Weekly Review<?xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

A late week rally, particularly on Thursday, brought gold back to unchanged on the week, while silver gained a more impressive 60 cents (3%). As a result of silver's relative outperformance, the silver/gold ratio tightened in by two full points to 64 to 1. The ratio is still much closer to the greatest relative undervaluation of silver to gold over the past few years and, therefore, this is still a great time to switch gold positions into silver. And I say that while holding a bullish opinion on the gold price.

I fully admit to being adamant about silver outperforming gold over time, while also admitting openly that I have almost no clue about near term price direction. And while I know that one should not form market opinion from near term price action (since the crooks at JPMorgan control the price), I must confess that when silver does outperform gold even in the near term, the sun is out, the birds are chirping and all seems right with the world. I also know that because there are approximately 300 times more gold in the world than investment grade silver (in dollar terms) that only the smallest fraction of gold investors could possibly make the switch to silver if they tried. That may be the best reason of all for switching.

In addition to the improvement in the silver/gold ratio this week, I must mention that silver finally closed slightly above its 50-day moving average on Friday. This was inevitable at some point, as I've pointed out previously, and the only surprise was in how long it has taken for silver to poke its head above this moving average. The last time the price of silver was north of its 50-day moving average was back in February, making the time silver spent below this moving average perhaps the longest ever. This is suggestive that the upside penetration might be more forceful as a result of the long duration since it last occurred.

Of course, that's not necessarily a guarantee that we move sharply higher forthwith (although that's what I'm betting on). Gold has been dancing above and below its 50-day moving average for the past 15 trading days and it hasn't yet exploded in price, despite spending almost as much time below its MA as has silver. The reason for that is because the daily price is controlled and manipulated and that affords JPMorgan the final decision as to when the technical funds will shift gears and try to buy in earnest. At some point, it is mathematically certain that technical traders will respond to the different technical structure of the price being above the popular moving averages and will buy. But since JPMorgan has such control on the near term price, unless you can read their mind there is no way of knowing when we pop for real. (But if anyone's taking votes mine is for right here, right now).

I know I have harped on the turnover in the COMEX-approved silver warehouses ever since it first began two and a half years ago (and have rarely seen it mentioned elsewhere), but this unique to silver warehouse movement resonates loudly to me as a sign of wholesale metal tightness. This ingrained tightness has admittedly been overshadowed by the rotten price performance of the same past 2.5 years, but overshadowed is not the same as eliminated. It's only a matter of time, in my opinion, before that underlying tightness is reflected in the price. There were close to 4 million ounces in silver turnover this week (the third week running) and total COMEX silver inventories rose a slight 200,000 oz to just under 164.7 million ounces.

Inventories in the big silver ETF, SLV, were also static for the week and that seemed in keeping with subdued trading volume; although I would not be surprised to see a deposit as a result of Thursday's price and volume jump. Also not a surprise was the release of the short sales report for stocks. For the two-week period ended July 31, the short position in SLV declined an impressive 4 million shares (ounces) to 13.3 million shares. This is the second notable decrease in as many reports. Over the past month, 7.6 million shares have been covered in SLV's short position, or more than 36% from where the short position stood at the end of June (21 million shares/oz). At under 4% of total shares outstanding, the short position in SLV is less outrageous than the 6% it was at a month ago and the 12% it was at the peak two and a half years ago; but there should be no short position at all in any hard metal ETF. And while the short

position in GLD was down slightly, its short position of 28.5 million shares still represents a staggering 9.4% of total shares outstanding.
http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99

The important point in the big reduction(s) in the SLV short position was that it was completely expected and previously explained on these pages. The massive increases in deposits of metal into SLV during the reporting period(s) can leave no doubt that those deposits alone explain the reduction in the short position, since price action and trading volume did not suggest any reduction. Aside from the personal relief of not proving to have guessed wrong in predicting the reduction(s) and in avoiding the supreme pain in the neck of having to complain to BlackRock and the SEC about the fraudulent and manipulative short position as I publicly promised; the most important aspect to the short sale reduction was something else entirely.

The big takeaway here is that the reduction in the SLV short position by deposits of physical metal and not by plain-vanilla share buying to cover short sales points to tightness in the wholesale physical silver market. How so? Because it strongly suggests that SLV shares were originally sold short precisely because there was not sufficient metal available to deposit into the trust at that time. Only after the physical metal could be procured did the deposits take place. This is not the first time this has occurred and this is certainly not the only sign of wholesale tightness in the wholesale silver market (see COMEX

warehouse movements above). After a while, when it looks like, quacks like and walks like a duck, chances are it is a duck (or genuine silver wholesale tightness).

The changes in this week's Commitments of Traders and monthly Bank Participation Reports were so weird, expected and relieving all rolled into one that I hardly know where to start. Please forgive me in advance if I get too detailed and I remind you of my open offer to explain anything that may confuse you if you ask. Let me break with my usual pattern and start with silver, simply because its report was the least weird. In both gold and silver, the headline number of the change in the total commercial net short position was misleading, especially considering the actual price changes during the reporting week.

In silver, the total commercial short position increased by 2000 contracts to 10,300 contracts, still a remarkably low and bullish reading. By commercial category, the raptors (the smaller traders apart from the big 8) did all the heavy selling in the commercial category by selling out 3700 long contracts and reducing their net long position to 37,500 contracts. The big 4 (JPM) shorts bought back 2300 short contracts and the big 5 thru 8 added 600 new shorts to balance out the net commercial activity.

Even though the headline number of the total net commercial short position increased by 2000 contracts, under the hood a different picture emerged. In the all-important managed money category of the disaggregated report, the technical funds were net sellers of 2300 contracts, including new short sales of over 1300 contracts. This was more important and more bullish than the commercial headline number was bearish. More in gold than in silver, it appears that there may have been an error or trader classification change between the swap dealer and other reportable trader categories in this week's report. This accounts for the headline number in both gold and silver being misleading this week. (More in a moment).

I was hoping to nail down JPMorgan's net short position in COMEX silver more precisely with the release of the Bank Participation Report, but the best I can do is to calculate that position to be close to 13,000 contracts. Still, this represents a 22,000 contract (110 million oz) net reduction in the manipulative and concentrated net short position of JPM since Feb 5 and is not to be minimized in importance. Of course, JPMorgan would have bought a lot more silver if it was able to, as was the case in gold. In fact, I consider this another sign of the lack of great quantities of silver being available, also supportive of wholesale tightness.

In COMEX gold futures, there was a stunning increase in the headline total commercial net short position of 28,400 contracts, causing the total commercial

short position to more than double to 54,200 contracts. Undoubtedly, we will see such increases in the future as even this level is very low historically, but this week's increase was, effectively, bogus. As was the case in silver, but much more pronounced in gold, the CFTC made an error or a trader category change that accounted for the large increase in the total commercial net short position.

Specifically, the disaggregated gold COT report indicated an increase of almost 31,000 contracts in the swap dealers' gross short position and an almost 38,000 contract reduction in the gross short position of the other reportable traders. Since the swap dealers are considered commercials and the other large reporting traders are non-commercials, this is why the total commercial short position jumped so much. I doubt these were changes brought about by actual trading and the bottom line is that the structure of the gold market actually improved this week, despite the large increase in the total commercial net short position. I'd expect some revision or announcement by the CFTC to this effect.

One of the truly great things about the COT and Bank Participation Reports is that these reports are so data rich that even errors or trader classification changes don't render the reports unreliable. What I believe to be an error or classification change this week had nothing to do with other aspects of the reports. In other words, this week's error or unannounced trader classification change does not impact other things I look at. I guess that's why I've come to rely on COT analysis for 30 years.

My greatest fear is that one day the CFTC will start to intentionally distort the COT data to hide the evidence of the ongoing price manipulation in gold and silver. Let's face it more believe the CFTC is more corrupt than not, so it's not unreasonable to expect the agency to doctor the data in the reports. But having studied these reports intensely for most of my business life, I must say I have never detected any signs of deliberate misreporting by the CFTC. That's high on the list of my reasons why I think the agency is more incompetent than criminal in not stopping the manipulation.

Sure, there have been questions related to the timely release of data on any given week or questionable changes like occurred this week, but that is far removed from intentional misreporting of data. As I said, this is my greatest fear and the instant I see any evidence of that I will scream from the rooftops. Whether that would do any good is debatable, but my point is that deliberate misreporting has not occurred to date. If anything, what's so marvelous about the COT and Bank Participation Reports is that they prove the manipulation over and over. A corrupt government agency would not likely allow that to happen. I can assure you that I wouldn't dare accuse JPMorgan of being the scummy crook that it is if I did not have clear proof of that in the CFTC data. I may be a little crazy, but not that crazy.

Under the hood, the gold COT report was actually quite good. The four big shorts were largely unchanged and the big 5 thru 8 increased their net short position by around 5000 contracts. The gold raptors did sell about 23,000 contracts, but that was directly related to the error or trader category change and should be disregarded. What was good about the COT report in gold was that the tech funds (in the managed money category of the disaggregated report) were net sellers of over 17,000 contracts, including almost 14,000 new gross short sales. This provides bullish fuel, but certainly some amount was used up in Thursday's $25 gold pop. Bottom line is that we didn't deteriorate by 28,400 contracts or any other amount in real terms, we actually improved in gold.

All Alone in the End Zone

I must confess to some personal trepidation in anticipating yesterday's release of the COT and Bank Participation Reports. I am my own worst critic due to my fear of publishing incorrect analysis. I strive to avoid writing anything that might turn out to be wrong and, therefore, embarrassing. I try to be quick to admit when I am wrong, but not publicly embarrassing myself may be my strongest motivation.

I knew yesterday's reports would put a fine point on my allegation that

JPMorgan held 85,000 contracts net long in COMEX gold futures and 25% of that market, clearly a market corner beyond question. My fear was not that my basic numbers were wrong, but that I might have to recalibrate by 5,000 to 15,000 contracts when both reports were issued. In reality, it doesn't make any difference whether JPMorgan is holding 70,000 or 85,000 contracts net long, particularly since the bank was net short 75,000 gold contracts on December 4; as a market corner would be proven by either amount. But I did want to avoid having to recalibrate by any amount, lest that be used to minimize the importance of the issue. I figured that the closer I came to being precise, the greater credibility my allegations would hold. As I said, I'm my own most severe critic.

The good news (for me) is that both reports confirmed that JPMorgan was net long 85,000 COMEX gold contracts as of the Tuesday cut-off; or to be more precise, absolutely nothing in the reports contradicted that JPMorgan held 85,000 contracts. A month ago, after the release of the July Bank Participation report, I wrote that JPMorgan was net long 65,000 COMEX gold contracts, as of July 2. Since JPMorgan is, obviously, a US bank, that mandated that there had to be a 20,000 contract increase in the gross long position in the US bank category of the August BPR and that the gross long position must be more than 85,000 contracts total. Both conditions were met, as the gross long position of US banks increased by 21,000 contracts and the gross long position was almost 91,000 contracts.

In addition, nothing in the COT report detracted from my allegation that JPMorgan has established an illegal corner on the COMEX gold market. This week, there was virtually no change in the concentrated holdings of the four largest longs at 140,602 contracts. My allegation against JPMorgan is that they hold 60% of what is the most concentrated gold long position in the history of the COMEX. It's not like each trader in that category holds 25% each; that's not how things work in the real world.

Increasing my personal trepidation before the release of the reports yesterday was that I followed some subscribers' suggestions in making Wednesday's article on the gold market corner public. I'm always hesitant to make articles public because that seems unfair to subscribers who are paying for what others read for free; so I don't do it often. On the other hand, this gold corner is such an important issue that I felt that subscribers would benefit from wider circulation. But, as I said, my fear of having to adjust my numbers was increased by making the 85,000 contract position of JPMorgan public before the release of the two reports. Therefore, I was doubly relieved that I wasn't publicly embarrassed.

I'm not given to making outrageous or unverifiable claims about gold or silver, although that seems increasingly to be the norm in some Internet gold and

silver circles; one breathless and stunning claim after another. I must tell you that I find such claims and stories distasteful and unprofessional and I try to distance myself from those making them. Even though I am the one making what seems like a breathless and stunning allegation here, I can hardly comprehend the significance of JPMorgan having cornered the COMEX gold market. To my mind, this is the most important development in the gold market in my working career. To put this in proper perspective, the last great gold market corner was 140 years ago.
http://en.wikipedia.org/wiki/Black_Friday_(1869)

The truth is that gold is much less important to me than is silver. Not only was I not looking to uncover a corner on the gold market, I don't think anyone in the world was looking for such a corner. I cover the gold COTs as a service to those subscribers interested in gold and because gold does influence silver. I'm no gold believer or disbeliever or lover or hater and you have never heard me talk about gold as money or anything other than a commodity, nor will you ever. But after 30 years of doing so, I can read the COT reports as good as or better than anyone and that enabled me to spot a market corner I wasn't even looking for. I discovered the silver manipulation almost 30 years ago, but I was intentionally looking for something wrong in that market due to a personal challenge. In the case of discovering this gold market corner, it just sort of snuck up on me.

Because it snuck up on me, I can also tell you that it will sneak up on others as

well. While is still seems incredible to me in both its scope and significance because it is so new, for that same reason it has hardly begun to resonate with even the staunchest gold commentators. Also, sometimes events are so extremely significant as to be overwhelming. I think that's the case here as I am finding it almost impossible to fully grasp all the ramifications of a gold market corner. This is one big damn deal.

Even though I have risked publicly embarrassing myself like never before with such an outrageous claim that JPMorgan has cornered the gold market, I can't see being wrong based upon the data. Therefore, I feel it is only a matter of time before others come to embrace this finding, just as my idea that silver was manipulated has come to be embraced by thousands. My sense is that on this go-around it isn't going to take decades to be known as was the case in silver. And, I'm willing to bet that, just like in silver, soon there will be commentators claiming to have discovered this gold market corner all by themselves.

I want to be very careful in what I say here. I can tell you, without the slightest doubt, that JPMorgan rigged the price of gold down by $500 an ounce from Dec 4, 2012 to the June price lows by virtue of the bank first holding a short corner on the COMEX gold futures market to now holding a current long corner by means of a variety of dirty market tricks, centered around High Frequency Trading. I can tell you that gold market corners are illegal and extremely rare. I can tell you that nothing is more important in any market than a market corner.

I can tell you that market corners must be resolved and that the resolution will impact the price in some way.

Because I am an analyst and not a prophet, I can't tell you how JPMorgan's current corner on the gold market will get resolved, only that it will be resolved. I can't tell you if there will be a regulatory response, although it goes without saying that there should be one. I'm certifying that the gold market is cornered; don't hold it against me for being unable to precisely predict what will occur in the future. What did you expect for $35 a month? The only thing I can tell you after all this is what I think.

I think JPMorgan built up a long corner on the gold market to neutralize their concentrated short position in silver because the bank couldn't buy all the silver it needed or wanted to buy. In buying gold as a hedge against silver, JPMorgan may have ended up with more gold, both in terms of COMEX futures contracts and physical gold, than originally contemplated because of the unprecedented selling the lower gold price generated this year, both in terms of liquidation and new speculative short selling. I think that barring any aggressive regulatory intercession, JPMorgan will let the price of gold rip to the upside, but that silver will still outperform gold in the end due to silver's much more critical supply situation. After all, if JPMorgan wasn't stuck with being short silver, it never would have cornered the gold market in the first place. And I think that I am the most fortunate analyst in the world for having the good luck to spot the gold

market corner before anyone else. I just hope I don't live to regret those words.

Ted Butler

August 10, 2013

Silver – $20.50

Gold – $1313