I still maintain that the Department of Justice's announcement on Nov 6 of a guilty plea by an ex-trader from JPMorgan for manipulating prices in COMEX precious metals futures is the biggest news possible. The actual guilty criminal plea is news enough, but the real takeaway is that the DOJ left no doubt that this was very much an ongoing investigation. Not only does this investigation zero in exclusively on JPMorgan, it is a stark departure from the last decade's mirror image exclusive hands off treatment of JPM by the primary commodities regulator, the CFTC. A more extreme turnabout is hard to conceive.

The only real question (aside from timing) is if the DOJ is focusing on JPMorgan's real crime of manipulating silver prices downward since it took over Bear Stearns in 2008 or if it is just looking at the short term, but still manipulative, effects of spoofing. That's another way of asking if my letter to the FBI on April 30 ("Another Possibility" – Nov 14) was the catalyst behind the DOJ's actions to date. I can't know the answer to that question, but if it was for what I wrote then for sure Justice is looking into JPM's impossibly perfect trading record of never taking a loss in COMEX trading for more than a decade and its illegal accumulation of physical metal at artificially depressed prices.

But let me assume that the Justice Department is not investigating JPMorgan for what I allege are the big crimes and is instead strictly focused on short term spoofing activities. After all, there is nothing in the announcement on Nov 6 that raises the issues I have raised and there is a very big difference between short term spoofing and the long term manipulation that I allege. Therefore, it is up to me (and hopefully the DOJ) to make the case. This can be done by connecting the dots; with the dots being the facts as we know them to be.

JPMorgan took over Bear Stearns (at the request of the US Treasury Dept. and Federal Reserve) in March 2008, and along with that takeover came the assumption of Bear's concentrated short position in COMEX silver (and gold) futures. This is all verified in the public record. At the time of JPM's takeover, the price of silver was over $20, the highest price it had been in 28 years. (The price of gold was $1000, its highest ever and while I can make the same case that JPM has manipulated gold as well, I'm confining my remarks to silver). From the moment that JPMorgan assumed Bear Stearns' short position in March 2008, the price of silver went down and remained below $20 until late 2010.

There were, of course, a number of silver price rallies and declines over that time and on every rally, JPMorgan increased its short position in COMEX silver futures and on every price decline, JPMorgan bought back all or most of its added shorts at a lower price than it sold short at, earning itself profits and never talking a loss. Throughout this entire time (March 2008 thru Sep 2010), JPMorgan was the largest single short holder in COMEX silver futures, holding a net short position that varied between 20,000 to 40,000 contracts (100 million to 200 million oz.).

Due to developing tight physical conditions, the price of silver rose from under $20 in Sep 2010 to nearly $50 by the end of April 2011, a seven month period in which JPMorgan's roughly 20,000 contract net short position (100 million oz) caused it to sustain an unrealized loss of approximately $3 billion. Such a large unrealized loss prompted JPMorgan to do two things, quickly arrange for a price smash of historic proportions and insure it would never find itself in this predicament again. JPMorgan engineered the required price decline, starting with a $6 Sunday evening price smash on May 1, 2011 and continuing, well, to the present, some seven and a half years later.

But the real criminal genius of JPMorgan was in its solution to never finding itself in the predicament of having a large run up in the price of silver ever threaten it with catastrophic losses on its price-controlling short position. Its solution was to accumulate physical metal on the sly as it continued to manipulate silver prices lower with its add shorts on rallies and buy back on declines no-lose patented formula. JPMorgan pulled off this dual mandate – never lose on added shorts and acquired physical metal on the cheap – flawlessly from April 2011 to the present.

The difference between spoofing and a long term suppression of silver prices since 2008 can be seen in the fact that until very recently, JPMorgan has always been net short in COMEX silver futures, never net long. Most often, since March 2008, JPMorgan has been the largest single short in COMEX silver futures, perhaps for 99% of the time. Only a fool (or hard core manipulation denier) could possibly conclude that silver prices have declined for the past nearly eleven years (save for the seven months between Sep 2010 and April 2011) and the fact that JPMorgan has always been net short in COMEX futures was some sort of coincidence. Only a fool could fail to see that the accumulation of a massive physical position while the acquirer was the largest paper short seller was the most egregious act of market manipulation in history.

I have chronicled JPMorgan doing all this on these pages for years, but the beautiful thing is that it would be a snap for the Justice Department to certify the facts as I have just outlined them. All the records exist and the paper trail for the DOJ to verify what I have described is there for its asking. The CFTC and the CME Group are required to maintain detailed records of all large trader activity. But whereas I have to deduce what JPMorgan's position is at any time from analyzing the data in the Commitments of Traders (COT) and Bank Participation Reports, the CFTC and CME have complete access to the actual identities of the traders and their positions on every single day.

The Justice Department is arguably the most formidable forensic accounting organization of all and it is more than able to decipher the trail I have laid out concerning JPMorgan never losing in COMEX trading. An added bonus is that the DOJ is also quite capable of verifying (or refuting) all the claims I’ve made about how JPMorgan accumulated the massive amount of physical silver I allege it has acquired. It would be a snap for the DOJ to ascertain if JPMorgan was the big buyer of Silver Eagles, the big skimmer of COMEX silver warehouse turnover and the big converter of SLV shares into metal. It’s not as if the US Mint is going to refuse a request (or subpoena) from the Justice Department and that goes double for information sought about COMEX warehouse movement or SLV conversions.

Therefore, it’s no secret that I find the existence of a Justice Department investigation of JPMorgan to be the most important development possible. If there is one single entity capable of connecting the factual dots in such a high-level and important matter, it is the US Department of Justice. That’s why I wrote to them back in April. I can’t say if that is what put them on the trail, but neither can I rule it out. What I can say is that week in and week out for a decade, I have been directly accusing JPMorgan, as well as the CFTC and the CME Group, of running or allowing a massive ongoing silver price manipulation and not once have I heard a direct denial or rebuttal from any of them; not even to the point of them accusing me of misstating facts or harming reputations. How could I not be excited about the prospects of the Justice Department settling this matter once and for all?

In the meantime, all we can do is wait on what the Justice Department will or won’t do – that and position ourselves the best as we see fit. While the forgoing doesn't guarantee an immediate price blast off, it certainly could. As promising as this DOJ involvement could and should be, we still live in a world where the price of important commodities, like crude oil and copper, are subject to sudden downdrafts and spurts based strictly on paper positioning; with the media and analytical community dutifully and mistakenly attributing price movement to changes in real world supply and demand. As if real world supply and demand could possibly change as quickly as dutifully described. For that reason, it is strongly advised not to hold any silver positions margined or leveraged in a way that a sharp selloff would require the jettison of same.

As far as what Friday's COT report might indicate, my crystal ball is cloudy this week. Both gold and silver finished slightly higher for the reporting week ended yesterday, with silver making some new daily highs before being pushed back. I'd guess some further deterioration, namely, managed money buying and commercial selling, but all I'm really interested in is what the crooks at JPMorgan may have done – which is impossible to handicap in advance. I guess my crystal ball has been working overtime trying to handicap what the DOJ may be up to and not on typical COT analysis.

Gold did penetrate its 200 day moving average to the upside earlier today before subsiding on the latest Fed "news", the first time the price of gold has upwardly penetrated both its 50 and 200 day moving averages for all of 2018. We live in a world dominated by technical fund trading signals and considering how lightly the technical funds are positioned on the long side of gold, this could represent big potential doings. Not as big as potential DOJ actions, but the possible combination of the two staggers my mind.

Ted Butler

December 19, 2018

Silver – \$14.70 (200 day ma – \$15.50, 50 day ma – \$14.50)

Gold – \$1249 (200 day ma – \$1258, 50 day ma – \$1228)