

It was brutal week for most in the precious metals world (sans JPMorgan and a few select others, of course), as gold and silver prices knifed lower; gold down by \$30 (2.4%) and silver lower by a stunning \$1.05 (6.3%). It was the lowest weekly close for gold in four months and the lowest close for silver in more than a year. Essentially, the entire decline in each occurred on Monday and Friday of a holiday-shortened trading week, usually a time for subdued trading, and not the enormous trading volume actually recorded.

As a result of silver's pronounced relative weakness, the silver/gold price ratio widened out by more than three full points, to 78 to 1. Consistent with silver's relative weakness, this is the most undervalued silver has been to gold since early 2016. Based upon everything that I look at and hold to be true, silver is now priced so low that on a long term basis, it should be bought even if one needs to sell gold (or anything else) in order to fund the purchase. Just don't borrow or go on margin.

The holiday-shortened trading week even included a stunning flash crash in silver early Thursday evening, in which prices fell nearly \$2 in minutes. That evening I went to bed upset, because I happened to catch the last price of silver on Bloomberg TV, just before turning in. I don't always do so, as I try to create as much "down time" as possible for not dwelling on silver. (Try is the operative word). I saw silver was down 20 cents at the time and turned off the TV in disgust, muttering out loud that the assorted COMEX SOBs were still at it, albeit with much viler and unprintable words. When I checked upon awakening and saw silver was still down 20 cents, it didn't feel so bad – especially after I learned there was a flash crash overnight that sent the price down nearly \$2 before just as suddenly snapping back.

For some reason, the line from the movie classic “Casablanca” came to mind – “of all the gin joints in the world....” – meaning of all the markets for a flash crash to occur – it had to be in COMEX silver? It had to be in the one market continuously alleged to be the most manipulated and the market most complained about to the regulators? Are you kidding me? I doubt that the new Enforcement Director for the CFTC, James McDonald, has received any public complaints about market manipulation other than in COMEX silver (and maybe gold).

The three important Enforcement Division press releases of the past month, concerning COMEX silver and gold spoofing and manipulation, cattle manipulation and the non-prosecution agreement for spoofing in treasury futures, were the very embodiment of what took place Thursday evening in COMEX silver. Although I hadn’t asked anyone to do so, I did receive copies of emails sent to McDonald about the silver flash crash, which assures the matter came to his attention. As far as I can tell, he’s the right guy to be contacted. The clock is still ticking, of course, on what McDonald will or won’t do about the silver manipulation, but it’s safer to say the clock is ticking louder.

It’s an understatement to conclude that something is definitely wrong when the price of a world commodity plunges by more than 10% and then quickly recovers, all within minutes on a public exchange authorized by congress and regulated by a federal agency. No matter what the specific details behind this latest price dislocation, it can’t be considered legitimate in any way. Clearly, something went wrong. I would submit that what is wrong is the COMEX price discovery process itself, because it has nothing to do with legitimate hedging and actual supply and demand and everything to do with the private paper betting game that the COMEX paper market has turned into. The CME Group and the CFTC should be embarrassed

about yet another flash crash in silver, particularly because there have been more than enough warnings and allegations before this latest market dislocation. There's no excuse for allowing this to continue.

The problem is that the CFTC and the CME have allowed the speculative trading by a relatively few large traders in the managed money and commercial categories to grow so large that it is, quite literally, out of control. It is not possible that McDonald doesn't see this by now, after three months on the job and countless public petitions, as well as all the other everyday examples that something is way wrong in COMEX silver.

Specifically, the traders I refer to as the technical funds (in the managed money category) are both buying and selling such enormous quantities of COMEX silver futures contracts that it is distorting silver prices for the rest a of the world. To be sure, these technical funds probably don't even realize what they are doing (since they have yet to make and keep big profits from this trading) and, unequivocally, are being tricked and induced into and out from positions by the commercial crooks, led by JPMorgan. The amounts have become staggeringly large.

The net positioning changes, the prime silver price driver, have become so much larger of late than ever before that, automatically, the impact on price has never been stronger. Many (including me) await the day that COMEX positioning is no longer the sole price driver, but up until now, it must be acknowledged that it is a stronger price force than ever.

Late reports indicate that the CME has "busted" all COMEX silver trades on Thursday evening below \$15.40 (even though the printed low was \$14.34), essentially making all trades below that level non-existent and as if they never

occurred. The problem is that the trades below \$15.40 did occur and were openly witnessed and the CME's end run around admitting the COMEX is a crooked exchange only proves that those who run (and regulate) it are sniveling cowards for not openly admitting the obvious.

I realize I'm not sticking to the usual weekly format, but this was such a very unusual price week that I'd prefer to stick to the one thing that determined the unusual price changes - COMEX futures contract positioning changes. There was a 4.4 million oz physical turnover in COMEX silver warehouse inventories, as those inventories rose nearly 3 million oz to 211.9 million oz, another new multi-decade high. The JPMorgan COMEX warehouse took in another 630,000 oz, increasing that COMEX warehouse subset to 111.9 million oz, also another new record high. And there is nothing special to report in COMEX deliveries and Silver Eagle sales, although there were reports of very strong silver retail buying in reaction to the sharp price down take yesterday, which just further proves that prices are set on the COMEX through paper trading and the rest of the world then revolves and does business on the prices set by paper trading. This is nuts and illegal. There was also a 2.5 million oz deposit in the big silver ETF, SLV, that was highly counterintuitive given the weak price action and reeks of JPM involvement.

Before I get into the most important development of the week, the changes in COMEX silver and gold positioning (of which the Thursday flash crash was just an outcrop), let me relate another timely example of how nothing matters to the price of silver but COMEX paper positioning. Somewhat lost in the heavy bombardment of volatile price movement this week, was the announcement of the cessation of production at what was the second largest primary silver mine in the world, the Escobal in Guatemala, owned by Tahoe Resources. The production halt was said to

be related to a revocation of the mining license due to environmental and other concerns, but other reports suggest the mine was shut down weeks earlier by labor actions. In any event, no one is suggesting the mine will open any time soon.

The Escobal produces more than 20 million silver ounces annually, meaning 5 million oz of silver will be lost for each quarter production is halted. The news is certainly not good for the company and its shareholders and employees, but in world commodity terms, any sudden shut down by a significant world producer is always considered bullish to price, not bearish. All things considered, an equivalent sudden loss of world production in any other commodity, say oil or copper, would result in at least a temporary price bounce. Obviously, that's not the case in silver, where prices were pummeled despite what must be called the most bullish news on the production front in years.

So if demonstrably bullish news in actual silver supply and demand had no impact on price, what caused prices to fall precipitously? Yes, that's a trick question, because we all should know the answer - nothing matters to price except COMEX futures contract positioning. And while I'll dig into the details of this week's COT report and scream to the heavens that the price of silver is manipulated and how JPMorgan and the CME Group are the filthy rotten crooks, I implore you to try to put all this into proper perspective, because I tend to get a bit carried away due to my outrage that the manipulation still exists.

The most important message I can transmit today is for what I'm convinced lies ahead. We're experiencing the mother of all selloffs in silver, in positioning if not in price, and this will most likely result in the price explosion I began focusing on two months ago. The futures contract positioning changes I speak of explain why silver

prices have been smashed, but they also will explain the price explosion to come. It has to be that way.

However, I know it's one thing to engage in the logical and analytical discussion about lower silver prices involving increased technical fund selling as improving the market structure to bullish extremes and quite another to live through the pain and anguish of lower prices in real time. I'm both a silver investor and analyst. When silver prices drop sharply as they have this week and month, the value of my (actually my wife's) silver holdings drops sharply and that feels bad (sadly, much more so for my wife). But as an analyst and forward-looking silver investor, I am delighted at the resultant improved market structure. I'm certainly human and thus not immune from the sinking feeling in one's pit when calculating how much money is "lost" on sharp price declines, but I'm also a market structure guy and that part of me is delighted by what has occurred.

The changes in this week's Commitments of Traders (COT) Report, for positions held as of the close of business on Monday, July 3, were spectacularly bullish, making this the fourth reporting week in a row of significant improvement in both silver and gold. I certainly expected commercial buying and managed money technical fund selling giving the sharp price smash on Monday, but refrained from making a specific contract prediction because there was no large change in total open interest in either gold or silver. Stated differently, I was hesitant to predict too large of an improvement (to avoid personal embarrassment) because, particularly in silver, the market structure was so extreme to begin with. My hesitation aside, I was delighted at the large positioning changes reported.

In COMEX gold futures, the commercials reduced their net long position by the

largest weekly amount in eight months or by 42,600 contracts to 107,200 contracts. This is the lowest (most bullish) commercial headline number since Feb 2016. While I am dissecting a very bullish gold (and silver) COT report, in many ways, yesterday's report is already old news, given the price action and trading since Monday's (not Tuesday's) cutoff that has undoubtedly improved the structure further. Still, this week's report demands analysis.

By commercial category in gold, the big 4 bought back "only" 5600 short contracts, while the big 5 thru 8 bought back 9900 short contracts and the raptors piled on 27,100 new long contracts, increasing the raptor net long position to 77,500 contracts, their largest net long position since early January 2016 (just as gold was embarking on a \$300 rally into the summer of that year). Last week, I mentioned the dichotomy between the still-large big 4 short position (usually not bullish) and the very large raptor long position (usually very bullish). While that has persisted in this report, I sense the big 4 may have done some aggressive buying since Monday.

On the sell side of gold, it was mostly a managed money affair as these traders sold just under 39,000 net contracts, including liquidating 14,735 long contracts and the new short sale of 24,231 contracts. As of Monday, the managed money net long position is less than 34,000 contracts, the lowest (most bullish) it has been since early Jan 2016 and doubtlessly lower (and more bullish) through yesterday. It would be hard to classify the market structure in gold as anything but extremely bullish. As we've just witnessed in silver, the crooks can rig prices dramatically lower even when the market structure is extremely bullish, but that doesn't make the structure less bullish.

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

11,000 contracts, to 39,200 contracts. This is the lowest (most bullish) commercial headline number since January 2016 and just as silver began embarking on a \$7 rally to \$21 that summer. I'll be quite surprised and very disappointed if the upward price journey this time, whenever it begins, is not some multiple of \$7.

By commercial category, the big 4 bought back 4600 short contracts and the raptors (the smaller commercials away from the 8 largest) added 6400 long contracts to a net long position now amounting to 43,600 contracts. This is the largest (most bullish) raptor net long position since yearend 2015. Given how large the silver raptor position is now, it's entirely possible that a few raptors might have panicked and sold on the subsequent selloff since Monday and should that occur, I'm as certain as is possible that JPMorgan would have played a big role in buying any raptor long liquidation. The crooks at JPM are as nondenominational and non-discriminatory as it gets when it comes to buying distressed silver contracts offered for sale.

I'd peg JPMorgan's COMEX silver short position to be 15,000 contracts as of Monday's close but I'll have to wait until next Friday to recalibrate against the Bank Participation Report (which threw me off due to holiday on Tuesday, the 4th). Through yesterday's trading, I wouldn't be surprised if JPM's short position was down to 10,000 contracts. Still, what JPMorgan achieved through Monday's trading is nothing short of magnificent, even if the bank's actions were blatantly manipulative and criminal.

In four reporting weeks, JPMorgan has bought back 13,000 short contracts, every one at a large profit, thus preserving its impossibly perfect trading record of nine years. That's the equivalent of 65 million oz and which improves JPMorgan's overall

silver position markedly. As I tried to explain recently, buying back as many of its COMEX short contracts as possible is the single best thing JPM could do for itself. Because the bank holds such a large physical position (600 million oz) any buyback of its paper short position increases its net long position, just as if it bought 65 million additional oz of physical silver over the past four reporting weeks.

For one thing, the short buyback increases JPMorgan's net long position to 525 million oz (600 million oz minus the 15,000 or 75 million oz of remaining paper short position). In other words, JPM is now (as of Monday) more net long in silver than ever before and, therefore, stands to gain more on a silver price rally than ever before. More importantly, buying back COMEX paper short positions was the only practical way for JPM to so drastically increase its net silver long position.

The real (criminal) genius behind JPMorgan's buyback of 65 million oz of paper short positions is that it couldn't possibly have bought 65 million oz of physical silver over the past month at the same declining prices at which it bought its paper shorts back. Simply stated, it would have been (and still is) impossible for anyone to buy an entire month of actual world silver production in four weeks on declining prices. JPMorgan knows this better than anyone and wouldn't even try to buy that much physical silver all at once. But buying COMEX futures contracts is different and very doable, particularly when you have controlled and manipulated the silver market as JPM has done since March 2008.

On the sell side of silver this week, the managed money technical fund traders accounted for nearly all the commercial buying, as these traders sold 10,667 net contracts, including the sale and liquidation of 4,639 long contracts and the new short sale of 6,028 contracts. The long liquidation this week, added to last week's

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similar amount of long liquidation reduces the core managed money non-technical fund long position to 59,796 contracts. Thus, we are back to the 60,000 contract core managed money long position that existed at the price bottom of last December and back through the beginning of 2016. And it's always possible for further liquidation and there may, in fact, have already been some since Monday's cutoff. As I indicated earlier, JPMorgan will buy any and all distressed silver contracts offered for sale. Did I ever tell you how fair and square and wonderful JPM is in these matters?

The short position of the managed money technical funds (it's hard to imagine any trader being short silver on fundamental grounds) is up to 58,630 contracts as of Monday, a new record. The previous record was 56,859 contracts two years ago on July 7, 2015. (What can I say, some people compile and fascinate over baseball or football statistics). With an increase in total open interest since Monday, the very heavy trading volume and even heavier price action, it's hard to see how the managed money short position isn't deeper into record territory. That's just another way of saying the tank of rocket fuel buying power is being or has been topped off (that goes for gold as well).

We live in truly interesting times in silver and gold, arguably the most fascinating times in world history. Most interesting of all is the still growing level of attention paid to the COT report and market structure. As regular readers know, this has been my primary focus since the get go, more than 30 years ago. While advocates of market structure and the COT report have grown in number, only a relative handful have made the direct connection that the COT reports have in proving an ongoing price manipulation in silver and gold, despite that connection being undeniable.

I suppose it doesn't matter much how many come to recognize that the positioning

has become so large and concentrated between so few paper traders in setting prices that the process is manipulative on its face; precisely because it excludes everyone in the world, including silver producers and investors, and only includes maybe 50 paper COMEX traders on either side of the market. The thought that so few paper traders dictate prices to all the world's silver producers is nothing short of repugnant. The thought that a few large financial institutions, like JPMorgan and the CME Group, are at the center of the ongoing manipulation is even more repugnant. This is also where I usually add how repugnant it is that federal regulators actually oversee and pretend to lord over the whole sick price process, but I still have a glimmer of hope that one new regulator might make a difference.

James McDonald doesn't appear to have made a difference to date and it is highly possible (some would say probable) that he won't take the actions required to make a difference. He has let the commercials continue to snooker the technical funds into selling excessively, thus allowing much pain and suffering to accrue to real silver producers and investors. But that will pale in comparison to the harm he will preside over in the event JPMorgan and a few other commercial crooks are allowed to add to silver short positions on the next rally.

The one entity which certainly does know what is going on is JPMorgan and that can be seen in its actions, not words. It is buying back its paper silver short positions with an aggression rarely witnessed, after taking more than six years to accumulate the largest privately-owned physical stockpile of silver in history. JPM knows silver will soar as and when it doesn't add to short positions and it may not take McDonald to lay down the law; JPMorgan may do so on its own for its own best interest.

The message here is to be like JPMorgan. No, I'm not suggesting you to be as

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underhanded and corrupt as JPMorgan; I'm just suggesting you to buy as much silver as you can get your hands on - the same as JPM has done. As complicated as the specifics of the silver manipulation may be, the underlying message is as clear as a bell - buy silver, just like JPMorgan.

Ted Butler

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Silver - \$15.55 (200 day ma - \$17.34, 50 day ma - \$16.77)

Gold - \$1212 (200 day ma - \$1237, 50 day ma - \$1252)