July 9, 2014 – The Silver Conspiracy

The Silver Conspiracy

It's now going on close to 30 years since I first discovered that silver was manipulated by excessive and concentrated short selling on the COMEX. I remember the exact moment like it occurred yesterday. It's hard to believe I was in my 30's when this started. As I've explained previously, I was looking for an answer to Izzy Friedman's question as to how and why silver prices remained so low when the market was in a supply/demand deficit.

Through no great accomplishment on my part, aside from having a futures market background of almost 15 years at the time, it suddenly dawned on me that silver prices were dictated on the COMEX, to the point of price manipulation. Everything that has transpired since has only confirmed to me that silver prices are still manipulated on the COMEX.

That is not to say that there haven't been many historical developments since 1985 in the silver market; just that none of those events do anything but confirm the ongoing silver manipulation. Not even an extreme price surge from $4 to $49 detracts from the manipulation premise; as how could any commodity jump that much with no big change in supply and demand if it wasn't artificially priced too low to begin with?

Some, but not all, of the big silver developments to me were the sudden doubling of prices and even faster decline in 1987, the buying of silver by Warren Buffett in 1998 (perhaps due to my writing of metals leasing), the depletion of US Government stockpiles in 2001, 60 years after being the world's largest holder of silver with nearly 6 billion oz, the introduction of the world's first silver ETF, SLV, in 2006 and my discovery in 2008 that the rescue of Bear Stearns resulted in its massive concentrated short position being transferred to JPMorgan according to CFTC correspondence.

Other personal highlights were getting the CFTC to investigate the silver market at least three times, although the agency claimed to find no wrongdoing that it could prosecute and seeing so many come to realize that silver is a manipulated market through public data in the COT reports. None of these developments did anything but strengthen my conviction that silver was manipulated on the COMEX in the manner I discovered suddenly in 1985.

Very recently, I've had a second epiphany or Eureka moment similar to what hit me 29 years ago, although the circumstances were different and I thought I had already used up my lifetime quota of epiphanies. Whereas I was consciously seeking the answer to a perplexing question nearly three decades ago, this time I came across something I wasn't looking for. In fact, while I used the word manipulation from the start, I avoided, like the plague, ever referring to the silver manipulation in terms of a conspiracy. For one thing, the term had always seemed derogatory to me and besides, I truly believed the manipulation was limited to a small handful of COMEX insider firms and individual traders. No more is that the case.

Despite not looking for a conspiracy (and not wanting to find one), the greater weight and flow of the evidence convinces me one exists in silver. To be clear, my distinction is that it is not just a small group of traders on the COMEX involved in a secret plot to suppress silver prices, but has now grown to include the CME Group and the CFTC. Since my long term understanding of the CFTC is that it has been, perhaps, the weakest and most ineffective federal agency of all, it is most likely that the CFTC's inclusion involves more important federal agencies, specifically, the Treasury Department and the Federal Reserve.

First, let me make the point that I see the conspiracy as having started when JPMorgan acquired Bear Stearns in 2008, but really kicked into overdrive a little more than three years ago around the time silver reached $49. Currently the conspiracy to control and manipulate silver prices has never been stronger or easier to prove. In other words, while I can date the ongoing silver manipulation on the COMEX to 1983, it did not become an organized conspiracy involving the US Government until 2008. Moreover, I don't believe that the regulators' involvement was well-planned and deliberate from the start; it was more a case of bungling a set of emergency circumstances and a subsequent cover up.

The tipping point of the silver conspiracy was the takeover of Bear Stearns in March 2008 by JPMorgan, which was publicly orchestrated and arranged by the Treasury Dept. and the Federal Reserve. The acquisition allowed for the unreported transfer of the largest concentrated short position ever known to exist, thus enabling JPMorgan to step in and continue the manipulation of silver prices as Bear Stearns had done until its failure. No one could deny that Treasury and the Fed were not active participants in arranging the Bear Stearns/JPMorgan takeover and were fully aware of Bear Stearns' massive concentrated short position in COMEX silver (and gold).

I know full well that 2008 was a perilous time in the financial world and I understand (to some limited extent) what the financial authorities were up against. Further, I don't necessarily disagree with most of the actions they took. The problem is that no matter how well-intended was the rescue of Bear Stearns, it is what has occurred since the crisis subsided that constitutes the silver conspiracy.

Even though the CFTC did not play the central role in the Bear Stearns/JPM takeover and followed the lead of Treasury and the Fed, the takeover fit in well with a bit of a box that the agency found itself in regarding silver. Having denied the existence of a silver manipulation for decades, the CFTC faced certain public humiliation if it suddenly did an about-face and admittedly it blew it for so long. This is no small matter, as preventing manipulation is the agency's top priority. In fact, the CFTC issued a public denial that there was anything unusual with large short silver traders on the COMEX on May 13, 2008, two months after the largest silver short seller in history (to that point), Bear Stearns went under (most likely due to losses on its silver (and gold) short position.
http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/silverfuturesmarketreport0508.

In hindsight, it seems inexcusable that a federal agency could so deliberately mislead the public on such a specific matter. Beyond question, at this point, the CFTC was a card-carrying member of the silver conspiracy. Not even the appointment later of Gary Gensler as chairman of the agency would change the role of the CFTC in the conspiracy, much to my personal disappointment and his personal shame. Some of the most egregious instances of manipulation in the silver market occurred on Gensler's watch (as well as Bart Chilton's).

After a devastating and deliberate price takedown of silver at the hands of JPMorgan in late 2008 which pushed prices below $9, the price began a long recovery that culminated in April 2011 when silver touched $49. It is important to understand the circumstances at that time to appreciate what has followed. Silver didn't run to $49 due to any COT-related market structure change. In other words, there was no discernable positioning on the COMEX that accounted for the price rise, particularly over the last few months of the rally; Speculators weren't plowing onto the long side of the COMEX into the price top. Instead and with the benefit of hindsight, silver ran to $49 because of a developing physical shortage.

Importantly, the price run in silver up to April 2011 was uniquely specific to silver. Whereas silver ran from $18 in the summer of 2010 to $49 in April 2011, a gain of 270%, gold advanced by 25% during the same time frame, or from $1200 to just over $1500. It would be late summer of 2011 when gold hit over $1900 and it did so for reasons I remember writing about at the time, including commercial (raptor) short covering (please see Weekly Review August 20, 2011 in the archives). My point is that silver's run to April 2011 was rooted in a developing physical shortage and not due to any world events or speculative positioning on the COMEX.

This presented a special problem for the CFTC and others involved in the silver conspiracy. They arranged for JPMorgan to rescue Bear Stearns and take over the manipulative concentrated short position in 2008 and gave JPM carte blanche to continue the manipulation thru April 2011, but they never factored in a developing physical silver shortage. How could they plan for a developing shortage when they assured everyone there was nothing unusual on the short side? In April 2011, it was desperation time for those involved in the silver conspiracy.

Desperate people do desperate things and that proved to be the case in silver in late April 2011. With a physical shortage developing and the price soaring, the options were limited for JPMorgan, the CME and the CFTC. One leading option was shutting down the COMEX and unilaterally closing out all open contracts at an arbitrary price, similar to what occurred in the Maine Potato contract in 1976. But there would be very serious consequences to the closing of the COMEX silver market, almost incomprehensible in scope and fallout. But there was no way any of those involved in the conspiracy could sit by and let the market take its course. Something had to be done.

That something was the orchestrated and historic price take down on Sunday evening May 1, 2011. By May 11, silver prices were manipulated lower on the COMEX by $15, or a full 30%. Later that year, silver prices were manipulated lower by 35% in a few days once again. This was a last ditch effort by JPMorgan, the CME and the CFTC to break the back of the silver rally and end the developing silver shortage. That it worked is beyond question, but so too did it confirm a silver conspiracy like never before.

The two separate 30%+ silver price declines within days in 2011 were also the two largest price declines for any commodity in history. Please think about that for a moment. Had any stock or bond or currency market crashed that much in a matter of days, would there not be some public assurance as to what took place from any regulator or exchange involved? If any other commodity had fallen as dramatically as silver fell (twice) in 2011, would you not expect the CFTC or the CME to comment on it? Yet, to my knowledge, neither has uttered a word to this day. There's really only one plausible explanation for why the CFTC and the CME have been silent on a most unusual commodity price movement(s) in history Â? they were both in on it.

In fact, what led me to being convinced that a conspiracy exists in silver is a whole series of questions that can't be answered in legitimate terms, including how the regulators tolerate COMEX speculators setting silver prices to the world's producers, even though those producers don't participate in COMEX trading. And why won't the CFTC or the CME address these issues in an open, constructive manner? And why hasn't JPMorgan and the CME sued me for openly calling them crooks?

But it has been more recent developments that has pushed me over the edge in alleging a silver conspiracy exists. I fully understand why the technical funds buy and sell in the manner that they do; but I can find no legitimate explanation for why the commercials (raptors) were as uniform and aggressive in their recent selling of COMEX silver (and gold) contracts. The only reason that comes to mind is to make sure silver prices are contained enough so as not to ignite widespread physical silver investment buying.

With silver prices so low and at or below the primary cost of production, there has rarely been a more inopportune time for any producer to be hedging and locking in current prices. This is confirmed by the fact that silver (and gold) miner hedging is at multi-decade lows. Yet the concentrated silver short position of the eight largest traders (all commercials) on the COMEX is near its highest level in years, meaning that the concentrated short position is not legitimate since it doesn't involve bona fide hedging.

At the same time the concentrated short position of the 8 largest COMEX shorts is near record highs, JPMorgan's share has rarely been lower, according to the COTs. The only explanation that makes sense is that those involved in the conspiracy are trying to take the attention and heat off of the crooks at JPMorgan by shifting some of the short position from JPMorgan and placing it in other large short accounts. There is no legitimate reason why the 5 thru 8 largest traders on the COMEX hold an all-time record short position at a time of record low miner hedging. As distasteful as I've always found the word Â?conspiracyÂ? to be, I can't find a more apt description for what has transpired on the COMEX.

I find it fascinating that the best those involved in the silver conspiracy can muster is a shifting of the concentrated short position to other players to shield JPMorgan, rather than a meaningful and absolute overall reduction of the total position. After six years, I would have imagined all these crooks could have done better. It tells me that the concentrated short position is still the key component of the silver price manipulation as I concluded decades ago.

That said, now that I am convinced this silver manipulation is a genuine conspiracy that includes the CFTC and others, I will be alert to future changes in the COT report for signs the crooks will look to somehow get the concentrated short position reduced. Something like the raptors standing aside on a future price decline to allow the big 8 to buy and close out large amounts of short contracts. Of course, that's pure speculation on my part.

A subscriber did question my continued reliance that the COTs are being accurately reported. After all, if there is such a conspiracy as I allege, why wouldn't the CFTC and CME cook the COT books? It's a valid question in light of my new allegations of widespread conspiracy and I must admit it is certainly possible. But to date, the report has come in so close to my expectations that I've detected nothing resembling suspect readings. The main point, of course, is that the data in the COTs are what prove the silver manipulation and allow me to call the CME and JPMorgan crooked and live to tell about it.

While I've referenced gold in much of the discussion today, I would be remiss not to emphasize that I'm writing about a silver conspiracy, not a gold conspiracy. I don't doubt for a moment that there isn't some spillover effect or that a different conspiracy may exist in gold, but it is important to make the distinction between silver and gold. There have been no former CFTC investigations in gold as there have been in silver and the CFTC hadn't put itself in a bind denying that gold wasn't manipulated as it did in silver. Therefore, the agency would not likely have been humiliated had gold experienced what almost occurred in silver in 2011.

In other words, there was no developing physical shortage in gold in 2011 (or at any other time) as there was in silver. While I admit upfront that I might be wrong, I never understood how anyone could suggest there even could be a physical shortage in gold, seeing as it is not industrially consumed and meaning that every ounce ever produced still exists in some form above ground. That doesn't mean gold can't or won't go higher in price because it certainly can; but it is not going to be driven by industrial consumers aggressively bidding for material necessary to run operations continuously. A shortage, it seems to me, can only come to commodities that are consumed.

In fact, it is the inevitable physical silver shortage, which began to develop in early 2011 before being snuffed out by those involved in the conspiracy that is the only antidote to the conspiracy itself. I think I recognize that what I have written about the silver conspiracy is necessarily unnerving; it unnerves me as well. It's bad enough to know that powerful interests on the COMEX, including JPMorgan, are aligned against silver investors (and producers). But throw in the CME, the CFTC, the US Treasury Dept. and the Federal Reserve and the forces would seem insurmountable. But recognizing the truth must not be avoided either, as these have been the opposing forces for years, whether recognized or not.

More importantly, there is a force much stronger than the collective might of those involved in the conspiracy to manipulate silver prices. That force is the reality of the physical market. It was the developing physical silver shortage of early 2011 that almost brought the CME, JPMorgan and varied US government interests to their knees and it will be the next physical shortage that finishes the job. Aside from the passage of time, the preconditions for a physical silver shortage haven't changed much since 2011. The world produces a certain amount of silver and after deducting what's left over after industrial and total fabrication demand, there is a remarkably small residual amount available for investment.

Yes, I think JPMorgan may have accumulated a good amount of physical silver and that might delay the next shortage, but that assumes the bank stands ready to donate that metal at artificially low prices. Then again, I may be wrong and JPMorgan may not own as much metal as I've speculated and, therefore, may not be in position to postpone the coming silver shortage for long.

Superimposed on the inevitable physical silver shortage and more likely to hasten rather than delay it, is the growing awareness of the conspiracy to manipulate silver prices. Yes, it may initially scare some folks off who don't dig into the issue, but a certain number of potential investors will conclude that such a conspiracy to manipulate prices has created a phenomenal investment opportunity. A certain number of big potential investors may actually be drawn to silver if and when they become intrigued with why do JPMorgan and the CME tolerate being called crooks.

Just yesterday, I almost spilled my morning coffee on myself when I picked up the NY Times. The main front page story was how virtually every investment asset in the world, from bonds to stocks and real estate, were at almost bubble valuations, given the efforts of the world's central bankers to flood the world with excess liquidity. Investors all over the world were scouring the landscape for attractive investments. Of course, I openly asked the paper Â? what about silver? The newspaper didn't respond. http://www.nytimes.com/2014/07/08/upshot/welcome-to-the-everything-boom-or-maybe-the-everything-bubble.html?emc=edit_th_20140708&nl=todaysheadlines&nlid=58270588&_r=2

Maybe I'm reading this all wrong, but sooner or later it is going to dawn on enough new investors that silver is grotesquely undervalued and that there is a verifiable explanation for the undervaluation. Because silver is truly a world investment asset, the realization that the US Government is involved, along with JPMorgan and the CME, in a conspiracy to suppress the price of silver will only serve to whet the appetite of the world's investors as well as anger the world's silver producers.

Ted Butler

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Silver – $21.20