Gold and silver prices fell to six-week closing lows by weeks end, with gold down $15 (1.2%) and silver by 8 cents (0.5%). The standout price feature for the week was the sharp 4 AM Monday spoof sneak attack on the COMEX, which took the price of each metal to recent lows and activated resting technical fund stop loss sell orders; all of which is confirmed in yesterday's COT report. As a result of gold's relative underperformance this week, the silver/gold price ratio tightened in by a half point to 74.8 to 1.

I don't want to get caught up in reading too much into very short term price patterns, but I can't help but feel an earlier expectation of mine may be playing out, namely, that the COMEX commercial price puppeteers have been using weakness in gold prices to pressure silver. Market structure analysis has suggested there was a bit more room to press gold prices lower than silver and that seems to be unfolding.

The highlights for the week certainly included the positioning changes in COMEX gold and silver futures as reported in the Commitments of Traders (COT) Report, which were dramatic (bullish) once again; but right up there in the highlight category was another surprise press release from the CFTC's Enforcement Division late in the week. Let me run through the usual format first.

The turnover or physical movement of metal brought into or removed from the COMEX-approved silver warehouses amounted to nearly 5.4 million oz this week, as total COMEX inventories rose by a hefty 3.2 million oz, to 209 million oz, another multi-decade high. An increase in COMEX silver inventories isn't out of the norm as a traditional delivery month approaches first notice day, which was the case this week. Another 368,000 oz came into the JPMorgan warehouse, but 600,000 oz departed, leaving the holdings in that warehouse at 111.3 million oz.

Speaking of deliveries for the key July COMEX silver futures contract, there doesn't look that there will be much drama this time around. JPMorgan has been a no-show over the first two delivery days, either for its own account or for clients and the remaining number of contracts still open in July is low enough (effectively around 1200 contracts) so as to suggest a snoozer of delivery process. I suppose things can heat up if aggressive new buying emerges over the remainder of the month, but unless that occurs, I don't plan on reporting further delivery details this month. There's not much sense in reporting raw data where no definitive conclusions can be made.

Of course, the absence of JPMorgan in this silver delivery period, particularly in its house or proprietary trading account, is still a standout feature to me. Starting about two and a half years ago, JPMorgan was the dominant (and almost exclusive) stopper (acceptor) of physical metal in every traditional COMEX silver delivery month, up until the May delivery this year, when it suddenly ceased taking delivery. So this makes two traditional delivery months where JPM has stood aside. The facts are that JPMorgan did nothing but take delivery of physical silver for two and half years running and now has suddenly stopped doing so.

Several months before JPMorgan stopped taking delivery of COMEX silver futures contracts, sales of Silver Eagles began to nosedive, after six straight years of record sales. I maintain there is a connection between these two events. Long before these two events occurred, I pointed to JPMorgan as the big stopper in COMEX silver futures and way longer than that I identified JPM as the big buyer of Silver Eagles. Coincidently, the stopping of COMEX futures contracts and the purchase of Silver Eagles (and Canadian Maple Leafs) were the two most transparent means that JPMorgan used to accumulate physical silver.

Transparency runs both ways – it's easy to see when it occurs and easy to see when it stops. Maybe because I try to look closely at certain silver occurrences, it was obvious to me that JPMorgan was the big buyer of Silver Eagles and the big stopper on COMEX silver deliveries and it was just as obvious when it ceased doing so. Further, it was obvious to me why JPMorgan was buying so much physical silver in so many unusual ways (including through share to metal conversions in SLV and skimming off from the frantic COMEX physical silver turnover) – who wouldn't want to acquire massive amounts of a deeply undervalued asset? A more difficult determination is trying to figure out why JPMorgan stopped acquiring metal through COMEX futures deliveries and by purchasing Silver Eagles and Canadian Maple Leafs. My best guess is in order to put some distance between JPM's buying and the time silver truly lifts off in price. As always, I solicit alternative explanations.

I'd like to pause here and acknowledge that how I look at and analyze silver can be complicated and confusing at times, even though I try to keep it as simple as I can. Because some of the ideas I propose are drawn from my own experiences and perspective, they can appear to be "way out there" at times. I'll stipulate that they are original and will leave whether they will prove to be as dumb as dirt or on the money to the passage of time and events. That said, I do cringe at times when I see others misstate something I've written about extensively, most often quite innocently, as is the case here.

I'm on record as claiming that JPMorgan has amassed 600 million oz of physical silver (100 million+ in its COMEX warehouse and 500 million oz in unreported and nearly untraceable holdings). JPM got its COMEX holdings as a result of taking delivery on futures contracts and the other 500 million oz by coin purchases (150 million oz), skimming off the physical COMEX warehouse turnover 150 to 200 million

oz) and share to metal conversions in SLV (150 to 200 million oz). A recent you tube audio interview by Mike Maloney and Jeff Clark said that I believed that JPMorgan owned most or all of the 340 million oz held in the SLV, the single largest silver stockpile in the world. (The segment I am referring to starts at about the 8:45 minute mark and lasts until the 13 minute mark – a bit over 4 minute).

https://www.youtube.com/watch?v=ckVEWLqJTD0

They refer to a separate presentation they just made concerning my findings on JPMorgan and silver, but I don't have access to that private audio and, therefore, I can't comment on it. And not for a second am I complaining about them or anyone else discussing any of my findings, as I feel it a distinct honor and privilege to have my work acknowledged and discussed and even disagreed with. It's infinitely worse to be ignored and I thank Mike and Jeff for featuring my thoughts on JPMorgan. I would just like to clarify the issue.

The 340 million oz in SLV is "owned" by shareholders, to the tune of one share equating to one ounce of silver (minus accumulated fees since the date of listing, amounting to a bit over 5% since 2006). The only way JPMorgan (or anyone) could own all the metal in SLV is for it to own all the shares outstanding. Since SLV is a security traded under the jurisdiction of the SEC, any share ownership greater than 5% would have to be publicly reported, to say nothing of 100% ownership. Therefore, I would never claim that JPM owned the metal in SLV.

In fact, I have long maintained that the reason JPM has, over the past six years, accumulated 150 to 200 million oz from share to metal conversions in SLV is two-fold – to avoid disclosing ownership of 5% or more of the shares and to keep its ownership of silver from public eyes. The 150 to 200 million oz that JPMorgan has

accumulated in this manner is not part of the 340 million oz in the trust. I just wanted to set the record straight.

As discussed above, sales of Silver Eagles have nosedived since JPM has gone away. The question is still – why did JPM go away?

https://www.usmint.gov/bullion-sales

The changes in this week's COT report were mostly expected, just once again and happily, larger in silver than my unpublished expectations. Even though gold and silver prices were actually a bit higher at Tuesday's reporting week close from the previous week, both were spoofed sharply lower in the early Monday intentional raid to induce technical fund stop loss selling. In other words, this week's marked improvement in market structure was largely due to Monday's (successful) price raid.

In COMEX gold futures, the commercials reduced their total net short position by 15,200 contracts to 149,900 contracts. (I had expected a 20,000 net contract change but the 5000 I was over in commercial terms, I proved to be under in the managed money alternative number, thereby splitting the uprights on a combined basis). This is the lowest (most bullish) total commercial net short gold position since May 16 (142,900 contracts), when gold rallied from around $1225 to $1295 into June 6.

By commercial category, the big 4 only bought back 1700 short contracts, the big 5 thru 8 traders bought back 4100 short contracts and the raptors (the smaller commercials apart from the 8 largest shorts) added a hefty 9400 long contracts, increasing their net long position to 50,400 contracts. This is the largest raptor net long position in gold since very early 2016, almost a year and a half ago and just as

gold moved substantially higher (ultimately rising by $300 into the summer of 2016).

I mentioned last week how the larger the raptor net long position the more it usually proved quite bullish for the price and I still feel that way. However, I am bothered a bit by what is still a large big 4 short position in gold, which usually isn't indicative of a sustained bull move. Here's the dilemma – back at the price lows going into May 16 to yesterday's report, the total commercial net short position is now only 7000 contracts higher, but the big 4 are roughly 30,000 contracts more short today, while the raptors are more net long by 34,000 contracts. I'm not sure what to make of this.

On the sell side in gold, the managed money traders sold a total net of 26,721 contracts, including the sale and liquidation of 20,520 long contracts and the new short sale off 6,201 contracts. Once again (this also occurred in silver) managed money selling widely exceeded commercial buying, clear evidence of buying competition for a share of the technical fund selling from other non-commercial traders, large and small.

I would classify gold's market structure to be bullish, but perhaps not excessively so (as is the case in silver). I'm mindful that gold hasn't completely penetrated, at least decisively, its 200 day moving average, a classic "all clear" selling signal for the technical funds. Back at the early May gold price lows, the 200 day moving average had been decisively penetrated to the downside. Only a fool would completely disregard the still kind of high big 4 short position and the chance for a blast below the 200 day moving average more decisively than Monday's price rig job lower. Since I'm primarily interested in silver, my concern is if lower gold prices will be used to influence silver lower as well.

In COMEX silver futures, the commercials reduced their total net short position by

8600 contracts to 50,200 contracts. This is the lowest (most bullish) total net short position since Feb 2, 2016. By commercial categories, the big 4 bought back 3600 short contracts and the raptors added 5800 contracts to a net long position now amounting to 37,200 contracts, their largest (most bullish) net long position since Jan 2016. The big 5 thru 8 added 800 new short contracts, but there is little doubt those selling were managed money technical funds, not commercials. So aggressive has been the managed money shorting, that it's possible one may have also entered into the ranks of the big 4.

I'd peg JPMorgan's net short position to be down 3000 contracts to 19,000 contracts, the lowest (most bullish) since early this year. JPMorgan has bought back 9000 of its short contracts over the past three reporting weeks, even more than the 8000 short contracts it added on the $1.50 silver rally into June 6. It goes without saying that JPMorgan kept its perfect trading record intact, as all 9000 short contracts bought back were closed out with profits – just in case anyone was curious. JPMorgan's perfect silver trading record on the COMEX is entirely due its clean living and unique trading skills and nothing to do with its complete dominance and control of all things silver. Yeah right.

On the sell side of silver, it was all a managed money affair and then some, as the technical funds sold 14,486 net contracts, including the liquidation of 4,248 long contracts and the new short sale of 10,238 contracts. Both numbers were (pleasant) surprises. It looked for a good while that the core non-technical fund managed money long position was 68,000 contracts, but it was always a case of whatever the numbers were, the numbers were.

With 64,000 contracts of managed money traders now long, this becomes the new

core long position. Please keep in mind that this core long position was in the low 20,000 contract range in late 2013, so that means the core long position has increased by around 40,000 net contracts (200 million oz) since then. It is the existence of this large core long position that singlehandedly explains why the total commercial net short position is still much higher than it was before the core long position came into existence. It also explains why a 50,000 contract total net commercial short position can be considered bullish. After all, there has to be a short for every long. The question is if there will be much managed money long liquidation from here. If there isn't, then that won't be a source for further commercial buying.

The 52,602 contracts of managed money shorts now exceed slightly the peak in such short positions at the May 16 price bottom. While the commercials may induce even more managed money short selling on lower prices, history has shown these shorts will most likely be quickly repurchased or attempted to be repurchased as soon as silver rallies sufficiently (up through the key moving averages). It doesn't feel like it as prices get salami-sliced lower, but every new technical fund short sale also creates that much more rocket fuel type potential buying power.

From my perspective, the most remarkable feature has been the drastic positioning changes in COMEX silver futures over the past two and a half months. Starting from the silver price peak of $18.50 on April 18, the managed money technical funds then sold 80,000 net contracts, following commercial price setting signals down to the low $16 mark in early May (on the infamous 17 day consecutive price decline). From there, the technical funds then bought around 30,000 net silver contracts, causing prices to rally by more than $1.50 to near $17.70 by June 6. Over the past three reporting weeks, the technical funds have sold close to 40,000 net silver contracts on the $1.30 decline in silver prices.

In other words, the managed money technical funds in silver have sold close to 90,000 net contracts in silver since the April 18 top in price. That is the equivalent of 450 million oz of silver and I don’t need to remind you that 450 million oz is a very large amount of silver, particularly when it is sold by large traders in a short period of time. Any suggestion that such a large sale in such a short period of time wouldn’t solely account for a $2+ drop in silver prices would be moronic. The real question is why such a quantity of silver sold so quickly didn’t result in a much larger price drop. The only answer that I can come up with is because the buyers, commercials and non-commercials alike, were much more aggressive than usual, otherwise silver prices would have fell further.

Considering all this, it’s hard, no impossible, for me to be anything but wild-eyed bullish. I would never rule out further commercial attempts to rig prices lower in order to shake the tree and see how many more technical fund contracts could be induced to be sold, particularly since there still may be some room in gold to the downside. But we’re past the point where the silver market structure is extremely bullish. Now it’s a question of when, not if, silver prices turn higher. At that point, of course, the only remaining question will be whether the master crooks at JPMorgan add to shorts again.

Finally and in what is coming to be a regular event, there was another block buster (at least to me) press release from the CFTC’s Enforcement Division late Thursday, June 29. The announcement concerned the agency’s first ever non-prosecution agreement with three traders for Citigroup stemming out of “spoofing” in the US Treasury futures market back in 2011-2012. I would urge you to read the press release in its entirety, as it includes a very clear description of spoofing, including excerpts of trader conversations, as well as some very strong quotes attributed to

James McDonald, the new Enforcement Division Director.

http://www.cftc.gov/PressRoom/PressReleases/pr7581-17#PrRoWMBL

A couple of definitions. A non-prosecution agreement is granted to an individual or company by a US Government agency as an inducement for additional cooperation in order to move higher on the criminal food chain. As this definition from Thompson Reuters indicates, such agreements are only made public when the US agency chooses to let it be known in order to send a message.

https://content.next.westlaw.com/9-608-6205?transitionType=Default&contextData=(sc.Default)&__lrTS=20170510020352300&firstPage=true&bhcp=1

Spoofing is the placement of large orders to buy or sell futures contracts, followed by their immediate cancellation and where the intent for placing the orders is not for actual order execution, but instead to move prices higher or lower for other purposes. Remarkably, despite lacking any semblance of legitimacy, spoofing has been allowed to the extent it is widely deployed in just about every market. You'll recall that the first blockbuster press release from the Enforcement Division concerning price manipulation in COMEX gold and silver futures on June 2, was centered on spoofing.

Although I haven't ranted or raved about spoofing recently, I hope longtime readers know that I could never understand how anything remotely resembling spoofing was allowed to exist in the first place. The blockbuster nature of this and the earlier press release is that the Enforcement Division seems to have reached the same conclusion under McDonald. If so, this is a sea change.

First, a confession of sorts. When I first wrote to McDonald at the start of his tenure

at the CFTC on April 10, I did so because his appointment provided another opportunity to openly petition the agency with updated information on the continuing COMEX silver manipulation. It was a no-downside attempt to stir the pot and I think I presented it in those terms in asking you to write in as well. I guess I was hopeful we could persuade him to look at silver in a different manner than what the agency demonstrated previously; but my confession is that after banging my head against an unyielding agency for 30 years, my hopes weren't very high.

Now I'm starting to think my hopes were too low on McDonald. Over the past month, there have been three press releases that collectively and even individually have been nothing short of shocking – the COMEX gold and silver manipulation settlement, the cattle manipulation case and now the non-prosecution agreement for spoofing. This is not the CFTC I'm used to. I remember reading over the past month or two, an interview with McDonald's immediate predecessor at the Enforcement Division, in which the former director lamented that there was so much market crime occurring that the agency just wasn't equipped to deal with it all. His tone was defeatist, to say the least.

Unless I'm reading it all wrong, McDonald appears to be having no such qualms about going after commodity market crooks of all stripes. To this point, I'm not sure how much more he could have accomplished in the time he has been director. He seems to have identified spoofing as the scam and manipulative device it was from the get go and seems intent on eliminating it. I'm not sure what enlightened him with the flame of regulatory spirit he seems to have been touched with, but I can only pray it continues to burn bright.

I remember being pleasantly surprised when Gary Gensler took office as chairman in

May 2009 and began preaching about and trying to get position limits instituted for those physical commodities where they didn't exist. Those were heady times, which, unfortunately, came to no good conclusion in the end for reasons I believe were beyond Gensler's control. McDonald, at this point, looks like a Gensler on steroids, based on the three press releases this month. From vague mutterings about spoofing and market manipulation from the agency over the past eight years or so, McDonald appears to have set a bead on eliminating it in short order. I know spoofing has become common place in most markets (none more egregiously than in COMEX gold and silver), but if were a spoofer, McDonald's actions and words would scare the bejesus out of me.

The only thing I would tell McDonald is to go full blast ahead, but please mind your priorities. Spoofing is inherently evil and manipulative on its face and deserves to be eliminated forthwith, but the circumstances in silver contain an equally evil and manipulative device – the ability of JPMorgan and a few other large shorts to add an unlimited number of new short contracts for the sole purpose of capping and containing price rallies. Spoofing and the ability to add an unlimited amount of short contracts should put silver at the top of the regulatory to-do list.

And I would certainly remind McDonald that while it's important to root out spoofing and manipulation any way possible, in commodity market terms, bad actions that occurred five or six years ago are akin to a different and long ago era compared to the silver crime in progress. It's good to solve and prosecute cold cases, particularly if that leads to changed future behavior, but it would be much better to go after and neutralize an active serial killer, which JPMorgan personifies in silver.

Lastly, I would respectfully remind McDonald that while there may be much truth in

his claim that there is no substitute for cooperating witnesses in complex cases, please don't overlook the data published by the agency in proving JPMorgan is the prime stone-cold silver manipulator. It's all I have had to go on and it makes a super-compelling case. After all, no one has yet been able to explain, in legitimate terms, how JPMorgan always profits and never loses when trading COMEX silver futures.

On a housekeeping note, the planned technical upgrade of the site is scheduled for early next week, likely before Wednesday's article. As a reminder, the upgrade is designed to make the site more mobile device friendly and include other technical features I don't have a clue about. It is anticipated that there won't be much change in the (same old rotten) content. Let's hope it goes smoothly.

Ted Butler

July 1, 2017

Silver – $16.60 (200 day ma – $17.41, 50 day ma – $16.92)

Gold – $1242 (200 day ma – $1239, 50 day ma – $1256)