

Weekly Review

Gold and silver prices ended lower for the last trading week of the year, with gold falling \$16 (1.5%) and silver down by much sharper 56 cents (3.9%); largely due to silver's price thumping on Monday. As if to frame the past year (and longer), this was the lowest closing week for silver and gold, both of the year and for the five years before that.

As a result of silver's relative underperformance this week, the silver/gold price ratio widened out by a hefty two full points to 76.7 to 1. This puts the price ratio at the upper end of the more than one year trading range, but more of note is how little this ratio of relative valuation has changed since the end of 2014. As it turns out, this week's change in the silver/gold price ratio is the same as the total change for the year.

This goes to the heart of a regular theme of mine, namely, this lockstep price action reeks of blatant price manipulation. The flat or absolute price of gold and silver in dollar terms both fell a bit more than 10% for the year and when measured in other currencies also performed the same in relative terms. While

similar in some ways, gold and silver are very different commodities in other ways and the only possible explanation for the synchronized price action is the price setting mechanism itself □ COMEX futures positioning. Sometimes that which is obvious goes unnoticed and taken as legitimate. Then again, sometimes obvious scams do get noticed and resolved.

The turnover or physical movement of metal brought into or taken out from the COMEX-approved silver warehouses this holiday-shortened week came to just under 3 million oz, as total silver inventories rose 1.1 million oz to 160.7 million oz. Another 330,000 oz came into the JPMorgan COMEX warehouse, still leaving the bank about 2 or 3 million oz shy of what was taken by JPM in December COMEX futures deliveries, if the usual delivery and subsequent movement pattern is followed.

The final delivery tally for the COMEX December silver futures contract indicated that JPMorgan was, by far, the largest stopper or acceptor of silver deliveries, both for the month and full year, by taking an even 1400 contracts (100 shy of the maximum amount allowed monthly). As a reminder, I'm only focusing on the deliveries taken by the bank in its proprietary or house trading account and not for clients. For the year, JPMorgan has taken 5239 COMEX silver deliveries or 26.2 million oz and has issued none on its own behalf.

Subsequently, JPM physically transferred almost all of this metal into its own COMEX warehouse (minus the last 2 to 3 million oz still pending).

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

I would also remind you that this public revelation occurred well after I began to allege that JPM was hoarding massive amounts of physical silver. Among the many feelings and thoughts I have about this basically irrefutable evidence that JPM has acquired actual metal ranges between being happy for the (partial) confirmation of a key premise to amazement the bank would be so open about its actions. Certainly, no evidence of JPM's accumulation of physical silver could be more transparent than what transpired on the COMEX since March.

As the data suggested since the beginning of the month, JPMorgan also ended up as the largest stopper, in its own account, of COMEX gold deliveries for December, taking 2021 of the 2073 total contracts issued, an incredible 97.5% market share (please see link above). For the full year, however, JPMorgan both issued and stopped over 5000 total COMEX gold contracts, in marked contrast to the bank's uniform accumulation of silver. One observation does become clear from perusing the yearly delivery data, not only in gold and silver but also

in other COMEX/NYMEX metals, namely, JPM is the big market kahuna, no matter what laws are passed to change that.

Despite JPMorgan's mixed delivery pattern in COMEX gold this year, there is little doubt that it was on the hunt for and determined to acquire physical gold in this month's delivery process. The dragged out nature of this month's COMEX gold and silver deliveries, accompanied by the tightening spread differentials as the delivery month drew to an end point to tight physical market conditions. That this physical tightness became more apparent as the month progressed and as prices continued to decline, the only rational conclusion can be that physical supply and demand have little to do with prices short term. Isn't that the ultimate proof of price manipulation?

I plan to publish comments on the Commitments of Traders (COT) Report late Monday after it is released and still hold we'll likely witness an improvement in the market structure, or a reduction in the total commercial net short position in both COMEX silver and gold. In silver, I would expect a reduction of 5000 net contracts and hopefully more, perhaps as much as the prior week's increase, given Monday's decisive penetration of the 20 day moving average. In gold, I'm a lot more tentative since the 20 day moving average wasn't penetrated decisively to the downside until after Tuesday's cutoff, but there could be a

reduction of as many as 5,000 to 10,000 contracts. But whatever the results, the basic market structure in gold and silver is still strongly bullish and extremely so.

I hope that everyone realizes that my predictions of what the next COT report may indicate serve one intended purpose only – to monitor and calibrate the current market structure on a real time basis; with a particular emphasis of trying to avoid being maximum long when the commercials are most short and being loaded to the gills when they are least net short. Even knowing what the current market structure may be before the COT report is published is no indication of what price action will be in the very short run. But given the nature of the data, if most of the COT reports came as a big surprise and way off from one's prior expectations, something would be wrong, particularly since the predictions are based upon trading that has already occurred, but not yet reported on.

The exact timing involving big positioning changes is only known for sure in hindsight. That said, price behavior following positioning extremes has been remarkably consistent and if that pattern remains consistent it is reasonable to expect the current bullish market structure to be resolved to the upside in gold, silver and other CME metals.

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I received a number of comments and questions from subscribers that I planned to address today, until I received a comment this morning from a non-subscriber, but a long time reader of my work through Investment Rarities. I got the email in a form that forces me to retype it, but I'll do so now because I thought the letter was so timely and pertinent.

□I've had it!! I started buying silver from you guys in 2006. Shortly after beginning collection I talked to Ted Butler several times on the phone. We talked about the manipulation, and his belief that it would someday end. I asked him how he could be so sure. □'Why can't this go on forever?' He said that it had to end. Here we are, 10 years later and the same criminal behavior is evident. It goes on and on and on! I am so fed up, and so tired of Ted saying the same thing over and over about the manipulation coming to an end and the price soaring. Based upon the last 10 years, the manipulation IS NEVER GOING TO END. I made the decision to accumulate (I have many thousands of ounces) so I have to live with that. However, stop Ted's broken record because the manipulation and Ted's never changing comments are really getting stale. The crooked government of this country will never let up. They're a bunch of self-centered criminals who will never stop their criminal activities, including the blatant manipulation of the silver

paper market. One last frustration – when I go to buy silver, I pay a premium because silver is “in demand”, when I go to sell, I have to deal with artificially lowered paper prices. I, and many like me, get screwed on both ends. Welcome to the 21st century of the “hell with the middle class”

Wow. That was a really good letter that I'm sure contains the thoughts of many, including myself to a certain degree. And I think it's important for me to respond in detail. First, let me fully admit and acknowledge that silver manipulation has lasted much longer than I ever would have expected and yes, I have been steadfast in claiming it must end. But having reproduced the email accurately, please allow me to make other comments before returning to its main theme.

I had to look it up (hey I'm getting old), but at the start of 2006, silver was \$9 and it ended that year just under \$13. So it's true that silver is only slightly higher today and down tremendously from the highs of near \$50 in 2011. But it's also true that silver did go to near \$50 sometime after the reader started buying it in earnest and this means it did quintuple from early 2006 to its peak. And if the reader began his purchases a few years earlier, silver would have advanced more than ten-fold or more, a gain matched by no other commodity. I don't deny for a moment the horrendous price performance since mid-2011 and

fully admit to not expecting or predicting the decline, but neither is it fair to not acknowledge the historic run up.

My first point is that I have no control on when readers first become acquainted with my work and act on it. I first began publicly writing about silver with my introduction to the Internet in 1996 or thereabouts, and the price of silver ranged above and below the \$5 mark for many years. If you acted on my analysis back then and bought silver, you were much more fortunate, timing wise, than if you first discovered and acted on my analysis much later and at much higher prices. I don't know what I can do about that.

I am very much concerned in knowing that people suffer when prices decline after they have purchased silver based upon my analysis. In fact, I believe that bothers me more than the personal financial losses I suffer at the same time. To my mind, I don't think I got more bullish at \$30 or \$40 or higher, than I was at much lower prices (or am now) and there is a record of that in the archives. Nonetheless, I never issued a flat out sell recommendation, nor did I sell on my own behalf at the historic highs, simply because I didn't believe the manipulation ended in 2011 (although it did come close).

With the benefit of hindsight, there is not an investor alive who doesn't wish they sold silver in April 2011 and that includes me. But if hindsight could be wished into existence at will, everyone would be a multi-billionaire. Instead, all we are left with is to approach the future armed with the facts and knowledge as we believe to exist today.

The key to this letter is the reader's insistence that the manipulation is likely to last forever because it has lasted so long already. I understand this, even if the price down leg has lasted for almost 5 years (I'm not sure why the reader insists on the 10 year timeframe, although I admit it seems like forever in either case). In actuality, the manipulation has lasted for more than 30 years, or at least, that's when I started to complain about it to the CFTC and the COMEX. But that's not intended to diminish the frustration and disgust at the whole sordid affair, regardless of how long it has lasted. Quite frankly, if you are not disgusted of this silver manipulation, there is probably something wrong with you.

As far as me saying the same thing over and over, I plead guilty as charged to a certain extent; but I would point out that consistency is not the worst trait in an analyst when the alternative is to flip flop on every short term price wiggle. Besides, I believe I have introduced just about everything new and important in

silver over the decades, including the discovery that JPMorgan has accumulated the largest privately-owned physical stockpile of silver in history. That's just one example of what I wasn't saying 5 or 10 years ago. And when I first made that discovery, many were quick to deny it. Just today a different reader sent me this, which suggests the denial has diminished.

<https://www.youtube.com/watch?v=6ek2g5U1Tws>

What it comes down to, as the reader clearly concludes, is whether the passage of time alone is enough to invalidate the contention that the silver manipulation must end. But what I must first point out is that the discussion is centered on the termination of the manipulation or lack thereof, and not whether silver is and has been manipulated in price. Please reflect on that for a moment.

When I first became convinced that silver was manipulated in price 30 years ago, for the very same reasons I have maintained it has been manipulated to this day, there were very few acceptors of my premise and many who rejected it. Based upon the reader's letter, the manipulation premise is not only accepted, but is now believed to be permanent, based upon the price performance of the past 5 years. I can't begin to tell you how remarkable all this is to me. From near universal rejection of one's life work to almost total

acceptance to the point of serious doubts it will ever end. I don't know whether to rejoice or lament.

The passage of time aside, what are the facts that suggest the silver manipulation will or won't end? Manipulation is nothing more than an artificial price regime. It is the existence of an artificial price that has dictated that throughout history that all manipulations must and do come to an end. Price manipulations, particularly in world commodities are always eventually terminated because nothing is more powerful than the law of supply and demand. An artificial high price for a commodity will eventually create such a surplus of physical material that it will crush the price. Conversely, an artificial low price must result in a physical shortage at some point.

But when does some point arrive? Ah, therein lies the rub. We're all going to die someday, but few know when in advance. It's not a question of timing, it's a question of inevitability. Besides, silver being in a state of manipulation for 30 years didn't prevent it from rising ten-fold at one point, so that's even less reason to be convinced about the permanence of a low silver price. What matters most are the facts of the manipulation.

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The reader is correct to highlight the influence of the paper market because the COMEX is the fountainhead of the silver price manipulation. Without the COMEX, I can't see how there could be a manipulation in the first place. It is simply a case of a handful of large speculative traders engaged in massive amounts of paper silver contracts dictating prices to the rest of the world. The reader has every reason to be angry and frustrated at that actual circumstance and it is that growing anger and awareness that guarantees this scam must end, even if it hasn't ended according to any of our personal timetables.

Since I am the originator and chief promulgator of the silver manipulation premise, I fully understand the reader's urging for me to STFU. And I agree that there are many of you who probably wish I kept my findings and analysis to myself considering the current price of silver; but I also know there will be many more who will think the opposite at the higher prices to come. The simple truth is that I'm not any dumber at low prices than I am smart at higher prices, although I know that appears to be the case. One thing that I was encouraged by in the reader's letter was him urging me to shut up, even though he was quite specific in laying the blame for the manipulation elsewhere.

And I don't disagree with his complaint of the buy/sell spreads on retail physical silver, but that's a result of market forces and the practical dictates of anyone

running a retail metal dealership. Dealer profits have been punk for the past few years and more dealers have gone out of business over this time than I can ever recall. Those in the retail dealer business have been victims of the manipulation as much as any retail investor.

All that said, it comes down to whether the price erosion over the past nearly five years strengthens the manipulation and its longevity or weakens it? To an investor frustrated about the in-your-face continuing price manipulation, it's natural to think it's never going to end. On an analytical basis, however, the continuing price artificiality undermines the manipulation continuing, due to the bedrock economic law of supply and demand. But that's a question each one of us must decide for ourselves. If you believe the silver manipulation will last forever, I suppose you should drop it like it's hot. Speaking for myself (and acting on my wife's behalf, which ups the ante immeasurably), I wouldn't hold silver if I thought it wasn't manipulated and that the manipulation's endurance until now didn't mean it was likely to end sooner, rather than later because it had already lasted so long. But it will end when it ends, not when any of us desires it to end.

Ted Butler

January 2, 2016

Silver - \$13.82 (50 day moving average - \$14.48)

Gold - \$1060 (50 day moving average - \$1089)