A sharp selloff, particularly in silver, on the last trading day of the year wasn't enough to prevent either gold or silver from finishing the week higher. Gold snapped a six week losing streak, ending $18 (1.6%) higher, while silver finished higher for the second week, ending higher by 20 cents (1.3%). As a result of gold's relative outperformance, the silver/gold price ratio widened out slightly, to just over 72 to 1.

I'm going to stick to a weekly format, but for the year, gold ended more than $90 (8.5%) higher while silver ended the year up by more than $2 (14.4%). Silver's relative outperformance this year resulted in the silver/gold ratio tightening in by 4.5 points from last year's 76.5 to 1 close. I suppose I shouldn't complain about silver and gold ending higher for the first year following three years of lower finishes; but considering everything, I found this year's performance disappointing for the simple reason that the price manipulation I write about constantly has endured.

At the same time, I am deeply convinced and encouraged that the three decade old silver manipulation will end in the coming New Year. As always, the manipulation and its demise depends specifically on JPMorgan. Anyone looking for the simplest explanation for why the price manipulation didn't come to an end in the past year need only look at what JPMorgan accomplished in 2016.

In addition to maintaining its perfect trading record of never taking a loss, only profits, on its short selling endeavors in COMEX silver and gold futures contracts, JPMorgan appears to have acquired over the past year an additional 150 million oz of physical silver and several million oz of physical gold. To think one financial institution could accomplish both feats seems other-worldly, until one studies the government and other public data that substantiate JPMorgan's market mastery.

The key question is can JPMorgan replicate its masterful (if illegal) price rigging on the COMEX and continue to acquire massive additional quantities of physical silver and gold? It certainly has the financial muscle and connections to manipulate prices and acquire almost endless amounts of additional physical metal, so what's to prevent this crooked bank from making 2017 just another year of illegally racking up paper profits and accumulating enormous quantities of metal on the cheap? I'll come back to this later.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses hit a brick wall this week, as mere 0.1 million (110,000) oz were moved and total inventories fell by that same amount to 183.5 million oz. Yes I know it was only a four day work week and the holidays may have had something to do with it, but I don't recall a slower week in nearly six years. I guess we'll get an idea of whether this was a fluke or the start of something new over the next few weeks, but I must confess to being

more than intrigued with the sudden turnoff in the silver inventory turnover faucet.

It was nearly six years ago that I was equally startled by the sudden burst of frantic movement of silver in the COMEX warehouses, a turnover that has persisted until the past week. I never knew for sure why it started and had long opined that it had to do with physical tightness in the wholesale silver market. The unprecedented physical silver turnover started at exactly the same time that JPMorgan opened its COMEX silver warehouse and the date from which I would later conclude that JPM began acquiring massive quantities of physical silver. I've mentioned many times that I believed that JPM was "skimming" silver for itself from the super high volume turnover (and not just what came into JPM's own COMEX warehouse).

Please allow me to speculate (perhaps wildly) on just one week's worth of turnover data. If JPMorgan was behind the sudden start of COMEX silver warehouse turnover in April 2011 for the reasons I've suggested – to acquire as much physical silver as possible – perhaps the sudden cessation of the turnover might indicate that JPM has neared completion of its epic silver accumulation. If (a very big "if") JPM is done buying, then there would appear to be little incentive for the bank to depress prices any longer. Hey – aren't I allowed to have some happy thoughts once in a while?

The December COMEX delivery process concluded this week with no particular surprises, that is that JPMorgan took a disproportionately large amount of silver for its own account and the largest amount of gold when its customer and own account totals were combined. It dawned on me that this wasn't the first time that JPMorgan took more than the 1500 contracts allowed in silver in taking 1550 contracts this month. Something jogged my mind to recall that back in the July 10, 2013 weekly review (in the archives) my concluding remarks were these □

□Another point is that the 1829 contracts (9.145 million oz) that JPM has taken in its own name is above the level of 1500 contracts that COMEX rules dictate can't be exceeded in any one delivery month by any single trader. Hey □ have you ever heard of a rule or regulation that JPMorgan couldn't evade? Me neither.□

The point is that JPMorgan has been accumulating physical silver for years in full view. For those who follow the COMEX delivery data on a year-to-date basis, I would remind you to save this document if you wish to preserve this year's statistics. Next week, the data preceding December 2016 will be erased.

http://www.cmegroup.com/delivery_reports/MetalsIssuesAndStopsYTDReport.pdf

There hasn't been much to report on metal movements in SLV or GLD, the big precious metals ETFs and nothing to report on Eagle coin sales from the US Mint until sales commence in the New Year. There was a new short interest report mid-week that indicated a further rise in the short position in SLV by 1.3 million shares to just under 13.5 million shares (ounces) as of the close of business December 15. While I would never accept any increase in the SLV short position as good news, the amounts held short currently are not particularly alarming, at least in my opinion. After all, a 1.3 million ounce increase in the short position is equal to 260 COMEX contracts. The short position in GLD fell slightly.

http://shortsqueeze.com/?symbol=slv&submit=Short+Quote%E2%84%A2

The changes in this week's Commitments of Traders (COT) Report were instructive, as has been the case recently. I deliberately refrained from making any predictions because I wasn't sure what to expect and was more interested in analyzing what the data might indicate. It was a four day reporting week, bracketing Christmas, with price weakness before the holiday and a rally on the Tuesday cut off day.

In COMEX gold futures, the commercials reduced their total net short position again, this time by 13,100 contracts to 121,000 contracts, the lowest (and most bullish) the level has been since February. While the headline number is accurate, I can't provide you with an accurate commercial category breakdown because it is obvious that managed money traders have entered into the ranks

of both the largest 5 thru 8 traders on the short side, as well as the 4 largest shorts. Remarkably, this has occurred in silver as well.

While it messes up my usual running category calculations, it is a very welcome development that is super bullish in terms of market structure analysis. If you believe, as I do, that the lower the commercial short position the more bullish the market structure becomes, then having managed money traders grow large enough on the short side to be among the 8 largest shorts automatically reduces the concentrated commercial short position further than what the raw data indicate. One has to deduct any managed money short position that may be present in the big 4 or big 5 thru 8 to get the true commercial concentrated short position.

Having managed money traders short gold or silver is always potentially bullish because there is no way in the world that such traders will ever deliver physical material to close out their open short obligations. Heck, managed money traders never take delivery when they are long and stand no chance of making delivery when they are short. It's only a matter of time before any managed money trader on the short side buys back its short contracts. I've referred to this certain buying as "rocket fuel" as managed money traders are very quick to buy back short positions when prices rally sufficiently.

In COMEX gold futures, the managed money traders sold 10,439 net contracts this week, including 6993 contracts of long liquidation and the new short sale of 3446 contracts. In the three months since the end of September, the managed money traders have sold an astounding 200,000 contracts of gold, the equivalent of 20 million ounces. It's not a question of this being correlated to the $200 drop in the price of gold, it's a simple matter of this selling having caused the price drop.

Unless one is looking to unnecessarily complicate the reason why gold first rose more than $300 this year, only to fall $200 over the past three months, then look no further than the rise being caused by the net buying by managed money traders of nearly 300,000 contracts of COMEX gold futures to the peak, followed by the 200,000 contracts of net selling by those same traders. And yes, the managed money traders were led by the price nose by the commercials.

But before anyone jumps to the conclusion that there are still 100,000 contracts yet to be sold by the managed money traders before we're done with the selling; I don't think so. Anything is possible, particularly in a manipulated market, but everything I look at suggests the selling is done or largely so. Please remember that the commercials were in the hole by nearly $4 billion, the most in history this summer, before being able to reverse the price rise and gain back the $4 billion in open losses and turn that into a $4 billion profit – a swing of $8 billion. Moreover, one big commercial gold short actually bit the

dust on the price rally into the summer.

This near disastrous commercial failure won't be forgotten any time soon. The big mistake the commercials made in retrospect was in selling short too soon into the gold and silver rally this year. The simple (and only) way not to replicate the mistake is for the commercials not to sell short too soon again. The net result of that will be an even bigger rally than we witnessed in 2016 when things get rolling to the upside.

In COMEX silver futures, the total commercial net short position increased by less than 100 contracts, to 74,000 contracts, but under the hood a completely different picture emerged, as the managed money traders sold 3860 net contracts, including the sale of 1032 long contracts and the new short sale of 2828 contracts. As was the case in gold, I can't give you my standard commercial category breakdown because a managed money trader appears to have entered into the ranks of the 4 big silver shorts.

When I first glanced at the nearly unchanged headline number, I wasn't particularly surprised since I was ambivalent about what to expect. But when I compared the unchanged reading to a 1500 contract increase in the big 4 short category, I was somewhat flummoxed. That's because I was accustomed to JPMorgan largely accounting for most of the changes in the big 4 short category.

But here we had an unchanged commercial total net short position, plus no increase in total gross silver commercial shorts, yet the big 4 short position grew by nearly 1500 contracts. I thought what gives?

The only thing that could explain the contradiction to what usually occurs was a managed money trader entering into the ranks of the big 4 shorts in silver, most likely the same managed money short in the gold big 4 category. This finding was further supported by the fact that even though the managed money category increased by 2832 contracts in the current reporting week, the number of traders remained the same as last week, at 24 traders on the short side of managed money. I commented on this in last week's review and it reinforces my conclusion then that the increase in the managed money short position a week ago was not due to many traders shorting silver, but a small number of larger traders (like one).

Based upon the average number of contracts held short by the 5 thru 8 largest COMEX traders, all it would take for a managed money trader to gain entrance into the ranks of 4 biggest shorts would be a short position of around 8000 contracts, a number highly achievable by the current COT configurations. To be clear, I'm not trying to dazzle you with complicated footwork; I just wanted to give those who follow this data closely some substantiation for the following conclusions.

The managed money traders added more than 5200 new shorts in silver over the past two reporting weeks, after not adding any over the prior five reporting weeks. Most, if not all of the new managed money shorts were placed at less than $16. Most, if not all of the new managed money shorts were taken on by a few traders, possibly only one. While I'm happy that there is now some rocket fuel in silver in the form of increased managed money shorting, my sense is that we are still more than 20,000 contracts less short in managed money terms than we were a year ago and no, I don't think many more will be put on from here on lower prices.

Most importantly, I don't think JPMorgan has added at all to its short silver position of 18,000 contracts and may have continued to buy back short positions. This coming Friday's release of the monthly Bank Participation Report should help clarify JPM's short position. Bottom line is that both the silver and gold COT reports this week were bullish surprises on top of what was already an extremely bullish market structure set up.

Of course, there never has been a bullish COT market structure that has gotten that way without the pain of lower prices and if I could tell you what the precise price bottoms were or will be, I would gladly do so. As I am sure you know, I can't do that. But if the bottom isn't here already, it's awfully close by every measure I consider legitimate. Above all, I do know that it is up to JPMorgan.

It Ain't Me Babe

Hard to believe, but that Dylan song came out when I was in high school, some 50 years ago. The title popped into my head as I was thinking about the role JPMorgan plays in setting the price of silver and gold. As I hope I've conveyed, we are currently configured in a COMEX market structure where the defining feature of the coming silver (and gold) price rally, whenever it occurs, will be determined by whether JPMorgan adds to its paper short positions. We're not particularly close to penetrating the key moving averages to the upside at the moment, but there is a mathematical certainty that we will get that penetration to the upside in time (and perhaps very quickly).

When the 50 and 200 day moving averages are penetrated to the upside, it is just about certain that there will be substantial managed money technical fund buying and commercial selling. At that time, the rally will depend upon how aggressive JPMorgan adds to its silver (and gold) COMEX short positions. Should JPMorgan add shorts aggressively, I would guess that the rally won't get very far; but if JPMorgan doesn't add shorts aggressively or at all, then look out above. Thus, we are back at a familiar juncture.

Ever since acquiring Bear Stearns in early 2008 and becoming the largest silver

and gold short on the COMEX, JPMorgan has always added to its silver and gold short positions on every price rally over that time (except for the silver run up into April 2011). That's the singular reason every silver rally has eventually failed over the past 9 years, despite some of the rallies being quite notable. And when every silver rally failed and prices moved lower, JPMorgan was able to buy back any short positions it had added at profits and with never a loss. JPM's perfect silver shorting record would not be possible if it didn't control prices.

Lately, JPMorgan has been buying back many of its silver (and gold) short positions on the COMEX, as it has succeeded, once again, in rigging prices lower. But there is a limit to how many short contracts JPMorgan can buy back at lower prices and, as I have indicated previously, the bank is most likely at or close to that limit presently. This is what has set the stage for an inevitable rally, with only the timing and extent of the rally in any question. So, we're back in familiar territory with one thing to be determined will JPMorgan add to shorts, just as it has on every prior silver rally?

While I can't know the answer to that question beforehand, given what will happen to prices should JPMorgan refrain from adding short positions, it has always been a no-brainer to be fully exposed to the long side and should it turn out, yet again, that JPM does add short positions aggressively, there should be ample time and opportunity to trim long positions. Alternatively, should JPMorgan not add short positions on the next rally, there will be, in my opinion,

scant opportunity to add positions judiciously when that becomes obvious.

Still, many question why JPMorgan would ever quit a manipulative game that it has come to master. Why can't it continue to rake in endless profits by preserving its perfect paper shorting trading record on the COMEX and keep accumulating massive quantities of physical metal on the cheap? Further, what can anybody do to stop them? Let's face it, many have tried to stop JPMorgan in totally dominating markets and all have failed.

The most prominent example was former CFTC chairman Gary Gensler who tried to enact legitimate position limits and the Volcker Rule, either of which, if legitimately enforced would have ended JPMorgan's total dominance of silver and gold. But Gensler's efforts, through no real fault of his own, failed miserably. The real reason the CFTC failed to rein in JPMorgan in silver and gold was due to JPMorgan's massive army of skilled lobbyists and lawyers that came to evisc