

A sharp late day selloff on Friday sent silver prices lower for the week by 25 cents (1.4%), following three consecutive weeks higher. Gold also sold off after hitting fresh five month highs early Friday on US military actions in Syria, but still managed to finish higher for the fourth straight week, ending higher by \$5 (0.4%). As a result of gold's outperformance, the silver/gold price ratio widened out by more than a full point to just under 70 to 1.

For sure, changes in the silver/gold price ratio have little, if anything to do with anyone actively switching physical positions of either metal and everything to do with excessive speculative paper contract positioning on the COMEX. The price distortions created by this speculative trading activity make it nearly impossible to predict short term price changes in the metals or their relative value to one another because they don't involve actual metal switching. While that is distinctly negative in terms of gauging the current relative valuations of silver compared to gold, the tradeoff is that the excessive paper contract speculation on the COMEX is also what has created silver's extraordinary undervaluation relative to gold. In other words, if the COMEX didn't function as it does, gold's price wouldn't be 70 times more expensive than silver's, but some much smaller number.

The highlights for the week centered on an extremely bearish COT report in silver, in fact, the most bearish in history, as well as continued confirmation that JPMorgan is accumulating the most massive physical position in history. Yes, JPMorgan did add to its dominant paper short position in COMEX silver futures contracts, while consolidating and adding to its physical holdings – acts so egregiously conflicted and manipulative that I would be hesitant to suggest it were it not for undeniable confirmation in government and exchange data.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses accelerated sharply this week as nearly 8.2 million oz were so moved and as total COMEX silver inventories fell 1.7 million oz to 188.5 million oz. Somewhat remarkably, two of the five days covered in this week's tally were zero movement days, highlighting the intensity of the movement on just three days. Featured prominently in this week's turnover was another 2.4 million oz brought in to the JPMorgan COMEX silver warehouse, increasing holdings there to 94.6 million oz, a new record. This also pushed the silver holdings in the JPM warehouse to just over the 50% mark of total COMEX inventories for the first time.

However, these new thresholds actually understate JPMorgan's total COMEX silver holdings, based upon the delivery data from the recently completed March futures contract, in which JPMorgan took delivery of 17 million oz, mostly for itself, but also on behalf of client(s). The data show that JPMorgan holds another 10 million oz, in addition to the 94.6 million oz in its own COMEX warehouse. It's still possible that the 10 million oz it holds in other COMEX silver warehouses will be physically moved into JPM's COMEX warehouse, but that's not certain. I still sense JPMorgan may be now shifting metal into a new undisclosed warehouse outside the COMEX warehouse system (based upon last week's 1.8 million oz withdrawal).

The bottom line on all this is that only someone intentionally blind to the facts and hard data would deny that JPMorgan is not acquiring massive amounts of physical silver. But this was not always the case. I received a very welcome note from a long term subscriber this week pointing out that there was great skepticism and even mockery at my suggestion a few years ago that JPMorgan was acquiring physical silver through the purchase of Silver Eagles, SLV share to metal conversions and from the excessive COMEX weekly warehouse turnover. The subscriber pointed out

that some of the early mockers had switched around completely and were now freely quoting my 600 million oz figure for JPM's holdings – with not the hint of acknowledgement. What's new?

After a full week of deliveries in the COMEX April contracts, the traditionally active gold contract has featured relatively few total deliveries compared to normal. In fact, the traditionally inactive April silver COMEX delivery month has featured more total deliveries than in gold (643 to 608). That's likely to change over the remainder of the delivery month, as gold open interest in April is much larger than the remaining open interest in April silver, but if you asked me a week or so ago, I wouldn't have imagined more silver contracts being delivered to this point than gold deliveries.

Two key features of the April deliveries in both gold and silver are the complete absence of JPMorgan in its proprietary account as either an issuer or stopper and the emergence of a customer(s) of JPMorgan as a fairly large issuer (308 contracts) of silver. Since JPMorgan is the clear kingfish in both gold and silver, even its absence is notable.

http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

Sales of Silver (and Gold) Eagles continue to stink ever since JPMorgan withdrew from buying after a six year stretch of nothing but buying Silver Eagles. While total retail demand for all forms of silver, including Silver Eagles, has been soft for years in spite of the record sales attributable to JPM, reports from the retail front now indicate a near absence of retail demand. My sense is that the near lack of retail demand suggests a major bottom in price on a sentiment basis, but there is no doubt that retail investors are not buying silver (or gold).

<https://competition.usmint.gov/bullion-sales/>

The changes in this week's Commitments of Traders (COT) Report were more disappointing than unexpected, but instructive nonetheless. There's no way to sugarcoat the fact that on a good number of measures, we are now at the most bearish extreme in market structure in COMEX silver in history. Those measures would include the largest total commercial net short (headline) position, the largest concentrated net short position held by the 4 largest shorts and the largest (gross) long position by managed money traders. In fact, the four largest COMEX silver shorts (led by JPMorgan) established a new record concentrated short position in the previous reporting week by a few hundred contracts that I missed on initial review. This week, however, they blew by it by a few thousand contracts.

Please allow me to pause to comment on recent silver price action and positioning changes in general before getting into this week's gruesome details. Watching the price action for the past two weeks and now armed with data from the corresponding COT reports, I've come away with some strong impressions. I'm not particularly surprised at the amount (28,000 contracts) of new managed money longs in COMEX silver over the past two reporting weeks, because while price action was relatively very tame, important technical fund moving averages were consistently penetrated in such a way so as to induce technical fund buying. You may recall I wrote that if I were a technical fund, I would have been a buyer under the price conditions of the past week.

Also, please remember that I am talking of the technical fund component of the managed money trader category now and not the core non-technical fund component that I have been writing about recently which I'm still estimating (guessing) to be

around 80,000 contracts. I know this can get complicated, so don't hesitate to contact me with any clarification I can provide. In this case, I am speaking of the 28,000 contracts of new managed longs added over the past two reporting weeks by technical fund managed money traders, an amount equal to 140 million oz of silver, or two full months of total world production and consumption.

The strongest impression that strikes me is that if any small group of traders bought the equivalent of two full months of the actual world production or consumption of any commodity, one would reasonably expect the price of that commodity to rocket higher. For example, if a small group of traders bought the futures equivalent of two full months of the world production of gold, or 16 million oz, that would translate into 160,000 COMEX gold contracts. There has never been a two week buying spree of such a large number of COMEX gold contracts and if there had been, it would be talked about for years, as the price impact would have been enormous. One more example, just to underscore what just happened in silver. Had a small group of technical fund traders tried to buy in futures contracts the equivalent of two full months of crude oil production, or 6 billion barrels, it would require the purchase of 6 million NYMEX contracts, a clear impossibility considering that total open interest in NYMEX crude oil futures runs around 2 million contracts.

I am drawing on examples of what could never happen in any other commodity with what just happened in COMEX silver to make the point that COMEX silver is not like any other commodity in the amount of paper positioning relative to real world amounts. The more dwarfed an actual commodity is by paper positioning, the more manipulated it is in price. COMEX silver is off the charts in any objective

measurement from any other commodity. While unquestionably true, that's not my real point.

Not only do we have clear proof that managed money technical funds bought the equivalent of two full months of world silver production, we also have clear proof that the price of silver hardly budged in price, unlike what would have occurred in any other commodity. Here's the punchline – the technical funds would have been willing to pay much higher silver prices than they ended up actually paying, simply because they are technical funds which, by definition, buy as prices rise and sell as prices fall. Maybe if silver jumped by dollars per ounce, the technical funds might have curtailed their buying temporarily, but they were more than content to buy what they did on the small increase in price (otherwise, they wouldn't have bought the incredibly large quantities they did buy).

Therefore, the real price and positioning takeaway is not why the technical funds' buying had such a tepid impact on price, but why in the world would the counterparty sellers sell to the funds in such enormous quantities at such low prices, when it would have been a snap to step back a bit and let prices run higher before selling? There is only one answer to that question and it revolves around an intentional effort to prevent silver prices from rising. The sellers to the technical fund silver buyers are largely, or exclusively, banks adding to paper short positions and not legitimate hedgers like mining companies. Worse, the concentrated nature of the short selling points to the selling as being manipulative in and of itself.

The bottom line is the silver short sellers sold at much lower prices than they could have sold at and that's why silver struggled to move higher in the face of the record technical fund buying. Either these manipulative short sellers are extremely

confident that they will be able to rig prices lower and induce resultant technical fund selling or they are desperate to ensure higher silver prices don't trip off even more buying. The most outstanding price feature in silver over the past two weeks was the aggression of the short sellers. And it's hard to come up with a more manipulative act.

In COMEX gold futures, the commercials increased their total net short position by 18,900 contracts to 171,000 contracts. The net short position is undoubtedly higher through yesterday's trading and would put us above the recent high point of February 28 (180,000 contracts), which was enough of a commercial short position to result in a two week \$50 price smash in gold. To be clear, gold's market structure is still way better than the same market structure in silver, but there is no doubt that COMEX gold has also featured unusually aggressive commercial selling apparently designed to cap price rises that I just described in silver – just not to the same degree.

All commercial categories sold in gold, with the big 4 adding 2800 new shorts, the 5 thru 8 adding 6800 new shorts and the raptors (the smaller commercials) selling out 9300 longs, leaving them with a 5300 net long position. As it turned out, there was, as expected, a large reduction in spread positions which basically accounted for the notable drop in total open interest that some had attributed to a sharp reduction in commercial shorts. Clearly, there was no such reduction in commercial short positions and the only plausible explanation for the drop in total open interest was spread liquidation into first notice of deliver day.

On the buy side in COMEX gold, it was almost exclusively a managed money affair as is so often the case in markets where the real positioning has evolved down to two

categories of traders - commercials and managed money traders. This week the managed money traders accounted for 18,083 net contracts of gold buying, including 12,549 new longs and the short covering of 5534 contracts.

In COMEX silver futures, the commercials increased their total net short position by 10,600 contracts to a record large 112,300 contracts. There's no way to avoid the statement that this is the most bearish market structure ever in COMEX silver. It exceeds the former bearish record of last summer when silver was \$2 to \$3 higher and goes directly to my earlier point that the standout feature was in how low of a price the commercials sold so aggressively at.

All three commercial categories sold, as was the case in gold, with the big 4 adding 2700 contracts to a new record concentrated short position of 78,021 contracts (390 million oz). The big 5 thru 8 added 2100 new shorts, increasing the concentrated short position of the 8 largest traders to 104,978 contracts (525 million oz), not quite a record. The raptors sold the most contracts by category in adding 5800 new shorts to a short position now amounting to 7300 contracts. This is the largest raptor net short position in years.

I'd peg JPMorgan's net short position to be 33,000 contracts, up from 30,000 contracts last week and this is further calibrated and aligned with yesterday's release of the monthly Bank Participation Report. I was hoping for a surprise in the form of no such increase in short selling by JPMorgan, but no such surprise was revealed. Much of the increase in JPMorgan's net short position of 4000 contracts from last month's Bank Participation Report can be traced to the automatic reduction in the long position the bank held in the March delivery contract as it took delivery of the nearly 3500 contracts JPM took in delivery for itself and clients, but the bottom

line is that its net short position rose.

Once again, we are confronted with the most egregious example of market manipulation ever. The largest COMEX paper short, JPMorgan, is also the largest holder and continuing stopper (taker) of physical silver. It's not possible for there to be a clearer example of market manipulation, aside from all the other glaring examples of COMEX silver price manipulation. Use paper short sales to cap and contain the price and then scoop up physical silver at the resultant low prices. Kick 'em when they're up, kick 'em when they're down.

On the buy side of silver it was even more of a managed money affair than it was in gold, as these traders bought nearly 12,000 net contracts, including buying new longs of 14,825 contracts and selling an additional 2921 contracts short. At just under 108,000 contracts long, there is obviously a lot more room for liquidation even if my estimate of a core non-technical fund long position of around 80,000 contracts proves to be accurate. I'm assuming the 28,000 new managed money long positions added over the past two reporting weeks are, in fact, technical funds, although I would love to be wrong and discover a good portion of the contracts added were of the non-technical fund variety.

I'd be lying if I said that I was encouraged by the current COT readings. Instead, I am taken aback by the sheer brazenness of the commercial short selling in silver. Not only has the commercial short position in COMEX silver never been higher, the short position is higher at much lower prices than ever before, as a result of the unusually aggressive selling over the past two weeks. It's as if the relatively few bank short sellers know that the regulators have taken a hands off approach to interfering in the most blatant market manipulation in history.

Still, there is no easy way out, based upon developments in the real world of silver, both in terms of actual metal and the wide coverage COMEX silver positioning has come to command. And that growing coverage is incredibly well-focused - I guarantee you that you won't be reading any bullish interpretations of the COMEX silver market structure or COT report. But there's a plus side to that as well - it is rapidly getting to the point where there is or soon will be overwhelming acceptance and acknowledgement that the price of silver is manipulated on the COMEX.

A short term selloff, now more expected than previously, will only add to the growing conviction that silver has been manipulated lower in price and attract sufficient buyers to necessarily overwhelm the manipulation. That's what appears to be occurring in the tremendous increase in non-technical fund managed money long positions over the past three years.

The most unusual feature in silver is the undisputed criminal role played by JPMorgan, which, simultaneously, holds both the largest physical long position as well as the largest paper short position. This puts this crooked bank in the silver price driver's seat. Silver will "go" when JPMorgan deems it so. Therefore, it might be wise to keep that in mind at all times. What this means to me has to do with the nature of epic market positions taken by large financial institutions and the cutthroat competition that results from those epic positions. Let me use JPMorgan as an example, but in a different market that ended in negative results for the bank.

Just a few years ago, JPMorgan got caught up in a massive derivatives position gone wrong that is referred to as the London Whale episode. In essence, derivatives traders at JPMorgan assembled upwards of a \$150 billion position in credit default swaps that the bank ultimately liquidated at a loss of more than \$6 billion and a

black eye for the bank. What really went wrong is that outside counterparty traders came to be aware of JPM's vulnerability in holding such a large position and deliberately attacked and undermined it.

By virtue of a physical silver position that guarantees that JPMorgan can't possibly lose in the certain coming rise in the price of silver, JPM is now positioned to return the lesson of its London Whale experience to its fellow big COMEX paper shorts. The big money comes from large institutions going up against other large institutions, not from merely fleecing the little guys. As JPMorgan knows better than anyone, when one goes into the jungle to hunt lions, sometimes you get the lion, sometimes the lion gets you. In the matter of silver, it's important to remember that there is no way JPMorgan will lose in the long run. If, as and when the big COMEX shorts rig yet another silver selloff, it will be important to focus on the eventual long game.

Ted Butler

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Silver - \$18.00 (200 day ma - \$18.12, 50 day ma - \$17.77)

Gold - \$1255 (200 day ma - \$1261, 50 day ma - \$1234)