

April 24, 2019 - The JPMorgan Way

Once you become convinced that whatever JPMorgan does or doesn't do is the key to truly understanding the silver and gold markets, the conviction will never leave you. It's much like the conviction of whether the silver and gold markets are manipulated or not - once you see it, it is with you forever. And if you remain convinced there is no manipulation and prices are set by true free market developments, you are forced to deny the constant barrage of new and recurring evidence pointing to manipulation. For those that do see the manipulation, it's not that much of a leap to see that JPMorgan is the main ringleader.

My conviction that silver prices were manipulated occurred nearly 34 years ago, when I discovered that excessive and concentrated paper short positions on the COMEX were responsible for the depressed price. It is a conviction that hasn't changed to this day. Much later, not quite 11 years ago, I became convinced that JPMorgan was the big manipulator as a result of public revelations pertaining to its takeover of Bear Stearns in early 2008. I had always included JPMorgan in a small group of banks and financial institutions (the Silver Managers) thought by me to control the short side and the price, but I was only able to refine that to JPM in late 2008. Prior to then, I had to confine my allegations of manipulation to the unnamed big 4 or big 8 traders as laid out in the COT reports. It's much better being specific about JPMorgan.

For me, coming to look at silver and gold through the perspective of JPMorgan being in complete control has been almost mystical because it is so illuminating. To be sure, I have been and still am open to any suggestion that I might be reading things wrong, but the truth of the matter is that all new evidence becomes further confirmation that JPMorgan is large and in charge. And it certainly has been a gradual and progressive process, mostly the result of me coming aware of

JPMorgan's way by observing the flow of public data.

The flow went something like this - after discovering silver was manipulated on the COMEX and knowing that every manipulation has to have a ringleader, I took guesses at who the big manipulator might be through the years; first Drexel Burnham Trading and then on to AIG Trading. The trail got cold when Bear Stearns took charge in the 2000's and I wasn't aware it was the big manipulator until after it had failed in 2008. But Bear Stearns' failure directly led to the discovery that JPMorgan assumed the head manipulator mantle, a role it has maintained to this day. I did start writing about and accusing JPMorgan being the big silver and gold manipulator in late 2008 not that long after it assumed the role.

I was a little late to the party in discovering that JPMorgan had conceived and implemented the most brilliant precious metals maneuver of all-time; although as it turned out, in many ways I stumbled upon it way too soon (much like my initial discovery of manipulation in 1985). Of course, I'm talking about JPMorgan's criminally genius undertaking of loading up on physical silver and gold as the solution to offsetting its controlling paper short positions on the COMEX. The criminally-genius plan of JPMorgan involved the buying of physical metal at the depressed prices it created via its dominant and controlling paper short positions on the COMEX. Simple, but brilliant. JPMorgan began accumulating physical silver in April 2011 and it took me to 2013 to see what it was doing.

Let me stop here and review what we know from the above. Before March 2008, JPMorgan was not the leading short seller in COMEX silver and gold futures, Bear Stearns was and before Bear Stearns, there was AIG Trading and Drexel Burnham Trading. Had JPMorgan or any other commercial bank been the big short seller prior

to 2008 that would have been reflected in the Bank Participation Report, a data series that I studied for many years. The reason Bear Stearns, AIG and Drexel Burnham Trading weren't reflected in the Bank Participation Report was because none were considered commercial banks.

The reason I point this out is that many believe the silver and gold manipulation is run by the US Government or a cartel of central banks which use the commercial banks as agents to do their bidding on the COMEX. JPMorgan, in particular, is thought by many to be the USG's banker and principal agent. But if that is the case, then why did JPMorgan only become the lead short seller in 2008 (taking over Bear Stearns) and not earlier? It was highly unlikely that the USG or central banks were using Bear Stearns or AIG as their agents prior to 2008, as neither were in the "club" of commercial banks thought to consort with governments. Bear Stearns, AIG and Drexel were outsiders in every way; Bear perhaps because it refused to participate in the bailout of Long Term Capital Management in 1998.

The only way one could assert that JPMorgan was acting as the US Government's agent in the silver and gold manipulation (and not for itself) is by asserting the manipulation began in 2008 and not decades earlier because that's when JPM became the largest COMEX silver and gold short seller. That's absurd, given the evidence.

Also absurd, I've been meaning to mention is the assertion by Bart Chilton in his recent interview that it was the combined short position of Bear Stearns and JPMorgan that so troubled the CFTC in 2008 because it implies JPMorgan's short positions were comparable to Bear's and it was the combined positions that turned out to be so large. The August 2008 Bank Participation Report (when it finally got

around to reporting JPM's true position), jumped more than five-fold in silver and eleven-fold in gold as far as US bank short positions were concerned, proving it was Bear Stearns that held the largest and overwhelming short positions prior to its takeover by JPM. Also mentioned by Bart Chilton was that Bear Stearns' head silver trader moved with the position to JPM which enabled JPM to seamlessly continue the manipulation run by Bear.

When JPMorgan took over Bear Stearns in March 2008 and assumed the mantle of king manipulator, silver was at \$21, its highest price in 28 years and gold was just over \$1000, the highest it had ever traded to that time. JPM succeeded in crushing the price of silver down to under \$9 and gold to \$700 later in the year and continued to add new shorts on rallies thereafter and buy back those shorts at lower and profitable prices for the next couple of years, never taking a loss along the way.

However, in the fall of 2010, silver prices began to move above \$20 due to a tightening physical market. JPMorgan's paper short positions were no match for physical demand (not that it added many at that time) and silver prices exploded to near \$50 by April 2011 and JPMorgan was sitting on at least \$3 billion in open losses on its silver short positions alone. It had to do something and soon to rescue itself from a very serious predicament should prices continue to melt up. JPMorgan rose to the occasion and succeeded in crushing the price of silver by \$6 on the Sunday evening of May 1, 2011 and to \$32 by May 11, essentially breaking the back of the developing physical shortage.

But breaking the back of the developing silver shortage in 2011 wasn't the only thing JPMorgan did. It also dawned on the bank that it could again face a similar potentially disastrous situation as it faced in April 2011 if it continued to depress and

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control the price by being the most dominant and controlling paper short seller in COMEX futures. JPMorgan was reluctant to give up its racket of milking profits from the managed money traders, so it had to come up with a backup plan to insure it wouldn't get hooked on the short side as it had been in April 2011.

The criminally-brilliant plan that JPM conceived was to accumulate massive quantities of physical silver (later gold) at the same depressed prices it was creating anyway with its wash, rinse and repeat cycle of shorting on rallies and buying back those shorts at ever-lower prices. This way, if the physical market ever got tight again (something that JPMorgan obviously concluded was likely), JPM would be protected on its paper short positions with an offsetting physical metal position. Certainly, money was no object for JPM and its massive asset balance sheet could hide its accumulation of physical metals.

JPMorgan succeeded in its brilliantly conceived plan beyond even its own expectations and within two years or so had accumulated enough physical silver and gold to protect itself against any soaring of silver and gold prices. But here's the rub - JPM succeeded so much that when it realized it had bought enough silver (around 300 million oz) and gold (around 10 million oz) - enough to cover a silver short position of 60,000 silver contracts and 100,000 gold contracts - that it said to itself -why stop now? Why not continue to milk trading profits on the COMEX and continue to buy physical silver and gold on the cheap? After all, JPMorgan is not like many in that it has unlimited money to fund whatever the heck it wants to buy.

Let me stop here and try to answer those questions having to do with proving JPMorgan has accumulated 850 million oz of silver and 20 million oz of gold.

Obviously, aside from the 200 million oz it holds in the COMEX warehouses (150

million in its own warehouse and at least 50 million oz in other COMEX warehouses), I can't point you to the physical silver and gold that JPMorgan holds. But I have described in detail the four main means by which JPMorgan has acquired the physical silver I allege it now holds.

Those means include the most obvious – taking delivery on COMEX futures contracts in both its own name and for clients and then moving the metal into JPM's own warehouse (which may have hit capacity at 150 million oz, necessitating the storage in other COMEX warehouses). Next comes skimming from the highly unprecedented physical turnover (movement) in the COMEX silver warehouses, amounting to 250 million oz annually or 2 billion oz over the past eight years – in which I claim JPM has managed to skim off as much as 250 million oz. Next comes the buying and melting of at least 150 million Silver Eagles and Canadian Maple Leafs. Finally, there are the share to metal conversions in the big silver ETF, SLV, of which JPM has been the custodian since its original issue in 2006. I claim JPM has picked up at least 250 million oz in this manner.

Here is what I would ask you to consider. Exactly when did all four of the means that I allege JPMorgan has used to accumulate its 850 million oz of silver begin? The answer is April/May 2011. So while I can't show you where JPMorgan holds the 650 million oz (away from the 200 million oz in the COMEX warehouses), I can pinpoint the exact date when it commenced acquiring the metal by four highly separate means. Let's face it – JPMorgan has every reason to conceal its silver and gold physical accumulation and no reason for full transparency. With that in mind, those still unconvinced about JPM's physical accumulation of silver and gold (not necessarily subscribers) might offer an alternative explanation for the timeline I just laid out.

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It's OK to disagree, but at least provide an alternative explanation for the hard data we know to exist - the takeover of Bear Stearns by JPMorgan in March 2008, the run up in silver prices to near \$50 in early 2011 and the sudden start of the four main means by which I claim JPM has accumulated 850 million oz of silver. I've tried to base my narrative in strict accordance with all the known hard data, leaving out nothing of substance. I see no hard facts that conflict with that narrative, since I've relied on nothing but the hard facts to begin with.

About the only thing I'm "guessing" at is what comes next, since no one can declare what will occur in the future with certainty. But based upon the same hard data as presented above, it seems to me that JPMorgan has positioned itself for explosively higher silver and gold prices. Why else would any profit-driven organization accumulate so much of any investable asset? We may not know precisely when JPMorgan will decide to let silver and gold prices rip higher, because its timetable is different than ours. But unless it has figured out a formula the opposite of buy low and sell high in which to profit, it is in JPMorgan's best interest to see higher silver and gold prices in time.

Moreover, JPMorgan has controlled the price of silver and gold since March 2008 (coming close to losing control of silver in April 2011), so that puts it in a particularly unique position in terms of timing. Quite simple, JPMorgan controls not just the price, but the timing. And the way that JPM controls the price is through COMEX paper contract positioning, namely, adding shorts on rallies when it has decided now is not the time for silver and gold to move sharply higher - as has been the case on every rally over the past 11 years. But I maintain that adding to shorts is something that JPMorgan controls and it could and should decide one day not to add shorts.

Trying to predict when that day may arrive is, obviously, in the realm of speculation. But when that's all you have, it's wise to make the speculation as reasonable as possible. To me, it would seem most advantageous to JPMorgan not to add new shorts on a future rally when it's most beneficial to it. I would define that time as when JPMorgan has already eliminated most or even all of its COMEX short positions, thereby leaving it in a position to maximize profits on its massive physical holdings. It's no secret that I believe that time is now, as a result of the aggressive futures contract buying JPMorgan has engaged in in COMEX silver and gold since the February price highs.

As of the last Commitments of Traders (COT) report for positions held as of April 16, I would estimate that JPMorgan bought 30,000 net silver contracts since Feb 26, completely wiping out its 28,000 contract net short position and leaving it 2000 contracts or more net long. In gold, I would estimate that JPMorgan bought 50,000 net contracts since Feb 19, leaving it 10,000 to 15,000 contracts net long, as of April 16. The selloff that continued through yesterday's cutoff for the new reporting week undoubtedly featured not only significant managed money selling and commercial buying in gold and silver, but buying by JPMorgan, so its net long positions are even greater.

As far as the new COT report for Friday, it's hard to guess how many managed money contracts were sold and sold short, not because the price prompts weren't there to induce such selling, but because so much selling had already taken place that it becomes a question of how much selling is left. So I'm hoping for big numbers, but won't be terribly disappointed by less. For the four-day reporting week to be published on Friday, there were a total of three new salami slices of new price lows in gold, including yesterday's blowout to the downside. In silver, prices were fairly

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stable for the first three days of the reporting week, but silver prices also blew out to the downside yesterday.

I've already declared that I thought the price bottoms in silver and gold were likely in (or close to it) and I see no reason to change that opinion. All in all, I thought the price action through yesterday was encouraging (since it suggested additional managed money selling and commercial buying) because of the slight new price lows - which seemed more painful than they actually were. I was particularly encouraged by today's comeback and the fact that even though we established new price lows yesterday, for the young week-to-date, we're down about 3 cents in silver and actually up a buck in gold.

Ted Butler

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Silver - \$14.92 (200 day ma - \$15.03, 50 day ma - \$15.33)

Gold - \$1278 (200 day ma - \$1254, 50 day ma - \$1304)