

Weekly Review

As a result of the selloff earlier this week, the price of gold and silver ended sharply lower, with gold ending the week down \$28 (2.3%) while silver ended a full dollar (5.9%) lower. Due to silver's pronounced relative underperformance, the silver/gold price ratio widened out by nearly two and half points to just under 74.5 to 1, after trading even higher. As always, it is the consistently larger price moves in silver that dictate changes in the ratio. It would appear certain that the recent increase in price volatility (for reasons previously discussed) will continue to impact short term changes in the ratio. Over the longer term, however, all the facts suggest silver is extremely undervalued relative to gold (and just about every other asset).

On Wednesday, I concluded that it was impossible to connect the sharp selloff on Monday and Tuesday to any real changes in actual supply and demand and, as a result, the only plausible explanation for the rout must be narrowed down to activity on the COMEX. Ditto for the subdued price activity for the remainder of the week □ the COMEX determines all price movement, small or large. Otherwise one is forced to conclude that the big changes in actual metal supply and demand that caused prices to plunge initially, suddenly reversed and caused prices to stabilize □ all without anyone noticing any actual

supply/demand changes. That's preposterous on its face and later I'll try to explain just what the COMEX's illegal control on prices may be all about in silver.

It was a slow week for turnover or the physical movement of metal brought into and taken out from the COMEX-approved silver warehouses, as "only" 2.3 million oz were moved, about half the average weekly turnover this year. Still, on an annualized basis, this week's movement comes to 120 million oz, an extraordinary large amount of physical movement for the six warehouses clustered in and around New York City. Total COMEX silver inventories fell 1.5 million oz to 174.9 million oz, the lowest level of total COMEX silver inventories since mid-July, but it is still remarkably close to levels of a year ago.

I am still fascinated with the frenzied physical silver movement against a backdrop of unchanged total inventory levels, particularly since the turnover is unique to silver of all commodities. I've taken to asking anyone I come into contact with for an alternative explanation to my conclusion that this represents physical tightness; and as soon as I receive a plausible alternative explanation, I'll pass it along for your consideration.

I can't call yesterday's withdrawal of 862,000 oz of metal from the big silver ETF, SLV, counterintuitive since we did see price weakness and higher trading volumes early in the week. But there was a deposit yesterday into the big gold ETF, GLD, on the same basic price action and timeline, so at the very least, there was a bit to scratch one's head about. I'll have more on SLV and JPMorgan later.

Sales of Silver Eagles from the US Mint would appear to be finished for the year at a new record level of 43.5 million coins (ounces). As it turns out, however, more puzzling recently has been the lack of reported sales of Gold Eagles and Gold Buffaloes. I don't know if this represents sloppy reporting from the Mint or a sudden drop off in demand for these gold coins, but even assuming (as I do) that the Mint is misreporting and will soon update sales to show a big increase in gold coins, the contrast between the level of Silver Eagle sales and Gold Eagle sales is stark. Not only have more Silver Eagles been sold this year relative to sales of Gold Eagles (82 to 1), for the first time in the 28 year history of the Mint's bullion coin program, more dollars have been spent on Silver Eagles this year than were expended on Gold Eagles (and maybe even including Gold Buffaloes). I'll also get into this in greater detail a bit later.

http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion

I can't call the changes in this week's Commitments of Traders Report (COT) as meeting my expectations, but there was a slight improvement in that the headline total commercial net short position declined very slightly in both COMEX gold and silver futures. It's too soon to know if there has been some radical realignment of certain players (as I've been suggesting) or even if the report included all the true changes in market structure due to the big day in silver being the price decline on the cutoff day of Tuesday, which has led to delayed revisions in the past (not that the CFTC will ever acknowledge delayed data).

In COMEX gold futures, the total commercial net short position declined by 1500 contracts, to 115,100 contracts. With such a small change in the headline number, it's almost not worth it to dissect the report in detail. One standout in the commercial category, however, was the continued reduction in the big 8 concentrated short position by another 800 contracts, to under 121,000 contracts, another multi-year low. Generally speaking, when the biggest COMEX gold shorts are holding their smallest short position in at least 4 or 5 years, that can't be considered negative to the price.

The technical funds in COMEX gold (managed money traders) reduced both their long and short position, by a few thousand contracts. It's not that the long

position of the technical funds is so large so as to suggest heavy long liquidation ahead, as it is that the short position is small enough to suggest there may be room for new shorts to be added on lower prices. I'll sum it up by saying if the commercials can get the technical funds to go short on lower gold prices, that will be the explanation for why gold prices could go lower; but I'm not sure that will occur (yes, that's pure COT double talk).

In COMEX silver futures, there was a slight reduction in the headline total commercial net short position of 1400 contracts, to 34,000 contracts. After six straight weeks of raptor (smaller commercial) long liquidation, these traders added 2300 new long contracts to a net long position now totaling 20,800 contracts. That meant the big 4 and big 5 thru 8 shorts added to short positions, by 300 and 600 contracts respectively. I still maintain that whether these big concentrated commercial shorts add to short positions when silver does rally is the key metric, but the number of contracts they have added so far is inconclusive.

The technical funds in silver did add more than 3700 contracts of new shorts, somewhat replenishing fuel to the tanks of short covering buying potential, but I doubt that these technical funds will fully replace all the shorts they so profitably bought back recently at close to the same prices they covered at.

However, if they do add big numbers of new short contracts, silver will go lower in price on COT considerations alone. Such a selloff, should it occur, should prove temporary, but unavoidably painful nonetheless.

However, there are other factors at play in silver away from the COT setup, particularly for long term investors. Some are quite extraordinary, unless my interpretation of the facts is all wet. And please remember, silver prices can and have advanced sharply despite what might be considered a less than ideal COT setup. For instance, silver prices rose from the teens in late 2010 to almost \$50 eight months later on a COT structure much more negative than the structure is today.

The Perfect Crime

A couple of weeks ago, a long time subscriber correctly pointed out that I seemed to be speculating more than usual in my conclusion that JPMorgan was the big buyer of Silver Eagles and had accumulated as many as 300 million oz

of silver, including Eagles and bullion. The subscriber noted that I usually relied on hard core facts that could be documented and not on speculation. As it turns out, I believe there are sufficient number of hard facts behind my speculation, but I had failed to point them out. So let me present the facts, as I see them, that point to JPMorgan having amassed the largest physical silver position in history.

First, let me set out what I am suggesting concerning JPMorgan and silver. I'm not suggesting I knew all the facts as they were developing, but I came to see them only afterward with the benefit of hindsight. The facts show that JPMorgan took over Bear Stearns and its concentrated short position in COMEX silver (and gold) in March 2008 when silver was close to \$21, the highest level in 28 years. The price of silver fell from that level in an irregular pattern until late 2010, while JPMorgan both decreased (bought back) much of its concentrated short position on sharp price declines and increased its short COMEX silver short position on rallies, as I publicly chronicled all along. At times, JPMorgan's COMEX net short position exceeded 40,000 contracts or the equivalent of 200 million oz. Such a large concentrated position necessarily controlled the price of silver and was, in fact, manipulative on its face.

Because it controlled the price of silver, JPMorgan profited handsomely on its

COMEX manipulation thru 2010 and not even an ongoing CFTC investigation interfered with JPM's control on silver prices. However, in late 2010, investor demand for physical silver caused silver prices to break above the highs of early 2008 and JPMorgan could no longer control the price of silver through excessive paper short selling on the COMEX. Physical silver conditions tightened so much by the end of April 2011 that the price reached nearly \$50 and, quite literally, JPMorgan (along with other collusive CME traders) were staring into a financial catastrophe, the same as undid Bear Stearns three years earlier.

But no bailout of JPMorgan was possible and instead, the bank along with interested parties at the CME Group arranged for a disorderly takedown of silver prices, almost assuredly with the approval of US regulatory officials. The disorderly takedown proved successful and the big shorts, particularly JPMorgan, escaped what would have been an epic financial catastrophe had they been forced to cover their massive silver short positions.

It is said that one learns more from failure, especially near disaster, than from success. It is my belief that at the time of JPMorgan's near catastrophe in being short silver into April 2011 that the bank realized just how limited and critical the supply of silver in the world was and decided to use that near death experience to their advantage. It was at that time that the bank decided to buy

as much physical silver as it could in order to profit even more to the upside than it did previously to the downside. Again, it was not possible for me to know this at that time and it has only come to me with the fullness of time and the developing factual evidence. What evidence?

For starters, there is the matter of extraordinary sales of Silver Eagles from the US Mint. Since April 2011, the US Mint has produced and sold 140 million Silver Eagles, more than in any similar period of time, in a price environment that can only be termed putrid and in which sales of Gold Eagles were notably lower. I would estimate that JPMorgan purchased close to half of the 140 million Silver Eagles sold since April 2011. According to very reliable sources on the retail front, investment demand has been lower over this time, as retail buyers do not buy strongly into a declining price environment in any investment asset. Yet we know for a fact that there has been extraordinary buying of Silver Eagles, even while Gold Eagle sales cooled off notably, so someone had to be buying Silver Eagles.

If there is one thing that JPMorgan is expert at, given that it commands an army of lobbyists and has more government officials in its back pocket than any other entity on the face of the earth, it is the exploitation of US law and regulations. JPMorgan knew that US law dictated that the Mint must produce enough Silver

(and Gold) Eagles to meet demand. That law was never intended to allow a single big buyer to demand the extraordinary amount of Silver Eagles that JPMorgan desired to buy, but that's the purpose behind the exploitation of the law.

The Mint sells Silver Eagles at the prevailing price of silver on the day of the sale. In essence, the COMEX price of silver is the price of silver. By controlling the price of COMEX silver, JPMorgan sets the price at which it will buy Silver Eagles. It's the perfect crime - JPMorgan sets the price of COMEX silver and then demands as many coins as the Mint and its suppliers can produce, even if that means producing the coins on a 24/7 basis. Hey, that's the law. And remember when JPMorgan increased its COMEX short position in the summer, assuring that prices were about to drop and what occurred as a result? Sales of Silver Eagles nosedived temporarily and only resumed after prices were brought lower by this crooked bank. This is old stuff □ what about some additional evidence that JPMorgan has amassed a massive quantity of physical silver?

When JPMorgan took over Bear Stearns in 2008, its Manhattan precious metals warehouse was not operating. But in May 2011, after the decision was made to accumulate physical silver, the warehouse was activated as a working COMEX-approved silver facility and guess what - after starting with zero silver inventory

that warehouse has grown to nearly 50 million oz, the largest of all six COMEX warehouses. You can decide if this was just a coincidence but the most compelling reason to start a warehouse would be to store silver you owned in your own warehouse rather than to pay some other warehouse to store metal you own. The timeline, in any regard, is remarkable.

In 2012, as the custodian for the metal held in the big silver ETF, SLV, JPMorgan physically transferred 100 million oz of silver it was storing in one of its own London warehouses on behalf of the trust to Brinks as a sub custodian. In hindsight, the most plausible explanation was to make room for silver JPM would come to purchase by using the SLV as a means of acquiring physical silver on an undetected and unreported basis as I have been explaining continuously (avoiding the SEC's 5% share ownership reporting requirement). I believe much more than 100 million oz of silver, perhaps double or triple that amount have been accumulated by JPMorgan using the SLV to transfer metal to its own London warehouses completely undetected and unreported. The details of the London Warehouse transfer can be found here. <http://about.ag/slv/>

Then there is the matter of the unprecedented physical turnover in the COMEX warehouses. As I have detailed on these pages, this unusual turnover began in April 2011 and not in 2008 when JPMorgan first became the COMEX kingpin and

manipulator by virtue of the Bear Stearns takeover. This timeline further supports the decision of JPMorgan to begin acquiring physical silver after its near death experience in April 2011. And this is in complete harmony with my conclusion that the unprecedented COMEX warehouse turnover is due to tight conditions in that the tight conditions are mainly due to JPMorgan's accumulation of physical silver.

Back in the late 1970's the Hunt Brothers accumulated close to 100 million oz of physical silver (and more in futures contracts) and were found to have manipulated the price of silver higher as a result of that accumulation. What makes the much larger accumulation of physical silver by JPMorgan today different is that it is the perfect crime.

The Hunts were outsiders; JPMorgan is the ultimate insider. The Hunts ran afoul of the regulators; JPMorgan owns the regulators. The Hunts' purchases were widely known; as far as I know, I'm the only one pointing to JPMorgan accumulating massive amounts of physical silver. The Hunts drove prices higher as they accumulated silver; JPMorgan, by virtue of its price control on the COMEX, has been able to accumulate silver on sharply declining prices. Talk about a stacked deck.

Given that JPMorgan has such control over the US regulators and is able to operate in near total secrecy in matters related to physical silver, it's hard for me to imagine what could foil their perfect silver crime. All that's missing is JPM selling out at extremely high silver prices. And considering that big banks, in essence, don't have to report anything they don't want to publicly report, I would be surprised if JPMorgan would even have to pay taxes if they made the many billions of dollars they seemed destined to make on silver to the upside.

Yes, it is true that I am speculating about JPMorgan and physical silver and that much of this is based upon analysis after the fact; but it was not possible for anyone to predict this in advance without practicing voodoo or communicating with the spirits. As for the evidence surrounding JPMorgan's decision to accumulate physical silver, I guess you have to believe that all the circumstances revolving around April 2011 were completely coincidental to avoid making the connection.

As always, I can't give you the exact timeline for the future. If there is much more additional physical silver for JPMorgan to accumulate at lower prices, I'm sure this crooked bank will arrange for those lower prices. But after no more

additional silver is available on the cheap, it should be time for JPM to allow prices to climb. One more point - since JPMorgan has been accumulating silver for more than 3.5 years, its average price is considerably north of current prices. Back of the envelope calculations indicate an average price in the mid-\$20's and any profit to the bank would only accrue above those levels. Yes, it grates on me that JPMorgan has been able to illegally accumulate as much silver as I suspect and, most particularly, the manner in which that silver was accumulated; but at some point the accumulation should prove most beneficial to silver investors.

On a housekeeping note, due to the holidays, there will be no report on Wednesday, Dec 24, Christmas Eve. I plan on publishing a weekly review next Saturday, Dec 27 and a brief report late the following Monday, Dec 29, to review the COT report which will be delayed until then. Merry Christmas and Happy Hanukkah to all.

Ted Butler

December 20, 2014

Silver - \$16.05

December 20, 2014 - Weekly Review - Perfect Crime

Gold - \$1194