

When you study a specific subject matter for an extended period of time, you are bound to find yourself reviewing past themes in light of changing circumstances. At least that's the way it seems to be with my study of silver over the years. Since discovering that silver was manipulated in price by paper contract positioning on the COMEX more than 30 years ago, I've had to adjust my premise at times, but mostly along the lines of greater specificity and not radical revisions of the basic premise. Let's face it - there shouldn't be brand new theories of the case on a regular basis.

One old theme I haven't discussed in a while is the workings of SLV, the big silver ETF. I know this is a touchy subject with many who feel the security is somehow bogus and may not hold the 317 million oz said to be held by the trust, but I've never agreed with that take. I have my own concerns about SLV, centered on the short position at times and certainly feel the physical ownership of silver in one's own possession or segregated storage is preferable to holding shares of SLV. But any silver analyst worth his salt can't just write off or ignore the single largest visible stockpile of silver in the world. Plus, there has been 12+ years of ongoing experience in SLV and predictions of its sudden failure as a fraud have proved wide of the mark.

Giving credit where it is due, very early on my friend Carl Loeb coined the phrase, "Death Star" to describe the impact the SLV could have on the silver market. This was due to the open-ended set up of the trust that required new physical silver be deposited in strict accord with new shares being bought and created by investors. Obviously, there is no real limit on world investment buying demand, certainly compared to the finite amount of physical silver available for purchase. Therefore, it was easy to see Loeb's analogy - the collective buying power of the world's investors

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could quickly overwhelm the amount physical silver (in 1000 oz bars) in the world - just like a Death Star gobbles up other stars in outer space.

In fact, we saw an unmistakable confirmation of Loeb's premise in action, as silver prices rocketed to their highs in April 2011, just as holdings in SLV surged to a record 360 million oz+ from zero five years earlier. As I've recounted often in the past, what drove silver prices to near \$50 in early 2011 was physical demand, not COMEX paper positioning, and the biggest component in the physical demand was buying in SLV. This same phenomenon applies to gold and its big ETF, GLD, and it's also no coincidence that gold prices hit their all-time highs later in 2011 on record holdings of physical gold in GLD. Of course, the Death Star analogy is more critical in silver where the dollar amounts of available physical metal are measured in the billions and not the trillions, as is the case in gold.

Subsequently, JPMorgan was able to break the back of the broad investment buying by rigging silver and gold prices lower since their peaks in 2011, since investors only buy collectively on rising, nor falling prices. But the lack of collective investor buying doesn't appear to be permanent in silver and gold, even though it has been in a deep coma for nearly eight years. All it would take to awaken is a sustained rise in price.

What prompts the revisit to the collective investment buying power premise in SLV has been a relative surge in trading volume over the past few days on the recent still quite subdued price move higher. I would consider it more a sign of things to come rather than a sure sign investor silver demand has definitely reawakened, but I was a little taken aback by the relative surge in volume in SLV, particularly considering the holiday season. Since the volume occurred on the four days into Dec 31, the cutoff for the short sale report to be released on Jan 10, and no deposits of metal have been

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forthcoming, I wouldn't be surprised by an increase in short selling.

The only question I have is if any short selling was by JPMorgan, as is usually the case, considering that the Justice Department looks to be investigating JPM's involvement in precious metals manipulation or if any short selling is by traders away from JPM. The main message I am looking to convey is not what the new short report or metal deposits in the days ahead may reveal, but as a reminder that should silver prices tick up at any time, it would not be unreasonable to expect collective investor interest in SLV, since the trust has become an established vehicle for those with access to buying stocks - which last I looked included just about everyone. Any new potential buyers could probably care less about the mandatory obligation for physical metal to be immediately deposited to match all new net buying, but it is that precise mechanism that creates the Death Star premise - even one that has been somnolent for nearly 8 years.

A recent email from a subscriber (thanks Stephen) suggested I renew the matter of a running money scoreboard to reflect the recent heavy managed money buying and commercial selling on the gold and silver rallies from the Nov 13 price lows. It's a reasonable request seeing how I believe the managed money traders have bought perhaps 150,000 net gold contracts and more than 40,000 net silver contracts since then. I would like to wait for a resumption of official COT reporting before doing so and we will also need a continuation of the rally, but I have already framed how I will structure the money scoreboard. Since managed money shorts have mostly vacated the ranks of the very largest traders, I plan on structuring the scoreboard around the concentrated short position of the 4 and 8 largest traders, which now seem back to mostly commercial holdings.

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But the request triggered thoughts about another old premise, namely, the one about dead men walking. Some time back, I offered the thought that as and when JPMorgan decided it had accumulated enough physical silver and gold on the cheap, due to its suppression of the price via its controlling short position, and decided to let prices fly higher, it would leave the remaining big commercial shorts in a world of hurt. Such a move by JPMorgan would be the ultimate double cross and leave the remaining 7 or 8 big COMEX shorts completely exposed and vulnerable to a short squeeze of epic proportions.

I definitely got some things wrong in my original article, particularly the thought about the staying power of the core managed money long position, but insisted that JPMorgan would come out ahead by virtue of its massive physical accumulation. As it turns out, I may have gotten something else wrong in assuming that JPMorgan would decide when it was time for it to end the manipulation. Now it looks like the Justice Department may decide when JPM will stop manipulating silver and gold prices and that decision may have already been made. This doesn't change the premise that the big commercial shorts apart from JPMorgan will be in serious trouble as and when the manipulation ends, just that the personal fortunes of JPM don't appear to be as rosy as they did before the Nov 6 announcement.

Finally, one old theme that I have taken issue with hasn't gone away. That theme is that the US Government is behind the silver and gold manipulation and that JPMorgan is merely the USG's agent in carrying out the manipulation. I have acknowledged that I suppose such a premise was possible in that it hasn't been proven or disproven one way or the other, but always believed much more that it was JPMorgan acting on its own through its own avarice. Further, my personal observation of how the US government functioned over half a century led me to

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believe that it was incapable of such a feat.

Now that the Justice Department is engaged in an active and ongoing investigation of JPMorgan for precious metals manipulation, one would think the matter of who was responsible has been decided. The Justice Department is as integral a component of the US Government as is possible, so why would it even broach the issue if the USG was running things? Unless my head is screwed on wrong (something I freely acknowledge as possible), it would seem those espousing the USG conspiracy should explain the DOJ's involvement in a manner consistent with the USG running the manipulation. I have heard no such explanation.

From the above, it should be easy to conclude that I am still obsessed about the ongoing investigation by the Justice Department. And I can't help but read into recent price action the signs of that involvement. If there is one single premise I have held more than any other during the time of JPMorgan's leading role over the past near 11 years, it is that if JPM doesn't add aggressively to shorts on any rally, then silver prices will fly higher. I don't think silver prices have begun to fly, but they have moved somewhat higher and at a time when it doesn't appear JPM has been adding aggressively to shorts. Of course, we must wait until there is official corroboration from CFTC data and, as you know, that data is simply not available due to the government shutdown.

There is no question that there has been substantial managed money buying and commercial selling on the rally since Nov 13, and that creates the possibility of a sharp selloff. However, there is serious question in my mind as to how much of the commercial selling has been by JPMorgan. Over the past couple of years, if anything, JPMorgan has come to short silver more aggressively than it had previously.

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As recently as June 12, held 40,000 net silver contracts short, which was just about equal to its previous maximum silver short position over the years. Not only was it the silver short seller of last resort, it was close to being the only commercial shorting silver at all. After completely covering its entire short position into the price depths of September, JPMorgan turned around and re-shortened 15,000 new contracts over such a piddling rally in October that you had to look close to spot a rally at all. Then the news broke about the Justice Department's criminal guilty plea and JPMorgan quickly bought back the 15,000 newly shorted contracts on a hastily arranged price selloff.

I'm not saying JPMorgan hasn't shorted any contracts on the rally that began on Nov 13, but it certainly doesn't appear to have shorted anywhere near as aggressively as it had been shorting to that point. In fact, it is that lack of aggressive shorting by JPM that has allowed silver and gold prices to rally as much as they have, in my opinion. And had JPM not shorted at all, prices would have risen more strongly. One thing is absolutely certain - had JPMorgan tried to buy, prices would have soared. Again, that's not to say that the commercials which were selling can't possibly rig prices lower suddenly; but it is to say that if JPMorgan has been checkmated by the DOJ, then any selloffs are bound to be temporary. Any manipulation needs a controlling manipulator in order to continue in force and the odds are that the Justice Department has neutralized the silver and gold controlling manipulator, which is JPM.

I'm not saying JPMorgan hasn't shorted any silver or gold contracts on this rally, but I am saying it appears to have shorted far fewer contracts than it has previously. In a very real sense, this confirms my principal premise, namely, that JPMorgan controls silver and gold prices. JPM shorts aggressively, prices get capped; JPM doesn't short

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aggressively, prices don't get capped. This can't be lost on the Justice Department.

Therefore, the preferred approach is to remain fully exposed to the upside, even in the face of potential sharp downdrafts. It is said that they don't ring a bell at market bottoms or tops. But sometimes they make a press announcement of the sort made by the Justice Department on Nov 6.

Since I neglected to do so on Saturday, here's hoping for a healthy and prosperous New Year to you and yours.

Ted Butler

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Silver - \$15.55 (200 day ma - \$15.44, 50 day ma - \$14.58)

Gold - \$1283 (200 day ma - \$1256, 50 day ma - \$1237)