to balance the equation. “Other commercial entities” in this case is another term for JPMorgan.

I would calculate that JPMorgan bought back at least 2000 short silver contracts, reducing its paper short position to 17,000 contracts (85 million oz) and possibly less. Not only is this the lowest paper short position held by JPMorgan since last summer, it also coincides with its largest physical position ever, over 700 million oz, giving the bank its largest net long silver position ever. Therefore, as of Tuesday, JPMorgan was, once again, better positioned for a big up move in silver like never before.

But what has me most excited is that JPMorgan’s buying this week came as the raptors (the smaller commercials) were pretty heavy sellers (of 7500 long contracts), not completely unprecedented, but still quite rare. Most usually, as you know, the commercials behave like the Three Musketeers when it comes to buying and selling against the managed money traders, putting up a united effort. Not this reporting week.

If there is one signature issue that I have pounded on the table about for more than 30 years, it is the issue of the commercials selling short unlimited quantities of COMEX silver contracts on just about every silver rally over that time. That’s the basis of the silver manipulation. Over the past 10 years, I have been able to narrow my signature issue down to one single commercial entity, JPMorgan; pointing out that since taking over Bear Stearns 10 years ago, JPMorgan had never taken a loss

whenever it added to its controlling COMEX short position, a feat never previously achieved in any market by any entity and thought to be impossible.

Just a few days ago, I recounted how JPMorgan had maintained its impossibly perfect trading record over the past year, netting at least \$400 million in illegal and manipulative trading after notifying the federal regulator, the CFTC and its new enforcement director of the scam in exquisite detail. I always send every article to JPMorgan, the CFTC and the CME Group (owner operator of the COMEX). I even made the article public.

<http://silverseek.com/commentary/interesting-anniversary-17209>

Over the past 30 years, I have maintained that if, as and when the commercials didn't add to their COMEX short positions on the next silver price rally, the price would explode and the manipulation would be ended. In hindsight, the commercials always added shorts and the manipulation continued. Over the past ten years, I have further narrowed down my original premise to JPMorgan; stating that whenever it refrained from adding new short positions on the COMEX on any silver rally, the price would soon explode and the manipulation would be ended. But, as I have reported over all this time, JPMorgan has always added to its paper short position, ultimately snuffing out every silver rally.

This has led to the most unusual of circumstances, namely, a single individual (me), privately and publicly accusing the nation's largest bank, as well as the federal commodities regulator and the principle self-regulator (the CME) of illegal activity of the most serious kind with absolutely no blow back or denial. As far as I know, this is unprecedented. I understand the lack of denial because none of these entities is capable of denying anything I've alleged, since I have relied on their own public data.

But neither is this a circumstance that can continue indefinitely, for a number of reasons. For one, more attention than ever has come to this issue from those who observe and comment on the precious metals. I can guarantee you that the attention will only grow more intense as time evolves, just as it has grown to this point. And, as the record has shown, I have no qualms about publicly labeling all three entities (JPM, CFTC and CME) as crooks and vermin that I am trying to entice to come out into the open from the rocks they live below. I recognize that I may live to regret those words, but I am willing to take the chance because I am that certain of what I allege. I'm not close to being so foolhardy as to risk financial jeopardy to myself and family.

I know many casual observers feel this silver manipulation can go on indefinitely, mainly because it seems to be in JPMorgan's best interest to continue to rig the market. Not only do I understand those sentiments, I would also point out they come from what I've reported and introduced over the years. Let's face it – if I hadn't drawn a bead on JPMorgan's illegal activities and massive accumulation of physical silver, I can't imagine who would have in my place. But this is not about me, it's about what's good for the crooks at JPMorgan. Every single time that JPMorgan illegally rings the cash register by adding paper short positions and then buying those added shorts back at lower prices and a profit, more come to see the obvious. I am not talking about individual investors like you or me, I'm talking about the big boys, like Goldman Sachs and others. Sooner or later, JPMorgan's running silver scam will attract serious competitors (and may already have).

What has me so excited about JPMorgan's activities in the new COT report is the early hint that it won't add significantly to short positions going forward and is in position to buy back many more short contracts on a rally. That's because of the very

large raptor net long position. I fully expect that the smaller commercials will sell most, if not all of their long silver positions on the next silver rally. The only question is who will be on the buy side as and when prices move higher? As always the buyers can be assumed to be the managed money traders who are very light on the long side and short up the ying yang currently.

But the current set up also allows for something heretofore never seen, namely, an opportunity for JPMorgan to buy aggressively and close out a significant number of its existing and relatively small short position. The amazing thing is that if JPMorgan does absolutely nothing, neither buying nor adding new silver short positions, that's enough to cause silver prices to explode. That's because JPM has become the market controller of last resort in silver. It is in such a remarkably favorable position, by virtue of its massive physical position and relative small short position that if it, quite literally, keeps its hands in its pockets and does nothing on the next rally, silver will soon explode in price due to the lack of new short selling by JPMorgan.

Can I guarantee that JPMorgan will not add manipulative short positions on the next silver rally? Of course, I can't - no one can read this crook's mind or future intentions. But I can tell you that JPMorgan will not add to its silver short position someday and it has never been in a better position to refrain from shorting than it is now. I can also tell you that should JPMorgan add to its silver short positions on the next rally, not only will I be openly labeling it as crooked, many others will likely be doing so as well. Therefore, time is running out before the silver manipulation jig is up and there's no way JPMorgan is not sensitive to that fact. I don't know if it's possible to get more all in than when one is already all in, but it's something I think about a lot.

Ted Butler

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Silver - \$16.65 (200 day ma - \$16.76, 50 day ma - \$16.51)

Gold - \$1348 (200 day ma - \$1298, 50 day ma - \$1332)