

Weekly Review<?xml:namespace prefix = o ns =
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Owing to a Friday rally, the price of gold and silver finished higher for the week; by \$6 (0.5%) in gold and by 15 cents (0.7%) in silver. As a result of silver's very slight outperformance, the silver/gold price ratio tightened slightly to just under 62 to 1. The ratio has remained in a trading range (between 50 and 68 to 1) for more than a year and I believe the main message for that is as further proof of the artificial and corrupt price discovery process on the COMEX. I also still believe as and when the crooked COMEX price setting is ended, silver will vastly outperform gold.

While not large in dollar amounts or percentage terms (yet), this week marked the fourth consecutive gain for gold, an occurrence not witnessed for more than a year. And we finished the week solidly above the 50 day moving averages in both gold and silver with no obvious technical fund rush to buy amid fairly quiet trading. I'm still of a mind that prices will not remain quiet for long, although I wouldn't swear to knowing the short term outcome (as always).

The turnover, or movement of metal into and out from the COMEX-approved silver warehouses continues to astound me in its intensity. This week, around 9 million silver ounces were either moved in or out, as total inventories rose by

600,000 oz to 177.1 million oz, another multi-decade high point. Given current circumstances, it is entirely natural to expect visible silver inventories to grow; what's completely unnatural is for there to be such frantic two-way movement occurring in the visible silver inventories. This turnover in COMEX silver stocks is something I first noticed almost three years ago and I find it incredible that the movement has continued unabated and is perhaps intensifying. It is peculiar to COMEX silver but doesn't get much attention generally. If it isn't a sign of pronounced tightness in the wholesale physical silver market, then I am at a loss to explain it.

Yesterday, there was a large deposit of 4.3 million oz in the big silver ETF, SLV, as well as a rare deposit of 240,000 gold oz in the big gold ETF, GLD. Given that trading volume and pricing were tepid in these ETFs during the week, it looks like index fund rebalancing that is behind the additions. It wouldn't surprise me if we witnessed further additions, particularly in SLV. Also, the US Mint has resumed updates on Silver and Gold Eagles. It's hard to judge retail demand at this point, but I am still under the impression that the Mint could sell more Silver Eagles if it had increased production capacity or established increased blank supply flows.

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

The changes in this week's Commitments of Traders Report (COT) were a

welcomed surprise to what I had been expecting, namely, dramatic increases in the total commercial net short positions in both silver and gold. As it turned out, the commercial net short position only increased by a few thousand contracts in gold and actually declined slightly in silver. But, I admit to being concerned that too much potential rocket fuel (technical fund short covering and new buying) was being burned with not much lift in prices.

You may remember that the technical funds in the weeks before this latest COT report had begun to buy back short positions in gold and silver. With prices crossing over the 50 day moving averages in the current reporting week, it seemed reasonable to assume they would continue with that short covering. Also, there was a big increase in total open interest in both COMEX gold (32,000 contracts) and silver (almost 5000 contracts) that suggested a significant increase in tech fund new buying. As it turned out, the increase in total open interest was mostly spread-related, which hardly matters in the real scheme of things.

In COMEX gold, the commercials increased their net short position by 3400 contracts to 45,300 contracts. This is still a low (and bullish) number by historical standards. By commercial categories, the big 5 thru 8 short traders bought back almost 3000 short contracts and the raptors sold nearly 6000 of their net long position. The good news in the report to me was that the technical funds actually added 1600 new shorts, although other technical funds also

added 5600 new longs. The best news in the gold report was that JPMorgan came back to the buy side, adding 2500 contracts to a long market corner close to the 60,000 contract mark.

In COMEX silver, the total commercial net short position was reduced by 700 contracts, to 24,800 contracts total. Like was the case in gold, this is not high by longer term historical measures and therefore bullish; although we have also seen more recent sell-offs from this level. There was also no notable tech fund short covering and only 1500 new tech fund long positions added. As was the case in gold, the best news was that JPMorgan bought back 1000 contracts, reducing their net short position to 16,000 contracts. That still leaves the big silver manipulator with 6000 more short contracts than the bank held at the recent December 3 nadir, but silver would still soar in price if these crooks would simply not add to their silver shorts.

So I guess my overall take on the this week's COT report is one of relief that it didn't deteriorate as much as I feared, although it would be a mistake to put anything passed JPMorgan in the short term. I'm also of the opinion that there has been no big increase in commercial shorting thru yesterday, particularly in silver which has been very lackluster in price this week. Lackluster is good when it comes to COT positioning, as it implies no strong tech fund buying.

There was a story that I'd like to comment on that drew fairly widespread attention in gold and silver circles this week. First, there was a Bloomberg story quoting the chief German financial regulator as suspecting there may be manipulation in currencies and precious metals worse than in LIBOR.

<http://www.bloomberg.com/news/2014-01-16/metals-currency-rigging-worse-than-libor-bafin-s-koenig-says.html> Next, there was a Reuters story indicating that

Deutsch Bank was quitting the London Fix in gold and silver, perhaps as a result of the German regulators investigation into benchmark price setting. The article also indicated that other members of the Fix may be interested in quitting.

<http://www.reuters.com/article/2014/01/17/deutsche-gold-fix-idUSL5N0KR19G20140117>

I admit my heart raced a bit when I first read the stories, as I have been waiting a long time to see someone in authority recognize the silver and gold manipulation. But on closer examination, I'm not sure this represents what I have been looking for. The London gold and silver fix is out of date and an insignificant influence on the price of gold and silver. A few banks operating as a private club for the purpose of establishing the price of world commodities is far removed from the model of modern transparent dealings. And Lord knows, the very term "Fix" is as out of place in the modern world as can be. About the only worse term that could have been used would be the London gold and silver "Rig Job."

That Deutsch Bank has up and quit can hardly be a surprise as well, considering all that has transpired with LIBOR. About the only thing preventing all the other members from up and quitting is the appearance that a sudden mass abandonment would create. Let's face it □ the London Fix or Rig has long outlived any worthwhile mission and should be put out of existence without delay.

Aside from the initial excitement I felt, I soon realized that the headlines didn't match reality. I suppose it's good that German regulators are looking into gold and silver manipulation; but I can't help but think they are looking for it in all the wrong places. There is one central hub for the gold and silver manipulation and that is the COMEX. There is one principal gold and silver manipulator and that is JPMorgan. If the German regulators want to investigate the inner workings of the London Fix, that's their business. But to those who have been damaged by the real gold and silver manipulation, this approach hardly seems worth it.

Not once, in the decades since the COMEX silver manipulation has existed can I ever recall the London Fix having an influence on price. We've all seen the High Frequency Trading crooks constantly at work in COMEX dealings sending prices up and (mostly) down for the flimsiest of reasons □ Fed actions and statements, the unemployment report or a weather forecast for partly cloudy skies. Has anyone ever heard that the HFT cowboys sent prices one way or another due to

the London Fix? Of course not. That's why I find it hard to get too excited about what the German regulators may find □ if they are not looking at the COMEX and JPMorgan they are not likely to find much of significance.

However, I don't want to be completely dismissive of the German regulator looking into gold and silver manipulation. That's because the official quoted, Elke Koenig, hit on the most important issue. □That the issue is causing such a public reaction is understandable,□ Koenig said. □The financial sector is dependent on the common trust that it is efficient and, at the same time, honest.□

That, in a nutshell, is what this is all about, namely, a price manipulation means that the market in question is not honest. Specifically, JPMorgan and the CME Group are being dishonest in gold and silver dealings on the COMEX and that means there is little trust in these markets. Most gold and silver investors know that it is not gold and silver that is dishonest, but the dishonesty exists on the COMEX. The good news is that most that follow gold and silver stood up and took notice of what the German regulator said. Better news would be if those outside gold and silver circles also took notice, as dishonest markets should be tolerated by no one.

A big part of objective analysis is to factor in the flow of new facts and data into one's existing premise. Further, all analysts should always be on guard for new

facts and data that may completely upend an existing premise. While there is a natural reluctance, due to ego or hubris, to admit that a premise held for a long time may be proven to have been wrong by new facts or data, if the new data is compelling enough, the premise will be found to be wrong regardless.

I keep looking for new facts and data that silver has not been manipulated on the COMEX for the past three decades, but I've uncovered no such data. Instead, the continuing flow of data only reconfirms what I uncovered almost 30 years ago. The amazing thing is that the flow of new facts has made the silver manipulation premise more specific. For example, where I had to formerly speak only in terms of the four or eight big shorts in silver on the COMEX, the flow of new data allowed me to pinpoint JPMorgan as the big manipulator (so far without repercussion). In fact, I've never once uncovered anything along the way that indicated silver was not manipulated in price.

Instead, as time has advanced and additional new data are uncovered, the picture has actually gotten clearer. Often, it does take a while for all the facts to sink in, but that seems normal as we only gain perspective through the passage of time and in weighing the facts carefully. With that being said, I'd like to share some thoughts regarding JPMorgan. This may be considered speculation on my part, so treat it accordingly.

When JPMorgan took over Bear Stearns nearly six years ago and assumed the role of top silver (and gold) manipulator on the COMEX, the bank stepped onto the short side by default. Since Bear Stearns was the big short in COMEX gold and silver, JPM stepped into that role. JPMorgan proved proficient at controlling silver prices immediately and that was witnessed as the bank drastically reduced its short position on the 60% engineered drop in silver prices to less than \$9 in late 2008 from close to the \$21 level at the time of acquisition in March 2008. Having rigged silver prices up and down for a couple of years, JPMorgan found itself on the wrong side of the market when prices exploded to close to \$50 in April 2011.

Only an unprecedented 30% deliberate price smash on the COMEX during the first week of May 2011 (and later in September of that year) saved JPMorgan from the same fate that had occurred to Bear Stearns in 2008. I remember writing at the time that JPMorgan and other big shorts had a near death experience on the run up in April 2011. The near death experience was due to a developing physical silver shortage that was overwhelming any amount of paper short sales made to depress the price.

The key feature at the time was not a surge in speculative paper buying on the COMEX, as COT data clearly indicate, but a surge in physical silver buying, particularly in the silver ETFs, such as SLV. One key case in point was the introduction of Sprott's silver ETF, PSLV, in late 2010. There was a delay in

Sprott receiving the metal it had ordered and when it finally did arrive it was noted that the bars received were manufactured after the order to buy had been placed. This indicated there were no old or previously-produced silver bars available; or, in other words, a developing physical shortage.

Left unchecked, a physical silver shortage would have decimated the shorts, particularly the biggest short, JPMorgan, and caused the price to explode upwards from \$50. The only solution for JPMorgan and the shorts was to suddenly and drastically smash the price to kill off physical silver demand (from the ETFs). As clear as this is now, I only wish it had been clear to me at the time. Now that it has already occurred, that doesn't mean I still can't learn from it.

I don't believe JPMorgan's near death experience in April 2011 was lost on the bank. I've never underestimated JPM's skill and power and I think the bank came to see by April 2011 that silver was in short supply and destined to climb sharply in price over time. I think the bank made the decision to take advantage of the eventual silver price rise by buying as much silver as was possible. And I think that JPMorgan has largely done that and is still doing that until this day.

Some signs that point to this are in the flow of data. Just like the big liquidation of metal in the big gold ETF, GLD, over the past year was caused by the sharp

drop in the price of gold, there was a very big liquidation in SLV of 60 million oz in the two months following the May 2011 silver price smash. And just like some or much of the gold liquidated from GLD this past year was acquired by JPMorgan, the same goes for the silver liquidated in SLV in 2011.

I have come to believe that, due to its near death experience in silver in 2011, JPMorgan set out to get on the right side of silver (the long side) and has largely succeeded in that goal. Given the time that has passed and JPMorgan's skill in such things, to say nothing of the bank's nearly limitless buying power, I believe JPMorgan has amassed a physical holding of silver of at least 100 million ounces and possibly a lot more than that.

Other than the 60 million oz that were liquidated from SLV in the two months after the May 2011 price smash, there is the curious fact that JPMorgan opened its own COMEX-approved warehouse in May 2011. From zero ounces held in May 2011, silver on deposits at the JPM warehouse sit at more than 45 million oz today. One can't tell if JPMorgan owns all the silver there (or elsewhere), but neither can it be ruled out. Certainly, it would be logical for JPMorgan to store its own silver (and gold) in its own warehouse and the metal that has come into the JPM warehouse fits with my speculation that the bank owns as much silver as I claim. JPM's recent taking of 15 million ounces in COMEX silver deliveries also fits like a glove with my premise.

I also believe that JPMorgan has amassed large amounts of silver held in London by virtue of the bank buying shares of SLV (over the past few years) and converting the shares for metal to avoid share ownership reporting requirements. Given JPM's unique advantage in doing this (as an Authorized Participant and with an unlimited purse), the bank could have acquired many tens of millions of silver ounces over the past few years. The great thing for JPMorgan is that it doesn't have to disclose any of its metal holdings; either silver or gold, thanks to lax reporting requirements for banks (especially banks that sit close to the US Government). In many ways, it would be almost irresponsible for JPMorgan not to have acquired all the silver I think it holds.

I realize that I am suggesting that JPMorgan holds as much as or more silver than was held by the Hunt Brothers or Warren Buffett. After all, who would be a better candidate for holding an epic silver position than JPMorgan? Of course, JPMorgan deployed illegal methods in its acquisition of silver than did the Hunts or Buffett, but who would expect anything different from this bank?

More important is what this means for the price of silver. In another amazing confirmation, if JPMorgan holds the amount of physical silver I believe the bank to hold, it's incredibly bullish long term, as you can be sure the bank will allow the price to rise dramatically before selling. The only potential fly in the

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ointment is if JPMorgan is still looking to acquire more silver, in which case we face lower prices temporarily as the bank continues to build up its position by rigging prices lower. That's why one must look to the long term. Silver will not follow anyone's timetable except JPM's and we all must come to accept that.

Ted Butler

January 18, 2014

Silver - \$20.30

Gold - \$1254