

April 19, 2017 – A Secret and Illegal Agreement

There certainly doesn't seem to be a shortage of outrageous behavior recently, when looking at reports of an older Asian-American doctor being dragged off a plane. But where visual images cap a sense of outrage that has crept into the flying experience, sometimes bad behavior is not always captured on phone cameras. Sometimes you have to step back and think about things by reading and considering all the facts.

Last week, I asked you to consider writing to the CFTC and your elected representatives yet again in regard to a letter I sent to the two key appointees who are primarily responsible for guarding against market manipulation. In the letter, I highlighted the case for a silver manipulation. Today, I would like to point out just how upside down this whole thing has become.

The CFTC's main purpose or primary mission is to prevent manipulation and ensure market integrity. Neither you nor I chose this as the agency's prime mission, it was assigned by congress and commodity law. While not large by government standards, the CFTC is allocated more than \$250 million annually and employs around 700 full time employees to fulfill its mission against manipulation and fraud in the regulated commodity markets.

To advance its prime mission, the agency actively solicits tips from the public in its quest to uncover wrongdoing and has instituted a formal whistleblower program designed to reward those who step forward to report wrongdoing. Sounds like a fairly formidable effort against market manipulation and fraud – a quarter of a billion taxpayer dollars annually, 700 full time employees and programs designed to generate tips and complaints from the public. One might think with resources like that, market manipulation wouldn't stand a chance. Think again.

Those raising the allegations of a silver manipulation, like myself and others, have, basically, zero funds and zero employees budgeted towards raising the allegations of a silver manipulation. The allegations are driven simply by observing price action and COMEX positioning changes, as reported in the COT reports. Despite the programs designed to encourage and generate tips from the public, the record indicates that the CFTC has become downright hostile and unwilling to openly discuss any allegations of a COMEX silver manipulation, even though the allegations are based upon Commission data. Talk about upside down.

The easiest and most practical course of action for the CFTC is simply to address the issues in an open and forthright manner. No muss, no fuss and no great expenditure of taxpayer resources. Explain why the agency's own guidelines on concentration are ignored on the short side of COMEX silver futures. Explain how it is legitimate for large speculative traders to be setting the price and for real silver producers, consumers and investors to play little, if any role in the price discovery process. Explain how it could possibly be legal for the largest short seller, JPMorgan, to also be the largest physical stopper at the same time – not how it could be done (we know how), but how that could be legal. Explain how JPMorgan never taking a loss on a newly added short COMEX silver position for nine years didn't raise agency suspicions.

There has to be a good reason why the CFTC won't openly address the clear evidence of a

COMEX silver manipulation, as well as why JPMorgan and the CME Group would turn away from direct accusations of wrongdoing that would constitute slander and libel if such allegations weren't true. Something has to be holding the CFTC back from addressing that which should and must be addressed. Actually, I think there are two reasons.

One, as I've long held concerns the agency rejecting any thought of a COMEX silver manipulation early on, more than 30 years ago when I first alleged such a manipulation. Basically, it's nothing more than a continued doubling down of manipulation denial because how does a government agency openly admit to failing in its prime mission for decades despite increasingly clear evidence of such failure? This denial doubling down is reflected in the unusual circumstance of the agency being forced to argue with every single point I ever raised about silver. But it's simply not possible that everything I say about silver to be 100% incorrect. At a minimum, that would be insulting to those who find value in what I write. Besides, I rely, almost exclusively, on the agency's own data to make the case and it almost ends up with the agency arguing against its own data.

But there's an even more compelling reason for the CFTC to deny allegations of a silver manipulation that burst onto the scene nine years ago – the takeover of Bear Stearns by JPMorgan in March 2008. As the public record indicates, this was at the start of the financial crisis and came about with the US Treasury Dept. and the Federal Reserve requesting JPMorgan's assistance in rescuing Bear Stearns. You can be sure that since JPMorgan was being asked by the US Government to, in effect, do it and the country a favor in taking over Bear that the bank would, in return, solicit and arrange for as many protections for JPM as possible. JPMorgan's CEO, Jamie Dimon, has since lamented that he ever agreed to the takeover, but when it came to subsequent dealings in COMEX silver over the next nine years, it's hard for me to see how it could have turned out any better than it did for the bank.

What no one knows is what private guarantees and assurances were granted to JPMorgan that have left it immune from the CFTC moving against JPM's clearly illegal activities in silver over the past nine years. There's no other way to explain how the crooks at JPMorgan continue to manipulate and fraudulently abuse the silver market for its own gain. Undoubtedly, JPMorgan was given a free get out of jail card from future violations of commodity law when it came to it agreeing to acquire Bear Stearns. But after nine years of JPMorgan dominating the silver market in every way possible, was JPM's immunity from having to behave legally in silver granted in perpetuity?

The last time the CFTC addressed the silver manipulation in detail was May 13, 2008, when it released a 16 page denial that included many specifics, including the issue of concentration on the short side.

<http://www.cftc.gov/idx/groups/public/@newsroom/documents/file/silverfuturesmarketreport0508.pdf>

About the only thing that the CFTC reported that was true, to my knowledge, was that it had received numerous letters, emails and phone calls about a silver manipulation for 20 to 25 years to that time (I know this to be true since I did most of the writing and calling). However, the most egregious omission was that less than two months prior to the date of the report, the largest COMEX concentrated silver short seller, Bear Stearns, went under and needed to be taken over by JPMorgan. Nothing could have been more important to the issue of concentrated short selling in COMEX silver than the sudden failure of the largest concentrated short. Funny how the CFTC's public report missed the most important COMEX silver event ever.

Now that I've had time to reflect on it, the financial failure of the largest concentrated COMEX silver short seller in March 2008, just as the price of silver had climbed to its highest level in nearly 30 years (to around \$21) was not only the seminal COMEX event, but also the explanation for why the Commission won't act against the manipulation and, particularly, against the main agent of that manipulation -- JPMorgan. While I'm not usually a conspiracy advocate, in hindsight it is crystal clear that JPMorgan was given great leeway to continue the silver manipulation when the US Government called upon it to rescue Bear Stearns. It may also be possible that the USG had granted leeway to Bear Stearns to manipulate the silver price prior to it failing financially, but that looks like small beer at this point.

Think of all that has transpired since JPMorgan agreed to acquire Bear Stearns in 2008 and was granted immunity from the laws governing price manipulation. For one thing, it has resulted in the evisceration of the CFTC as the principle agent in the fight against market manipulation and fraud. The reason the regulatory world is upside down, with the CFTC resisting bona fide allegations of silver manipulation is because of the secret agreement with JPMorgan arranged by Treasury and the Fed. The CFTC has been relegated to being a do nothing, good for nothing waste of taxpayer money when it comes to its most important mission -- dealing with market manipulation, not even capable of responding to substantive public claims of market abuse. I've become convinced that JPMorgan's secret agreement with the USG led to Gary Gensler's failure to enact position limits and his subsequent resignation as well as having succeeded in shutting up the formerly loquacious Bart Chilton.

But how long does the agreement allowing JPMorgan's illegal control of the silver market extend -- forever? And is any secret agreement valid if it permits illegal activity? That's a question that should be facing new CFTC employees when they are first confronted with these facts.

I'm told from those who know of him personally, that the new director of the Enforcement Division, James McDonald, is as straight and honorable as a June day is long. Certainly his public service record attests to that. McDonald has a strong legal background and, get this, his last position at the US Attorney's office in New York involved successful prosecution against public corruption. Sounds like his experience might be put to good use should he not succumb to orders from above to forget about the silver manipulation. Someday, someone new at the agency will refuse to go along with orders from above to ignore what is a market crime in progress. Hopefully, McDonald will prove up to the task.

If the CFTC has been rendered useless in moving against JPMorgan because of some secret and likely illegal agreement given nine years ago, perhaps the only remedy is to involve your local elected officials. The CFTC answers to senators and congressmen even if won't respond to the public complaints it supposedly solicits. It was just such CFTC correspondence with elected officials that revealed that JPMorgan took over Bear Stearns's illegal dealings in COMEX silver initially. Please write to your representatives with this and anything of mine on this matter.

As a way of explanation to valued subscribers, I may make this article public because it is in all our interests for as wide a public effort to pressure the CFTC as is possible. I'm keenly aware you are paying for something that I am turning around and making public, but if I wasn't convinced it was the right thing to do, I wouldn't. And neither do I want it to be a secret that I accuse JPMorgan and the CME of criminal activities in the silver market. If they or anyone has a problem with it, I'm not a hard guy to find.

The jury is still out as far as the inevitable price verdict on the extremely bearish market structure in COMEX silver, as well as the eventual verdict on gold's neutral structure. In both cases, it comes down to the question of whether recently added managed money technical fund long positions will get sold on lower prices rigged by the banks. In the past, these technical funds always sold eventually and that is widely expected this time around. In fact, I have never seen such a lop-sided consensus for a selloff than this time around and considering the track record of past COT setups, it's not hard to understand the widespread expectations for a selloff.

At the same time, conditions for a commercial short covering rally, aka the full pants down, have also never been more compelling. Those conditions include the ability of the biggest COMEX silver short and crook, JPMorgan, to sidestep losses on its short position and double cross its fellow big COMEX short crooks, thanks to its massive physical silver hoard.

Regardless of how the extreme market structure in silver gets resolved, there should be no question that the resolution will come from whether the recently added managed money longs turn tail and run or whether the 7 big shorts do the running. Needless to say, there's never been a past occasion when it was the commercial shorts doing the running in silver; the next time will also be the first time.

As far as what Friday's COT report will likely indicate through yesterday's cutoff, price action and an increase of around 16,000 contracts in total open interest would suggest an increase in managed money buying and commercial selling in COMEX gold futures. Gold prices closed higher every day of the four-day reporting week, hitting new successive multi-month highs during the first three trading days. Even after an initial sharp selloff yesterday, gold managed to finish higher for the day and ended up about \$20 for the reporting week. Technical funds generally buy under such trading conditions, although there is room for some surprise.

Silver was similar to gold in that its total open interest also rose over the reporting week (by around 8000 contracts) and it also made new successive multi-month highs over the first three trading days, if somewhat less decisively than in gold. But silver also differed a bit in that yesterday's selloff was sharp enough to erase all the price gains for the reporting week. I suppose, like in gold, the odds favor an increase in managed money buying and commercial selling, but the chance of a surprise is greater in silver.

I know it's frustrating and infuriating that the silver manipulation has lasted as long as it has, but it would be much worse if there was no good explanation for it. Fortunately, the mechanics of the manipulation – COMEX futures positioning – and JPMorgan's leading role are more widely understood than ever. The only ones not acknowledging it are the manipulation deniers, sadly now led by CFTC. This is something that can't be tolerated or allowed to continue.

As always, I approached the Commission in a professional and straight forward manner, asking for

responses to substantive questions based upon the public data, much of it from the agency itself. There was nothing about what I wrote that was rude or offensive. The last time the Commission responded in detail, nine years ago, the public record indicates that it lied about there being nothing unusual with the short side concentration in COMEX silver. Since then, the agency has continued to see no evil, even though the evil has grown worse, particularly concerning JPMorgan. Unless someone with personal integrity within the CFTC steps up to the plate and does the right thing, the only practical means of pressuring the agency into doing what it is already supposed to be doing is by enlisting help from elected officials. It's about time we learned about the secret and illegal deal made with JPMorgan that allows the bank to continue to manipulate the silver market.

Ted Butler

April 19, 2017

Silver – \$18.17 (200 day ma – \$18.12, 50 day ma – \$17.89)

Gold – \$1283 (200 day ma – \$1260, 50 day ma – \$1243)

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