

December 26, 2018 – The Solution

I believe that I have been as persistent as possible in pointing the finger at JPMorgan for manipulating the price of silver (and gold) since it took over Bear Stearns nearly eleven years ago. Over this time JPMorgan has used its controlling influence as the largest short seller on the COMEX to not only guarantee that it never took a trading loss, but also, since 2011, to accumulate an enormous amount of physical metal at the artificially depressed prices it created. Given the time over which this great fraud has been perpetrated and the stunning quantities of money and metal involved, what JPMorgan has pulled off has to rank as the largest market manipulation in history.

Now that the US Department of Justice is investigating JPMorgan's role in manipulating precious metals traded on the COMEX, there exists the best chance to date that the silver manipulation will finally be terminated. This raises the question of what the Justice Department should actually do if it does find that JPMorgan has orchestrated the market manipulation of all time? Make no mistake, this is a highly critical question and it's possible that the Justice Department will choose to "go easy" on JPMorgan, even if it concludes that JPM has pulled off what I've long alleged. The issue couldn't be starker – should the DOJ place the concern for the potential fallout about cracking down on JPMorgan above the concept that no one is above the law?

While it is up to the Justice Department to decide if JPMorgan is above the law or not, having given much thought to what exactly the DOJ might do should it choose to move against JPMorgan, please allow me to suggest a remedy fitting of the crime. After all, to merely point out a problem without providing a solution to the problem is incomplete.

First and foremost, the DOJ must find that JPMorgan not be permitted to engage in anything related to the pricing of silver. Admittedly, this will be a shock to the system since JPMorgan is the dominant force in silver pricing, but is unavoidable. You can't accuse and find someone of serious market wrongdoing and then permit the accused to carry on as before. As it is, it has been beyond absurd that the most important bank in the US has been the controlling force in the silver (and gold) market and only the passage of time has dulled our collective senses to this absurdity. The manipulation of silver prices has absolutely nothing to do with the basic business of banking and banks should stick to making loans and taking deposits. Most people are quite surprised at first to learn that JPMorgan and banks in general are the leading participants in precious metals trading.

After banning JPMorgan from having anything to do with the pricing of precious metals forevermore, the DOJ must turn to the matter of restitution for the many victims of JPM's fraud. Already, class-action lawyers are lining up to sue JPMorgan following the Nov 6 announcement from the DOJ of the criminal guilty plea by the ex-JPMorgan trader, but this shouldn't be left strictly to class action lawsuits. Should the Justice Department find that JPMorgan manipulated precious metals prices, it should do what was done with the Bernie Madoff scandal, namely, empower a trustee to recover damages and not see significant percentages go to lawyers. The JPMorgan silver manipulation is much bigger than the Madoff fraud and scandal and because the US Government has enabled and allowed the manipulation to continue for as long as it has, it bears responsibility for making sure full restitution gets to the true victims, and not get siphoned off by excessive legal fees.

In fact, letting the Justice Department oversee and administer restitution to the many victims of

JPMorgan's long term manipulation of the price of silver might be in the bank's best interest. If the Justice Department finds, as it should, that JPMorgan has artificially rigged the price of silver for more than a decade, not only would JPM be liable to investors for losses, it would also be liable for the artificially depressed price of silver received by miners and producers over this time. Total world annual production (new mine plus scrap recycling) equaled, on average, close to one billion ounces over the time that JPMorgan manipulated the price or more than ten billion ounces cumulatively.

I believe it can be shown that JPMorgan caused silver prices to be at least \$20 per ounce lower (and likely much more) over this time, meaning JPMorgan caused at least \$200 billion in damage to world producers through its manipulative activities. Add in punitive damages (threefold) and astronomical legal fees and it is doubtful JPMorgan could survive such a financial debacle. Thus, JPMorgan might be wise to confess to its manipulation and let the Justice Department take charge of restitution in the interest of preserving as much of the bank and its employees as possible. The vast majority of JPM's 250,000 employees had nothing to do with the few bad apples running the silver manipulation.

Certainly, either a settlement with the DOJ or the open fight of charges being filed against JPMorgan for the long term manipulation of silver will come as a shock to the world at large. Outside of subscribers and the relatively few members of the public which follow my analysis and allegations, it's safe to say no one is aware of what JPMorgan has wrought in the silver market. How could they know? There has never been, to my knowledge, a single mainstream media story about the true story of JPMorgan and silver.

Finally, as to the matter of what to do with the enormous stockpile of physical metal that JPMorgan has illegally accumulated, which I estimate to be 800 million oz of silver and 20 million oz of gold, the Justice Department simply can't allow this metal to be dumped on the market should it crackdown on JPM. Such a large distressed sale would only add great insult and harm to the very people already victimized by JPMorgan. Instead, let me propose a much more constructive course - use it to reestablish a national stockpile of a critical strategic industrial material in the case of silver and to augment the existing monetary stockpile in the case of gold on behalf of American citizens.

Ironically, the US Government did hold the world's largest stockpile of silver at the end of World War II, close to 5 billion oz. Then thanks to common coinage needs and no small thanks to the underhanded efforts of the Silver Users Association, that vast stockpile was fully depleted in the early 2000's. There's no way the USG could ever get back to its former levels of silver inventories, but expropriating JPMorgan's ill-gotten stash would bring us to 15% of former peak levels and greatly benefit all US citizens. And to those who would question the legality of the US Government taking over JPMorgan's ill-gotten silver stash; doesn't the government always take away the property of criminals like Pablo Escobar or El Chapo or Bernie Madoff? Why should JPMorgan be treated differently?

A government confiscation of JPMorgan's ill-gotten precious metals stash should not alleviate, in any way, the bank's obligation for restitution to metals investors and producers cheated by JPM's more than decade-long manipulation of prices. Let JPMorgan make full restitution from funds secured elsewhere. And rather than let innocent shareholders and employees bear the pain alone, the DOJ should go out of its way to make sure those officials, including board of director members which were previously notified of JPMorgan's transgressions in silver and did nothing about them pay as

disproportionately large a share of restitution as possible.

Should the US Government decide not to hold as a strategic stockpile the ill-gotten metal taken from JPMorgan, it must take pains not to release the metal to the market at prices less than the price at which JPMorgan first began accumulating the metal in 2011. For silver, this would mean the USG shouldn't release any metal at prices less than \$35.

At current prices, the 800 million ounces of silver I believe JPMorgan has accumulated since 2011 has a total value of \$12 billion. If, as and when the Justice Department charges or settles with JPMorgan as a result of the ongoing investigation, it will send an unmistakable and unambiguous instant message to the world as to why silver has been priced so cheaply for more than a decade. No investor could misinterpret the message that the reason silver was so cheap was because JPMorgan made it cheap and with JPM no longer in the manipulation business, silver should move much higher in price. Should the Justice Department find that JPMorgan has manipulated the price of silver (and gold), no stronger buy signal would be possible.

Of course, any remedy suggested by me is predicated on the Justice Department finding that JPMorgan has, in fact, manipulated prices as I've alleged. To be objective, it is possible that the DOJ will, based upon political considerations, decide that the possible consequences of cracking down on JPMorgan outweigh the upholding of the rule of law. However, even in that unfortunate event, it is hard for me to see how the DOJ won't insist that JPMorgan end the manipulation quietly. That means disallowing JPMorgan from being the short seller of last resort - which is all that is needed to end the manipulation. It would also eliminate any concern about the release of JPMorgan's physical stash at depressed prices. In other words, it's hard for me to see how any outcome doesn't translate into higher silver prices. The greater loss for the Justice Department for looking the other way, of course, would be what it means to the rule of law in the US.

Moving onto other developments, the main one has been the recent price weakness in the stock market and developing strength in gold and silver, both made unusual given the time of year. Most often, stocks drift higher as the year end approaches, particularly when the year has been on the strong side and metals turn very quiet. Obviously, that's not the case this year, as stocks have recorded the worst December to this point than in many years; while gold and silver have ticked up to multi-month highs after mostly a fairly dismal price year.

I'll leave timing to others, but having commented that stocks seemed overvalued and metals, particularly silver, seemed undervalued, the price action into yearend can't be considered terribly surprising. Then again, I've felt this way for quite some time and that has mattered little up until recently. I know I have been obsessed with the implications of the Justice Department announcement on Nov 6 and would point out that since the price lows established within a week or so of that announcement, gold has risen by as much as \$80 and silver by more than a full dollar.

As far as what to expect in this Friday's COT report, the CFTC made an announcement late last week that there would be a report on Friday this week and next, but that the cutoff date would be Monday, given that the Christmas and New Year's Day holidays fell on Tuesday. But that was before the government shutdown, so I'm unsure if there will be a report on Friday as announced. I did email the CFTC late last week, asking for clarification, but received no response (I'm not the CFTC's - person of the year - in case you hadn't noticed). Hold the presses - an announcement was just posted on the CFTC website indicating that, as a result of the shutdown, there

will be no COT reports issued until the shutdown is ended.

Regardless, as of Monday's close, I would estimate that there was at least a 30,000 net contract deterioration in gold, or at least that amount of managed money buying and commercial selling as a result of the nearly \$20 rally thru Monday. Due to the relatively rotten price action in silver, in which prices ended the reporting week 12 cents higher, there may have been a few thousand contracts of managed money buying and commercial selling, but hopefully not much more. Therefore, the market structure in silver is much better than it is in gold, given gold's much better relative performance driven by managed money buying. Without beating an already dead horse further, the key consideration in both metals will be whether there was any new shorting by you know who.

Clearly, there was further managed money buying and commercial selling in both gold and silver today, but due to much thinner yearend trading, the deterioration was much less than it would have been in non-holiday trading which is good. Of course, we won't be able to verify this until the COT report that comes after the one was scheduled to be due on Friday. Silver did breach the \$15 mark today for the first time in four months, but still remains nearly 40 cents below its key 200 day moving average; while gold has traded above its 200 day moving average for the past few days. Thus, there's more catch-up potential in silver.

Ted Butler

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Silver – \$15.10 (200 day ma – \$15.46, 50 day ma – \$14.53)

Gold – \$1270 (200 day ma – \$1257, 50 day ma – \$1233)

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