One should always strive to make complicated matters as simple as possible and to avoid making the simple seem complicated. But let's face it – the whole business of precious metals pricing and manipulation is complicated, so please allow me some latitude in trying to make it simple today. If the matter wasn't complicated and everyone could see it clearly, it likely wouldn't exist.

I hold that the price of silver, gold and other metals is artificially derived at due to excessive speculation on the COMEX at the hands of managed money technical funds on one side and other traders, mostly commercials, on the other side, with JPMorgan playing a dominant role in the process. As a result of JPMorgan's outsized influence, the price of silver has remained artificially depressed in price, while the bank has used the depressed price to not only amass billions of dollars in paper trading profits, but it has also accumulated 750 million ounces of physical silver on the cheap, along with 20 million ounces of physical gold.

Since JPMorgan's dominant role in silver and gold is largely unknown to most and is fully-sanctioned by the regulators at the CFTC and the CME Group, any notion that there will be any regulatory relief from JPM's manipulative control must be discarded – prices will only move higher when it best suits JPMorgan. Fortunately, the data indicate it has never been a better time from JPMorgan's perspective for prices to soon climb. More on that in a bit.

I know how painful, both financially and emotionally, the recent declines in silver and gold prices have been; after all, the effect of price is immediate and visible. But prices don't get set by themselves; they are the result of other forces. Therefore, it is imperative to try to understand why prices have declined recently. To do that, I would ask you to try and block out the recent near two dollar decline in silver and the near $100 decline in gold and focus instead on the amount of managed money selling on those declines. This is the simple equation that explains the very complex matter of why silver and gold prices dropped so much, so quickly.

More than 50,000 net contracts of COMEX silver futures, the equivalent of 250 million oz, and more than 85,000 contracts of COMEX gold futures, the equivalent of 8.5 million oz were sold by the managed money traders on the recent price declines; mostly bought by commercials with a disproportionate amount of that buying attributed to JPMorgan. These are among the largest amounts of managed money contracts sold in such a short period of time in history. Since, by definition, managed money traders are as purely speculative as it gets, 250 million ounces of silver and 8.5 million ounces of gold were sold by speculators. That’s what I mean by excessive speculation.

Had you told me (or had I told you) that such amounts of excessive speculative selling (both long liquidation and new short selling) would transpire over the past month or two and asked me what the effect on price would be, I am sure the answer would be substantially lower prices and most likely lower than what actually occurred. There is no need to make this more complicated – prices dropped because of managed money selling – cause and effect.

Of course, it is more complicated than that on a different level in that the managed money technical funds that did all the selling were, effectively, tricked into selling such excessive numbers of contracts. So this is very much a bad news/good news story. The bad news, obviously, is that investors and mining companies have had to suffer from the decline in prices caused by the excessive speculative selling of the technical funds.

The good news is that the traders most responsible for tricking the technical funds into selling have purchased what the technical funds have sold and are now positioned for a price rally of significant proportions. And since JPMorgan has been the most dominant buyer of COMEX silver and gold contracts, it is now better positioned for a significant rally than ever before. Just to quantify JPMorgan’s buying recently, it has purchased, in the form of covering COMEX short positions, at least 20,000 net silver contracts (100 million oz) and 80,000 gold contracts (8 million oz). That gold short covering amount is not a misprint – JPMorgan has bought, effectively, nearly the entire amount of managed money selling/commercial buying in COMEX gold over the past several months, so effective has been its epic double cross that I have written about recently.

Because JPMorgan has never taken a loss in COMEX silver or gold trading for more than ten years, I fully understand the very popular collective opinion that it will continue to milk profits from paper trading indefinitely and that it is futile to expect a different outcome, namely, a genuine price explosion. And I fully admit that it is possible that JPMorgan will once again add to short positions on the next rally, just as it has on every silver and gold rally over the past decade. All that being said, I still believe the next silver and gold rally will turn into the “big” rally, based upon the bank’s actions of late.

Simply put, what JPMorgan has accomplished in its COMEX silver and gold positioning over the past few months is nothing short of extraordinary to the extent that if it wasn’t in the data, I would not find it possible. As a recap – in order to buy back the 80,000 gold short contracts, JPM first had to add 20,000 new silver shorts in order to contain prices and then it proceeded to buy back every one of the added silver shorts, while it continued to cover gold shorts.

Very uncharacteristically, JPMorgan became the silver short seller of first, rather than last resort in selling an additional 20,000 contracts short on a piddling rally to $17.25 in mid-June. Usually, JPM comes in much later and at much higher prices in adding to its silver short position. As I outlined previously, JPMorgan did this so that it could buy back many more gold shorts in its double cross of the other commercials. It worked like a charm.

I would put this recent combined epic short covering of COMEX silver and gold contracts by JPMorgan into the same category as this bank dreaming up and then executing flawlessly its perfect solution for getting out from its silver short position – the accumulation of physical metal starting seven years ago. The only difference is that it took me a couple of years to figure out that JPMorgan started accumulating physical silver in April 2011, because the clues were nowhere near as transparent in physical dealings as are the clues in the COT data covering positioning changes. But make no mistake – these recent COMEX futures positioning changes by JPMorgan are right up there with its physical accumulation of silver and gold as a stroke of genius. As much as it's possible to be in awe of what I am convinced is highly criminal market activity, I stand in awe of the crooks at JPMorgan – they are in a class like no one else.

I continue to be impressed by the increasing number of articles pointing to the record level of managed money selling in silver, gold and other NY metals. Please remember that the whole purpose of pointing out when the level of managed money (technical fund) selling reaches record or near record proportions is that strongly infers that such selling is close to exhaustion or climax; otherwise, why would it matter? And of course, there is strong historical evidence pointing to previous peaks of managed money (short) selling occurring at important price bottoms. In fact, there has never been a case where previous extremes in managed money selling hasn't led to a price rally.

That is not to say that the technical funds can't be tricked into selling a little bit more, even when they are already holding record short positions, as they are in silver, gold, copper and platinum. And therein lies the principle opportunity for JPMorgan to buy back even more of its short contracts. Since I'm of the belief that record managed money short positions are indicative of little, if any additional managed money selling, I'm also of the belief that JPMorgan is limited by how much more it can buy back additional short positions.

The big question is whether JPMorgan will add to silver and gold short positions on the next rally. If I have a signature issue, then this is it. While it's true that JPM has always added to short positions in the past and that there is near-universal opinion that it will do so again, based upon the extraordinary lengths that JPMorgan has gone to in covering so many silver and gold short positions of late, I'm convinced that the next rally is the one on which it stands aside and prices go boom.

As far as what to expect in this Friday's Commitments of Traders (COT) report, since prices have been fairly contained in both silver and gold, I see no reason for big positioning changes, so I can offer no predictions. There were some unusual changes in total open interest, with gold's total open interest down nearly 44,000 contracts and silver's up nearly 12,000 contracts, so surprises are certainly possible; but I'm inclined to attribute the changes in total open interest to spread activity, which has no bearing on net positioning.

There has been an unusual start to the August COMEX deliveries, in that the non-traditional silver delivery month has had many more deliveries (536) than the highly traditional gold delivery month (76) over the first two delivery days. Undoubtedly, that should change over the balance of the delivery month, but I don't have enough data to go on to form a strong opinion, other than a lot of silver seems to be changing hands. The only entity that matters much to me, JPMorgan, is not involved in gold for its house account so far, but has taken a few (13) silver deliveries.

A dear friend suggested that I might send a "false flag" and to write that I was worried about further significant silver price declines, instead of declaring that I was all in and continuing to buy kamikaze call options in the expectations of a price explosion, in the hopes that JPM might use the opportunity to trigger the explosion and embarrass and discredit me. While I would assume that JPMorgan would much prefer I never started writing about it in the first place, I doubt that it would ever do anything with me in mind – I'm just not egotistical enough to think I matter at all to JPM. In any event, I'm still all in and continuing to buy out of the money call options.

Ted Butler

August 1, 2018

Silver – $15.47 (200 day ma – $16.57, 50 day ma – $16.19)

Gold – $1220 (200 day ma – $1299, 50 day ma – $1267)