

Weekly Review<?xml:namespace prefix = o ns
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In the first decent up week in what seems like a very long while, the price of gold and silver finished higher; gold by \$68 (5.6%) and silver by an even dollar (5.3%). The relative equal performance left the silver/gold price ratio just below 65 to 1, still close to the most extreme readings of silver undervaluation relative to gold over the past three years. That still makes silver an outstanding value and candidate for purchase on both an absolute and relative basis according to everything I look at.

I don't think many would argue that silver felt much weaker than gold this week, despite it largely keeping up in percentage terms. Usually, on up moves of any consequence, silver far outperforms gold, but that was not the case this week. I don't think this matters at all for the simple reason that short term price performance is still very much under the control of the HFT traders on the COMEX, lead by JPMorgan. As a result, it makes little sense to obsess and read too much into short term price movements (although we all still do). Instead of dwelling on price jiggles, look to the totality of data available for investigation.

On the subject of HFT (high frequency computer trading), it was reported that regulators at FINRA fined the large brokerage firm Newedge at record \$9.5

million for various HFT stock market violations. I have to laugh at times at how crazy our world has become. No doubt that HFT influences the stock market, given how pervasive it has become, but ever since the flash crash of May 2010, the HFT operators have been extra careful not to unduly influence the stock market to the downside. If anything, the stock market has been characterized by relatively low volatility considering the level of the market and the percentage of market share that HFT that exists because of the good behavior of the HFT operators. If you remember, every regulator, especially the CFTC and SEC were very vocal and the investigations and hearings erupted with zero delay.

On the other hand, HFT disruptive and manipulative price rigging in gold and silver (and other futures markets) has never been more pronounced. So what happens? Regulators pounce on the HFT operators in the relatively calm stock market and completely ignore the blatant price-fixing in silver and gold as well as the unprecedented price smashes, particularly in silver. I suppose one must keep a sense of humor to handle the hypocrisy, but I may lose my mind if I hear Bart Chilton give another speech about cheetah traders while he flat-out ignores the increasingly obvious price rigging going on in silver and gold.

And in that vein, the overly dramatic build up to yesterday's vote by the Commission to pass some swap rules seemed like a vaudeville routine. If JPMorgan (and, I suppose, some other banks) had objected to the cross border

initiatives the Commission approved, there would be no passage of anything. Just like position limits and the Volker Rule; if JPM says no, then the answer is no for sure.

Thanks to a large turnover on Thursday, movement among the COMEX-approved silver warehouses approached 2 million ounces this week, as total inventories inched up by 200,000 oz to almost 166 million ounces. I still hold that the movement indicates overall tightness in the wholesale physical silver market and as such is more important than the total level of inventories. I am aware that many are pointing to the decline in COMEX gold inventories as being extremely important. That may be, but the data leaves out more than it reveals and firm logical conclusions are impossible, although that doesn't prevent unending conclusions.

The delivery pattern in the expiring July COMEX silver contract that I have been writing about continues, albeit at a diminishing level as the end of the month approaches and the number of open contracts dwindle (now down to 900 contracts remaining). JPMorgan is still stopping (accepting) silver deliveries at a pace that equals 90% of all deliveries tendered and the bank has still accounted for 90% of that total for its house or proprietary trading account. For those keeping score, 2416 total contracts have been issued so far, with JPM stopping a total of 2192 contracts and of those, 2004 contracts have been for the JPM house account, or just over 10 million oz of the real metal variety.

Mid-week, the new short interest figures for stocks were released and there was a notable increase of almost 2.5 million shares (ounces) in the short position of the big silver ETF, SLV, up to a total of just under 21 million shares. This is the largest short position in SLV in quite some time and represents 6.2% of total shares outstanding, truly an obscenely large and manipulative amount. By way of comparison, the short position in the big gold ETF, GLD, was only up slightly in the current reporting period (as of June 30), but at close to 29.6 million total shares held short (2.9 million oz), the percentage of shares held short in GLD represent a much more significant 9.5% of total GLD shares outstanding. Why gold analysts and commentators don't focus on the fraudulent and manipulative short position in GLD is beyond me.

<http://www.shortsqueeze.com/?symbol=slv&submit=Short+Quote%99>

The level of the short position in SLV has me almost ready to initiate an effort to focus attention on it once again. If this short position increases in the next report, I will write to BlackRock, the trust's sponsor again. I'm holding off for a few reasons. One, I still think that the short seller is not predominantly JPMorgan which was the case in the past. The reporting period for the current report was at the very end of a the worst first half and quarter on record and one would expect speculative technical selling to be extreme at that point, as was also the case in the COT breakdown on the COMEX. If it was largely speculative short selling jumping on the price weakness, I still think that is potentially very bullish

when the inevitable short covering commences.

I've always thought that BlackRock was an honest outfit (if you can call the world's largest money manager an "outfit"). In fact, when they sent me that very threatening letter from their high-priced attorneys a year and a half ago, I considered that the act of an honest company, bristling at any suggestion they were doing anything wrong. (Contrast that with the continued silence from JPMorgan, which I consider as crooked as a June day is long when it comes to their silver and gold dealings).

In any event, I'm going to wait for the next short position report because I expect it to show a reduction. If the next short report for SLV indicates an increase, I will write to BlackRock. One reason I think the short position in SLV will decline is due to one and maybe two unusual deposits of metal into the trust this week. Early this past week, almost 3 million silver oz were deposited into the SLV, when there was absolutely no indication from price action or trading volume that such a large deposit was due. The most plausible explanation for the deposit was that it was intended to reduce the very large short position. (Short positions in hard metal ETFs can be closed out by either buying back the shares on the open market or by depositing metal for new shares and using those new shares to close out short positions).

Yesterday, there was an additional deposit of almost 2 million ounces into the SLV that could also have occurred for the purpose of closing out more of the large short position. The deposit could also have been a result of the large price move on Thursday on somewhat elevated trading volume; but usually metal deposits (and withdrawals) are not reported quite that timely in SLV. I'm hoping that both large deposits were for the purpose of reducing the short position, as that would also suggest the short positions were established due to lack of available silver, always an indication of wholesale physical tightness.

Sales of Silver Eagles from the US Mint still appear decent, but definitely subject to erratic Mint reporting. I've noticed that the Mint seems to report Silver Eagle sales on Monday recently (for some unknown reason), so it's hard to get a day to day feeling on sales. Contrary to some reports and from what I can observe, the Mint seems to be producing around 115,000 coins a day (7 day work week) for the last 5 months. (January's sales were an aberration and included production from December).

http://www.usmint.gov/about_the_mint/index.cfm?action=PreciousMetals&type=bullion I continue to sense Mint production of Silver Eagles is still constrained by blank supply, something not present in the production of Gold Eagles (whose sales have been on the soft side very recently). Certainly, sales of Silver and Gold Eagles are not at all connected to current price movement.

The changes in this week's Commitments of Traders Report (COT) showed slight

improvements in the total commercial net short positions in COMEX gold and silver, although not quite to the extent I imagined last week. I think that may have been due to the price rally on Monday and Tuesday into the cut-off. At the high on Tuesday, gold was up \$45 from Friday's close, while silver was up 65 cents at Tuesday's highs. While incremental for the week, the COT changes have been nothing short of historic over the past several months.

In gold, the total commercial net short position declined by a further 3800 contracts, to yet another decade+ low of 19,000 contracts. I suppose when one witnesses the setting of new record extremes in the reduction of the commercial short position week after week and month after month in both gold and silver, it is easy to become somewhat immunized against what that might portend. It would be a mistake, in my opinion, to underestimate what a powerfully bullish force this represents, especially when one considers how it all came about (by deliberate price manipulation lower).

By gold commercial category, once again it was all raptor buying (the commercials apart from the 8 largest shorts) as these traders bought more than 6400 new long contracts, increasing their net long position to 134,600 contracts and yet another new record. The four largest shorts added 1500 new short contracts and the big 5 thru 8 shorts chipped in by adding 1000 additional short contracts.

Of course, the Baby Huey http://en.wikipedia.org/wiki/Baby_Huey of the gold raptors is now JPMorgan and I would peg this crooked bank's gold net long position to be at least 70,000 contracts and perhaps as much as 75,000 contracts. To remember that JPMorgan was net short 50,000 COMEX gold contracts on February 5 and flipped it to a net long position of as many as 75,000 contracts today must represent, along with their flip in silver, the single largest position change in commodity history. A reader commented to me that he thought JPMorgan made this historic switch as a result of my writings. I can't argue with that although that was not my intent.

In a practical (but still sick sense) I suppose I'm glad that JPMorgan is now long so many gold contracts because of what it portends for the price. But one thing you can surely say about the bank is that it is non-discriminatory in its violation of the spirit of commodity law. The long-forgotten formula that the CFTC devised for position limits would call for a limit of less than 11,000 contracts per trader at current levels of gold open interest. So, within five months, JPMorgan went from exceeding the proposed position limits in COMEX gold, first by almost five times on the short side to now being almost seven times over on the long side. That's a total disrespect and disdain for market principles that is staggering in its consistency. And I'm sure if pressed, JPMorgan would respond that it's just hedging for clients. Are these the same clients now long that were formerly short and what the heck are they hedging?

Peering further under the hood of the gold COT report, things also looked constructive as the tech funds (in the managed money category of the disaggregated report) and the speculative traders in the other traders' category increased their combined gross short positions by more than 5600 contracts to another new record. This provides even more potential fuel for the coming price rally (which appears to have begun).

In silver, the total commercial net short position was reduced by a slight 900 contracts to 6900 contracts total, still a shockingly low (and bullish) level on any historical basis. The commercial category breakdown was interesting in that the four largest shorts did almost all the buying by covering 1900 of their short contracts, while the raptors sold off another 1200 contracts of their net long position, still large at 42,100 contracts. There was hint in this week's report that JPMorgan was buying what the raptors were selling, but I am overly sensitive to that occurring as it fits a theory I've had for a long time. The truth is that it's way too soon to tell and would take a very large price move up to fit what I envisioned.

It's hard for me to pinpoint what JPMorgan is still short (without a companion Bank Participation Report), so I'm going to stick to 12,000 contracts.

Considering what the bank has achieved in COMEX gold and the amount of

silver contracts they bought back from the 35,000 contracts they were short on Feb 5, plus all the actual gold and silver metal and swaps they've purchased, JPM might have bought even more COMEX silver contracts than I suspect. These guys could steal the fillings out of your teeth while you ate lunch if they wanted to.

Undoubtedly, we've witnessed some deterioration (an increase in the total commercial net short position) in the price rally in gold and silver after the Tuesday cut-off and further deterioration lies ahead. That's because I believe we've probably seen the price lows along with the corresponding low points in the total commercial net short positions in gold and silver to date. The important point is not that we will witness increases in the commercial net short positions and corresponding reductions in the speculative gross short positions and increases in spec long positions on the coming rally, but how quickly those positions will change compared to how much prices rally. As always, the specific key will be whether JPMorgan reverts to adding silver short positions.

A quick word about copper and the US dollar index in COT terms. Copper still looks primed to rally by 50 cents or more, but it is amazing how easy it is for the commercials to move the price of copper by ten cents a pound at will and force the speculators to buy or sell 5000 to 10,000 net contracts. In the dollar index, after closing out most of their short positions into the expiration near 80.5 on the index, the commercials stood aside before adding large short positions on

the rally to near 85. On the cut-off to this week's COT, the four big shorts had added more than 20,000 contracts over the past two weeks and were back to a concentrated short position of more than 80%. (How any regulator could allow such an extreme concentration to exist is unknowable — except, of course, if you've witnessed what has transpired in silver and gold all these years). That the dollar index plunged by two full points since the cut-off should not be a real surprise. The big shorts in the dollar index (my bet is on JPMorgan being the biggest) are playing the speculators there like a fiddle — the same fiddle with which they've been playing the gold and silver markets.

On Wednesday, I commented about the sudden outbreak of stories concerning gold lease rates. I wrote that the concept of gold leasing was a scam because you can't legitimately sell real property that doesn't belong to you. So what did it matter what the phony interest rate of a phony transaction might be? Additionally, because all gold leasing information was derived from sources in London it was necessarily opaque and, therefore, impossible to document and verify. I'd like to expand on that lack of documentation as it regards recurring gold and silver stories prevalent on the Internet.

I have always been skeptical of gold and silver information from London because it is impossible to verify. Nothing about the London Bullion Merchants Association (LBMA - the exchange that trades precious metals) is transparent. The LBMA publishes total volumes but those volumes are meaningless because

there is no documented central clearing process that publishes net figures like are available in the US's COT data from the CFTC. Although many assume the LBMA is the largest precious metals exchange, towering over the COMEX in size, there is absolutely no substantiation for that, just assertions and opinions. From my personal observation over the past 30 years, COMEX dealings have a much more pronounced influence on gold and silver prices 99% of the time, clearly suggesting that the COMEX is the big dog. Besides, it makes no practical difference in terms of the gold and silver manipulation as the big players on the LBMA are the same as the big dealers on the COMEX, including the crooks at JPMorgan. One little known fact is that the LBMA is a fairly recent organization compared to trading institutions in the US, having been formed in 1987.

http://www.lbma.org.uk/pages/index.cfm?page_id=9&title=about_the_lbma

I am highly suspicious of stories emanating from sources claiming inside knowledge of gold and silver developments in London, particularly when even the source remains unnamed, as in a "secret London source" or "the big London trader." There is enough verifiable data from the COMEX and the CFTC to make it a waste of time to pay attention to unnamed sources spouting unsubstantiated information. Besides, what big secret trader would take the time to offer unsolicited advice to the masses for free? And as I remember it, over the years the secret advice about what was supposed to quickly occur price wise has been more wide of the mark than the non-secret kind. So why

does the secret phenomenon continue? My sense is that precisely because the stories can't be verified due to a lack of hard data, they can't be disproven either. Don't get me wrong, I wish the stories were true because they always sound so promising, but because I believe they are strictly invented out of thin air for sensationalist purposes, they have no place in serious analysis. Prices may go up with the secret stories, but that's just coincidence. Just like the moon being made of green cheese if gold goes up, I believe the secret stories are made up to sound good. The real downside is that it diminishes us all when secret nonsense supplants genuine analysis.

The great irony is that this is not a time when anyone needs to invent bullish reasons for gold and silver moving higher. What's on the verifiable and documentable scoreboard is bullish beyond belief. The COT market structure in gold and silver has rarely, if ever, been better. The accumulation and short covering by the player that matters (JPM) is self-evident. Actual metal flows in gold and, particularly, in silver are breathtaking. The move below the cost of production looks to be the final act to the downside and the launching pad to the upside. With real facts like these, who needs secret hokum?

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Silver – \$19.85

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Gold - \$1283