Against a backdrop of increasing financial market volatility, prices for gold and silver rose for the week. Gold ended higher for the week by $28 (2.3%) and at its highest daily and weekly closing levels in nearly six months, while silver tacked on 45 cents (3.2%), ending at a one-month high. As a result of silver's slight relative outperformance, the silver/gold price ratio tightened in to 85.3 to 1, down a fraction from last week's 25 year extreme.

Of course, the price ratio remains at nose-bleed and highly artificial levels indicating a near absurd undervaluation of silver compared to gold. But after years of insane cheapness of silver relative to gold, the nutty ones would appear to be anyone suggesting a silver surge relative to gold. Yes, when it comes to crazy pricing, I feel like I've been locked in a mental asylum.

Due to the national day of mourning for the passing of former president George H.W. Bush on Wednesday, the COT and Bank Participation Reports scheduled to be released yesterday were postponed until Monday. I plan to publish commentary on those reports late Monday.

The turnover or physical movement of metal either brought in to or removed from the COMEX-approved silver warehouses remained high this week, as more than 6.3 million oz were moved and total inventories rose by 1.2 million oz to 296.4 million oz. The addition was enough to establish an all-time record level of COMEX silver inventories. I still contend that the total level of inventories is nowhere near as important as the incredible turnover, although I acknowledge most observers would argue otherwise, equating rising inventories as leading to lower prices. At least for this week, however, record inventories didn't result in lower prices. A scant 18,000 oz were moved into the JPMorgan COMEX silver warehouse this week and those inventories remained at 150.6 million oz (up a bit due to rounding).

For a change, there was some movement (and net increase) in COMEX gold warehouse inventories, mostly in the HSBC warehouse, obviously related to deliveries in the COMEX December gold deliveries. HSBC has been the big issuer (deliverer) of gold deliveries so far this month, issuing more than half (3664) of the total 6080 gold contracts issued to date. The number of contracts issued by HSBC closely compares with the 360,000 oz physically moved in or transferred to the registered category in the HSBC warehouse. I would interpret this as HSBC being “forced” to bring in physical gold to make delivery. The somewhat unusual appearance of JPMorgan issuing 821 contracts from its house account also adds to my sense of “tightness” in this current COMEX gold delivery process (plus last week’s 1000 contracts from Standard Chartered Bank, a name from the past).

On the stop (taker) side of gold, Goldman Sachs has been the featured stopper, taking 3428 contracts in its own name (hey, what does a 3000 contract COMEX limit mean to Goldman?). This also points to physical tightness in gold, but I must point out that Goldman Sachs has turned up in the past as big stoppers in silver and gold, only to eventually redeliver most of what it took. Still for the time being, Goldman’s actions are noteworthy.

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

By comparison, the deliveries in COMEX silver look more normal, but also fairly tight. Of the 3419 total contracts issued so far, JPMorgan has stopped (taken) more than 70% (2486) with 1950 contracts for customers and 536 contracts in its own name. HSBC has been the big silver issuer, putting out 1386 contracts from its house account. Needless to say, tight delivery circumstances are highly bullish for prices (as if we needed even more bullish circumstances at this point).

With no COT report to comment on, I guess I'll have to talk about what occupies my every waking moment in its place. I will say that I still expect managed money buying and commercial selling in the report to be issued Monday, but I am encouraged that there didn't appear to be massive managed money plowing into the market, particularly in silver, since the Tuesday cut-off. The key, of course, is whether the super crooks at JPMorgan added to shorts (as they have for ten years running) on the rally so far.

While there has been deterioration in the market structures for gold and silver on the gradual move up from the extreme price lows, I am more taken by just how constructive overall are the structures at this stage. Here we are, above the 50 day moving averages in both gold and silver and with the 200 day moving average in gold less than $10 away from an upside penetration and there still remains an ocean of potential managed money technical fund buying yet to come, both short covering and potential new buying.

When I sit back and put the price and market structures of gold and silver into a historical perspective, I'm left with the thought of just how the heck did the commercials snooker the technical funds so badly to this point. I would never rule out unexpected selloffs in markets as highly manipulated as silver and gold, but the manipulation game has grown so long in the tooth that I've taken to almost disregarding it (but not to the point of ever recommending positions being held on margin).

Turning to the topic that most occupies me, the Justice Department's ongoing investigation of JPMorgan and precious metals manipulation, the judge in the related civil case against JPMorgan by private traders granted the DOJ's request for a six-month postponement in that case. Just to be clear, when I say "related" I don't believe the civil case, which is based upon claims of manipulation of far-out (distant month) spread trading, is directly related to the DOJ's case, only tangentially so in that it involves JPMorgan. But the lawyers involved in the civil case would be foolish not to claim their case and the DOJ's were one and the same. As I said, I don't think they are even close.

https://www.cnbc.com/2018/12/05/jp-morgan-chase-precious-metals-markets-rigging-lawsuit-paused.html

What I do feel was important in the story was that the judge was initially skeptical about delaying the civil case and demanded from federal prosecutors good reason for postponement. After a conference call with the prosecutors (from which the civil lawyers were excluded), the judge granted the delay forthwith. Of course, with such limited public disclosure to go on, one is forced to speculate more than one would normally care to – at least, this one (me). My speculation includes the conclusion that whatever the prosecutors told the judge was important enough for him to immediately grant the delay.

However, speculation (and analysis) lies in the eye of the beholder. Where I quickly concluded (and as I suspected) that the judge in the civil case was told enough to convince him that the ongoing criminal investigation was highly significant and took clear precedence over the civil case, others would argue otherwise. This is the beauty of differing opinion and analysis – people can consider all arguments and facts and decide for themselves what makes the most sense. A case in point is a completely different take from mine on what the delay in the civil case represents.

A number of subscribers have sent me an interview with Andrew Maguire, in which he claims that the postponement in the civil case is as a result of a "corrupt" Justice Department seeking to protect major banks, including but not limited to JPMorgan from a day of reckoning for precious metals manipulation. His basis for such a claim is that he presented evidence to the DOJ back in 2010-2011 of manipulation and it did nothing. Since I'm very sensitive to anyone misinterpreting anything I've said or written, I certainly wouldn't knowingly do that to anyone else, so I urge you to read or listen for yourself. Please understand that I am not endorsing Maguire's views (far from it), just providing the source.

https://kingworldnews.com/whistleblower-andrew-maguire-a-trip-down-the-rabbit-hole-of-corrupt-jp-morgan/

While it may turn out that the Justice Department will miss the real crimes of which JPMorgan is guilty, it is premature, at a minimum, of declaring the DOJ is corrupt. Simply put, the crimes to which JPMorgan is clearly guilty hardly existed in 2010-2011. At that point, JPMorgan was only a couple of years into its ten-year record of never taking a loss when adding silver (and gold) COMEX short positions and was at the very start of its accumulation of physical metal. Therefore, there was absolutely no reason to expect the DOJ to crack down on JPMorgan back then.

And as for the "evidence" that Maguire presented back then, it was largely a rehash of what I had previously provided to the CFTC and DOJ for years (decades) before, a fact on which Maguire always agreed (privately). At that time, 2010-2011, the CFTC had already publicly responded (in 2004 and 2008) to my allegations of silver price manipulation and was in the midst of a five year formal investigation of silver manipulation which began in 2008 at my urging. The timeline is clear.

To be sure, the CFTC should have acted long before now on the evidence of a silver manipulation, but the sad and simple fact is that it didn't. As far as the DOJ not acting back then, that's also simple – the CFTC is the federal commodities regulator and other agencies generally defer to the agency with the most direct jurisdiction. Silver is a commodity regulated by the CFTC. The DOJ would have needed extraordinary evidence to supersede the CFTC's primary responsibility. The evidence that the DOJ needed simply didn't exist.

Had there been strong evidence before 2011 that JPMorgan would never take a loss in silver for more than a decade and how it would illegally scoop up physical metal on the cheap, I think I would have seen it. When I did see it, starting about five years ago, I started writing about it. Unless I missed something, I've been virtually alone in both findings, namely, of JPMorgan never taking a loss and scooping up more physical silver (and gold) than anyone ever. Unless we are now demanding that the Justice Department figure out major crimes before they are committed, perhaps we should cut them some slack before judging them corrupt.

In no way am I suggesting that the issues before the Justice Department are anything less than monumental in scope and go to the very heart of the rule of law upon which the US is based. I deal with the issue of market manipulation and JPMorgan on these pages, but unless you've been held captive in a cave someplace, you're undoubtedly aware that there are important issues revolving around the Justice Department and the president. The connection is that it may come down to the simple question of whether anyone is above the law, regardless of the consequences of such a finding.

In the case of JPMorgan manipulating the silver market to never take a loss and to pick up metal at an artificial price it set, the consequences of the Justice Department agreeing with that will have ramifications none of us can fully comprehend in advance. Are those consequences, as disruptive as they may be, more important than the concept of no one being above the law? Just how important is the rule of law? Is it something we all nod our heads in agreement with and expect our children to learn, but only when it's not too disruptive? In any event, while how we may feel is important to us, all that matters is how the Justice Department feels and acts about the rule of law. In criminal matters, the DOJ (and the judiciary) has the final word.

Neither would I agree that the six-month postponement in the civil case is an indication that the DOJ is stalling in any way. The ongoing investigation is a work in progress and any connection with the timing of its terminal point and the six-month postponement is unfounded conjecture. It's not as if the DOJ would have requested a two-week delay and tip its hand of an imminent finding. The Justice Department just wanted no possible interference and the request for a six-month delay seems quite normal to me, although I don't have any real experience in these matters.

It seems to me that the Justice Department's investigation is very much "live", meaning it could erupt at any time – anywhere from next week to, perhaps, longer than six months. Of course, I'm hoping for very soon, but it isn't up to me. The fact is that the investigation has already erupted – bursting onto the scene with absolutely no advance warning on Nov 6. And no one can claim otherwise, save for the Justice Department and the parties directly involved to that point, namely, the accused and his lawyers. Maybe we'll learn more on the scheduled sentencing date, Dec 19, but that could easily be delayed as well. When it comes to timing, no one knows jack.

Instead of berating the DOJ as corrupt and stalling for not pursuing crimes that had yet to be committed in 2010, it would be wise to consider what it has done right to this point. The Justice Department extracted a criminal guilty plea, not merely made a civil allegation of wrongdoing, against a former trader of JPMorgan, who I allege is at the heart of manipulation. At the same time, the DOJ announced it was conducting an ongoing investigation. How exactly does that possibly fit into claims of corruption and stalling? We must reserve final judgment until more is known, but why malign the DOJ prematurely?

As I said, it is up to the reader to discern for him or herself what makes the most sense in competing analyses. I admit to being additionally influenced by the possibility that my letter to the FBI on April 30 may have tripped off the DOJ's actions to date, but please set that aside and judge the matter on the facts and reasoning presented. But also please know that the DOJ's actions and words over the past month have shook me to my core – in a very good way. COT comments late Monday.

Ted Butler

December 8, 2018

Silver – $14.70 (200 day ma – $15.56, 50 day ma – $14.48)

Gold – $1254 (200 day ma – $1261, 50 day ma – $1221)