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

Against a backdrop of sluggish summer volume, the price of gold and silver rose for the week; gold by $15 (0.9%) and silver by 30 cents (1.1%). While gold finished at the upper end of what is now an almost four month trading range, both metals remain in what has developed into a fairly long price stagnation. As a result of silver's very slight outperformance this week, the gold/silver ratio remained below 58 to 1, also within its recent range. It should be noted that the recent trading range aside, the ratio indicates that silver is still at its lowest relative valuation to gold in two years. Based upon all the facts as I see them, it shouldn't be.

While trading volume is light and prices are generally range bound, the intra-day price volatility is high because of computerized High Frequency Trading (HFT). As you know, I think this type of trading is harmful to everyone apart from the less than 1% that benefit from it (especially including the CME Group). I sit dumbfounded as HFT has come to dominate stock and, increasingly, commodity futures trading; all while the more than 99% of market participants damaged by it remain unaware or complacent. Of course, it goes without saying that of all the commodities that have been infected with the HFT disease, COMEX silver has been the market most infected, although the disease has spread to other commodities, including gold, copper and crude oil. I would define the principal symptom of the HFT disease as unwarranted and uneconomic price gyrations in a very short term time frame.  You know, like the price moves recorded almost daily in silver.

Let's see if I can provide a specific example of what I'm talking about. We need look no further than yesterday's price action in COMEX silver and gold. On Friday, gold traded in $23 price range and being almost $15 lower before settling about $2.50 higher for the day. Silver traded in a daily high-low price range of about 80 cents being down 50 cents before finishing about 2 cents lower on the day. That's kind of been the price story for the past few months in gold and silver; sharp intra-day price movements that result in no real net change in price on a longer than daily basis. I would submit that this price action is preposterous, even though we are all getting used to it. It is preposterous because why should prices move sharply lower and higher intra-day, only to end unchanged? Who benefits from such trading patterns? The only thing that could possibly account for sharp daily price changes in a well-defined trading range is HFT, which also constitutes 95% of the trading volume in COMEX silver and maybe as much in gold. You might ask, what's wrong with that? What's wrong with it is that this trading is clearly determining the price short term and it has nothing to do with silver or gold or why the US Congress has allowed commodities to be traded. In other words, this HFT is setting the price in a manner never intended by commodity law.

How could something that accounts for 95% of the trading in silver, which clearly is setting the price in a manner never intended, be allowed to exist? The only answer is that it benefits the CME (which collects fees on all the HFT volume). That's why it's crazy that the CME gets to set trading rules as a self regulatory organization (SRO). Worse than that, however, is that because HFT clearly sets the price on a short term basis, it has become the main tool used by JPMorgan and the other collusive commercials to push prices where they desire to set off price signals that the technical traders will react to. HFT also allows the recurring sharply lower openings in COMEX silver which causes confusion among otherwise well-informed investors and potential legitimate hedgers. These sudden HFT price moves (mostly declines) undermine the basic purpose of commodity trading, namely, to allow an opportunity for hedging by legitimate producers and consumers. The sudden and irrational HFT-induced price moves scare away legitimate potential hedgers as is evidenced in sharply reduced open interest and real trading volume (other than HFT volume) in COMEX gold and silver. HFT should be banned or, better, taxed out of existence.

The main indicator that I use to monitor the relative tightness in the wholesale physical silver market remained intact this week again. While turnover in the COMEX-approved silver warehouses cooled off on Thursday and Friday, the first three days of the week saw massive turnover of almost double the 2 million oz weekly rate that's getting to be normal. Amidst all the metal movement, total warehouse stocks fell 1.4 million oz, to 137.5 million oz. Therefore, the frantic turnover, or movement into and out from the COMEX silver warehouses continued unabated, as it has for the past one and a half years. I've made it clear that I am astounded by these silver metal movements and can only conclude it indicates a tight or hand to mouth supply/demand circumstance.

I received two interesting comments from readers on this topic this week. One asked if these were real metal movements or if they represented some type of bookkeeping adjustment or other measurement on paper only. To my knowledge, these COMEX warehouse changes represent metal taken from trucks and manually put into the various COMEX warehouses and metal manually taken from the COMEX warehouses and put onto trucks taking the metal elsewhere. In other words, the metal movements are as real as a heart attack; there is nothing about them that are suggestive of a bookkeeping only entry.

The second reader comment was in asking me if any other readers had provided any other plausible explanation for the frantic metal movement. He knew that I had asked openly for other explanations different from my tightness premise. The answer is no, but the offer is still open. In fact, I've asked this question to the very few people I talk to regularly, but I quickly back away when I am greeted by silence so as not to appear overbearing. The last thing I want to do is to get into someone's face when asking for other explanations. If you don't know something, it's logical to ask questions; how else would you learn something you don't know? I don't know what else the frantic metal movement in the COMEX silver warehouses is all about, other than an indicator of physical tightness. Please let me hear from you if something obvious comes to mind.

Sales of Silver Eagles are off to a decent start for the month, with Augusts' pace for the first week at the 100,000 oz daily run-rate. I sense that there was a single large order responsible for the pickup, as opposed to overall strong retail demand, but maybe we'll learn more as the month evolves. One thing that hasn't changed is the relative strength of Silver Eagle sales compared to those of Gold Eagles. The month is young, but I've rarely seen stronger relative sales of silver compared to gold. Metal still seems to be flowing into the various silver ETFs, but certainly isn't leaving.

The big news for metal ETFs this week was the sharp increase in the reported short positions of the big silver ETF, SLV, as well as a big increase in the shorted shares of the big gold ETF, GLD. As you know, the matter of short sales in hard metal ETFs is a signature issue of mine. In fact, I was recently chastised by a subscriber for letting up on the issue, even though the short position basically declined sharply since my near dust up with BlackRock, the sponsor of the SLV, late last year. The subscriber's criticism was legitimate in that there should be no short position in these hard metal ETFs, as buyers of some shares don't have the metal backing them (as promised by the prospectus) to the extent of shorted shares. I was hoping that the short interest would remain low, mainly so

I would be able to avoid another confrontation. Any further increase will make that avoidance difficult. Just when you think you may be off the hook, they drag you back in.

The increase in the short position of SLV amounted to 3.43 million shares, to just under 14.8 million shares. The short interest in GLD rose by 4.8 million shares to almost 21.75 million shares. In terms of total shares outstanding, the short position in SLV amounts to 4.6% of all shares, while in GLD, the percentage of shorted shares is 5.2% of total shares outstanding. In terms of ounces, the short increase in SLV equals 3.4 million oz, while the gold ounce equivalent of the increase is 480,000 oz.
http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99

There is something special about the short increase in SLV that I would like to comment on, since it likely provides additional proof of manipulation in silver by JPMorgan. This stock short report covers positions through July 31. As you may know, the stock report covers two week periods, while the COT report covers a reporting week from Wednesday to Tuesday. Therefore, the current stock short report happens to end and coincide with the previous week's COT, with both ending on Tuesday, July 31. Generally we don't get such coincidental cut-offs in the COT and stock short reports.

As you may recall, that previous COT featured a massive increase in the concentrated short position of the big 4 (I'll cover the new COT shortly) of more than 3000 contracts. My analysis indicated that JPMorgan was the sole seller of those additional 3000 short COMEX contracts, which is the equivalent of 15 million ounces of silver. You may also recall that all the selling in the COT as of July 31 likely came on the Last two days of the month when silver punched through its 50 day moving average for the first time in eight months. Now we have a stock short report that indicates an unusually sharp increase in the short SLV position on precisely the same cut-off date. I would bet you, dollars to donuts, that just like JPMorgan accounted for all of the 3000 COMEX contracts sold short into the July 31 COT report, JPMorgan also accounted for all 3.4 million shares sold short in the SLV. That's what manipulators do, namely, whatever it takes to manipulate the price, regardless of what type of trail it leaves. Flat-out, the crooks at JPMorgan were behind the COMEX and SLV shorting into July 31. Not only was JPM short selling aggressively on both the COMEX and in SLV to cap and manipulate the price, I believe they were selling short in SLV because they didn't have the silver to deposit.

I will send this report, as I always do, to the incompetent or corrupt regulators at the CFTC (as well as to the crooks at JPMorgan and the CME) as yet another specific proof that silver is manipulated. I would imagine all parties will look away and pretend what I just pointed out was not credible, even though it would be no problem for them to easily verify what I outlined. These clowns better wrap up and drop their silver investigation before any more evidence emerges.

The changes in this week's Commitment of Traders Report (COT) were generally within expectations. Last week, I indicated there should be some reduction in the commercial net short position through the end of last week as prices slumped after the previous cut-off. But both gold and silver were strong on Monday and Tuesday, making the changes in the new COT questionable. Believe it or not, I'm not trying to confuse you; it's just that courtesy of HFT, the commercials are gunning for the technical speculators more intensely than ever and between COT reports.

In gold, the commercial did reduce their total net short position by 9600 contracts, to 146,400 contracts. This is (still) a very bullish COT structure for gold on any historical basis for the past few years. More importantly, the big 4 accounted for all the commercial short reduction and then some, by buying back more than 12,600 short contracts. Undoubtedly, deliveries against futures contracts in the first few days of the big COMEX August contract may have accounted for some of the big 4's short reduction, but that doesn't change the fact that the big 4 in gold now hold a smaller net short position than ever in my memory. The gold raptors, in an unusual departure from normally collusive behavior, dramatically departed from the big 4's short reduction, by increasing the raptor short position by 4000 contracts to 14,800 contracts held net short.

If you believe gold is manipulated in price, as I do, then seeing the four biggest shorts holding the smallest net short position in years is very encouraging. Seeing the gold raptors, which are collusive and vicious beyond description, increase their net short position is never comforting, but I still remember how these gold raptors were on the wrong side a year ago and they panicked a bit then, driving gold prices to the record over of $1900. Here's to a repeat of that.

In silver, the total commercial short position grew by a smallish 500 contracts to 21,900 contracts. Like in gold and in keeping with my expectations in last week's review, the big 4 (read JPMorgan) did manage to reduce their net short position by about 500 contracts. It was the raptors who sold about 900 contracts of their net long position that accounted for the overall commercial short increase. The raptors now stand at 18,500 contracts net long. I would peg JPMorgan's net short COMEX silver position at 17,500 contracts and this seems to be confirmed in the companion monthly Bank Participation Report also released yesterday. I don't detect much change in the gold and silver COT structure since the cut-off this week.

Last week's article in the Financial Times indicating that the 4 year old silver investigation was about to be dropped by the CFTC still reverberates. The one thing that bothers me is the general lack of discussion around the core reason for why the investigation was originally undertaken, namely, the glaring concentration on the short side by JPMorgan. That, of course, in addition to all the evidence of manipulation in silver after the investigation began, such as the two historic declines in price during 2011. I would include in that the scores of specific evidence I have sent to the Commission over the past four years, including the easy to confirm tip today that JPMorgan was the big short seller in SLV and on COMEX. (Yes, I know, they were just hedging for clients).

The other thing that sets me back a bit is the widespread insistence that it is the US Government that is behind the silver manipulation and it is not JPMorgan that is to be blamed. Especially when I make an article public (as I did with the latest article at the request of many subscribers), I invariably get emails informing me that it is the USG and not JPMorgan behind the silver manipulation. Most of the emails are well-intended to inform me of the real story, but some are border line insulting in that I must be some kind of nitwit for not seeing that it is the USG behind the scam. The record shows that I have long suspected that the USG is involved on some level, particularly as concerns the dubious details of JPMorgan taking over Bear Stearns big short position in 2008. Prior to that takeover, JPMorgan was not a noted concentrated short in COMEX silver. Since then, nothing but. I do have to laugh a bit at the suggestions that I may have my head up my butt about who is responsible for the silver manipulation, as I question whether anyone would suspect a silver manipulation even existed if I hadn't pursued the matter for more than a quarter century. But let's leave that aside and let me try to explain that even if I am wrong and this silver manipulation was started by the USG, why the only practical course is one that singles out JPMorgan (and the CME) as the chief perpetrators.

Since all the hard data (COT, Bank Participation and CFTC correspondence) indicate that JPMorgan is the big silver short, it would be a mistake, in my opinion, to not make the bank the prime target of the allegations. By shifting the focus to the government, JPMorgan is almost automatically exonerated for their behavior if they are acting on the orders of the USG. Not only would it be wrong to give a pass to JPMorgan, it would make it impossible to petition for relief. Those that claim it is all the USG, what do you do to end the scam, petition the USG about itself? To do so would put one in the position of being a hopeless conspiracy wing nut.

By focusing on JPMorgan (where the focus should be), this permits the remedy of petitioning the regulators about something under their direct jurisdiction. That's why the silver manipulation has come to be as widely known as it is and why the CFTC has had to undertake all the (bogus) investigations to date. There would be no reviews or investigations if one were to petition the CFTC about a USG involvement. Don't misunderstand me, I don't deny a USG involvement; I am asserting that to approach it on that basis would have led nowhere. Additionally, there is no way that I would have ever dared accuse JPMorgan or the CME without the hard evidence of that in hand. Truth be told, even with the presence of strong evidence, were I still responsible for raising young children, I wouldn't have accused JPM and the CME as openly as I have to date. No, I'm not worried about them knocking me off; it's just that I know I am at risk for potentially devastating legal expenses that in a different time and place would have jeopardized family responsibilities. See, that's one of the advantages of growing old.

It still feels like we are getting into the show down phase of the long-running silver scam. Then again, I have thought that previously. But the latest actions by JPMorgan to sharply increase its concentrated COMEX short position and in them selling aggressively short anew in the SLV may be too blatant in the end. It's always impossible to predict when something dramatic may occur, but if there's an easy way out for JPMorgan (and the CME), I fail to see what that way might be.

Ted Butler

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Silver – $28.05

Gold – $1620