I had every intention of breaking the pattern of my constant focus on COMEX futures market positioning and the activities of JPMorgan and speaking instead of the real world supply and demand of actual silver mining and industrial consumption. You know, just to mix it up a bit and keep things interesting. But after a very short while, I gave up. And please understand, this is no small matter for someone who came to devour and obsess over silver mining and consumption data starting more than 30 years ago.

Although I have been consistent in proclaiming that the sole price driver for silver and gold is futures contract positioning on the COMEX, I hadn't realized the full extent to which that is true, until I sought to look at silver prices through the perspective of actual world mine production or industrial consumption. This should have been a piece of cake for me, since studying such data occupied my time and interest for perhaps a quarter century or longer. But in looking back, such study never amounted to much in terms of price predictions.

It dawned on me that none of memorable price rallies in silver over the decades seemed to have any relationship with either world mining or industrial consumption. The great silver price run ups to $50 in 1980 and in 2011, as well as the few notable price rallies before, during and after, had nothing to do with any discernible changes in world mine production or industrial silver consumption. The two biggest silver price rallies had one root cause – an increase in physical investment demand; ranging from the Hunt Bros. in 1980 to broad ETF-type buying in 2011. That being the case, why should I report on mine production or industrial demand in terms of expected price movement?

Don't get me wrong, actual silver production and consumption should matter to price and I'm sure will one day; just that neither have mattered much up until this point. That's because the price setting mechanism thought reserved for the law of actual supply and demand has been replaced and jerry-rigged by paper COMEX dealings. About the one good thing about prices being set by paper COMEX positioning is that it provides the only explanation possible to account for something that shouldn't be possible. If there is one thing that explains both the explosion in interest and commentary in the COT reports as well as the lack of interest in actual mining and consumption data it is that COT analysis has been head and shoulders more effective than old-fashioned supply/demand analysis.

For me this has been a process so consistent that it is a bit of a shock when you sit down and try to look at silver and gold prices through the prism of actual metal production and consumption. Even though I have been studying silver closely for nearly 35 years, I can't begin to explain silver prices in terms of mine production or consumption because as far as I can tell, neither has had anything to do with price. I can't say I wasted my time in studying mining and consumption data, because if I hadn't I wouldn't have uncovered the COMEX paper scam. So with all that in mind, let me transition to the one thing that matters most for prospective silver and gold prices, the current market structure in COMEX futures.

Since yesterday was the cutoff for this Friday's COT report, let me start with expectations for the new report. In Saturday's review, the price action through Friday suggested we would see big improvements in both gold and silver, given the weak price action to that point. On Monday, we rallied strongly, with gold once again closing above its 50 day moving average and silver touching, but not closing above its 50 day moving average, before falling back below its average (thru this morning).

My best guess is that this Friday's report will still show an improvement in gold, with managed money selling and commercial buying of around 25,000 net contracts. That would put the total commercial net short position in COMEX gold (the headline number) at close to 200,000 contracts, a reading considered neutral to bearish in overall terms. Remember, that leaves room for 100,000 net commercial contracts to be bought or sold on what could be a gold price move of more than $100 – $200 to the upside or a move of close to $100 on the downside.

In silver, I would guess an improvement of perhaps as many as 10,000 net contracts of managed money selling and commercial buying in Friday's report. Should that be the case, it will be yet another record large managed money net and gross short position and a record small commercial net short position with a chance for the first true commercial net long position ever. Please remember that predictions are not nearly as important as the overall market structure and even if I managed to embarrass myself with my overly optimistic predictions for this week's report, it will not and cannot change the extremely bullish market structure in silver (nor the extremely neutral market structure in gold).

More than anything, the extreme market structure in COMEX silver only strengthens any thoughts I may have of the "big one" being upon us. Of course, I am referring to the massive move higher in the price of silver I have long envisioned. Certainly, the commercials and JPMorgan have never been in better position for a sharply higher silver price than they are now. That said, I must freely admit that similar, although not quite as extreme previous set ups, have failed to produce much of a silver price explosion, as both the commercials and JPMorgan have sold on the price rallies that emanated from prior bullish set ups. I, for one, can't rule out that happening yet again and for the next silver rally to develop to disappoint in the end.

Yet I am struck by the new thought that the only way the commercials and JPMorgan would sell aggressively into the next silver rally, as they always have in the past, would be if they were confident that they could replicate what they have achieved at this point. In other words, JPMorgan would only add to its COMEX silver short sales on the inevitable and imminent next rally ahead in silver if it was confident it could cap prices and then buy back those shorts at lower prices yet again. I know this is precisely what many think JPM will do, but I would like to point out why that may not be the case this time around.

For one thing, while JPMorgan has certainly maintained its impossibly perfect trading record of never taking a loss whenever it has added to its COMEX short position, growing competition from other commercials (raptors) and other non-commercial traders has definitely cut into JPM's share of paper profits. Plus, it has become harder for JPMorgan to whittle down its short position as easily as it has in the past.

For example, JPM held a COMEX silver short position of 40,000 net contracts (200 million oz) this past November 21, at prices barely a dollar higher than current prices and after more than four months has succeeded in reducing that short position by roughly half, or by 20,000 contracts or 100 million oz. Should it once again add aggressively to its COMEX silver short positions, how long would it take JPMorgan to whittle down that new short position, considering the growing competition to get a piece of the managed money action by other traders and the growing awareness by many of just how crooked is the COMEX price mechanism and JPM's role in it.

Whether JPMorgan decides to do the whole thing all over again might appear to be a reasonable expectation, but it doesn't seem at all reasonable to me that JPM would continue to do this indefinitely as many seem to believe. The apparent retreat by ScotiaMocatta from the ranks of the big silver short sellers takes away from JPMorgan's overall power in capping and containing future price rallies and does nothing to strengthen JPM's manipulative power.

Additionally, the one driving motive for JPMorgan to maintain its lid on silver prices over the past seven years was so that it could accumulated as much physical silver as possible while prices were depressed. I would even go so far as suggesting that JPMorgan would be willing to accept no gains on its manipulative COMEX paper trading were it able to continue to accumulate physical metal on the cheap. But even here there are separate signs that JPMorgan's extended run as being the sole major acquirer of physical silver over the past seven years may be threatened by the emergence of Goldman Sachs as a potential competitor for physical silver (based upon recent COMEX silver delivery statistics).

So if it is getting harder for JPMorgan to continue to be the COMEX silver price manipulator of last resort due to growing completion and awareness of how the COMEX operates and how it now may face competition in its quest to accumulate physical metal, isn't it more likely that JPMorgan would change its playbook rather than continue on a course that would only benefit others and not itself? I fully admit that no one can be sure of what JPMorgan will or won't do, but I would contend that this is the right way to look at silver. We know that actual mine production of industrial consumption simply doesn't cut it.

As far as whether there is growing awareness of the role JPMorgan is playing in silver by virtue of both its dominant COMEX paper short position and its massive physical long position, here's a stop-the-presses link I just received from Ed Steer by way of one of his subscribers of an interview last light on BNN, the Canadian financial TV network. It gets interesting around the 10 minute mark and most interesting around the 11:30 mark when the person being interviewed cites JPMorgan's role in silver, including how it owns 700 million oz of physical silver (wonder where that came from?).

https://www.bnn.ca/market-call-tonight/full-episode-market-call-tonight-for-tuesday-april-3-2018~1358795

At some point, it is reasonable to assume that JPMorgan might be forced to comment on the allegations that it has manipulated the price and then used the depressed price to accumulate physical silver on the down low in price. The most remarkable thing is how it has avoided doing so up until this point. I don't have the vaguest idea of how the bank could possibly come up with a legitimate-sounding explanation, otherwise I would have likely heard from these crooks long ago. Same with the CFTC and the CME – there is no legitimate explanation for what has transpired in silver for many years. The only response is no response and to pretend there is nothing wrong.

Even this strengthens my conviction that the next rally in silver is most likely to be the big one. How so? Well if the crooks at JPMorgan, the CME Group and the CFTC can't begin to legitimately explain what's been going on in silver for far too long, then the best alternative is to not to have to answer at all, by virtue of the manipulation being ended and silver prices soaring. JPMorgan not adding to its COMEX short positions will not only result in silver prices exploding, it will also eliminate the need to address questions about its role to this point. It would also be killing two birds with one stone as then neither will the CME or CFTC have to explain.

Let’s face it – the CFTC and the CME were never going to challenge JPM over its role in silver under any conditions and when the manipulation ends and prices soar, few will be complaining about the manipulation any longer. Like so many other things in silver, there is no way I could ever imagine any of this without witnessing it for more than three decades. No one’s imagination could be that vivid.

As far as the pronounced relative weakness in silver versus gold continuing into today, it only enhances the bullish market structure set up in silver. There have been far too many occasions over the years where silver and gold prices have moved higher on heavy managed money buying and commercial selling where I’ve had to sound like a wet blanket and caution about the inevitable prospects for a price decline that undoes the bearish market structure. There is simply no question that I much prefer times like now in silver, when price action is horrid but the structure has improved immensely. No pain, no gain and all that jazz.

Ted Butler

April 4, 2018

Silver – $16.28 (200 day ma – $16.76, 50 day ma – $16.63)

Gold – $1338 (200 day ma – $1294, 50 day ma – $1332)