Gold prices closed sharply higher for the week, up $49 (2.9%), while a Friday selloff pushed silver down to unchanged on the week and causing the silver/gold price ratio to widen out by 3 full points to 99 to 1. If there was any legitimate reason for silver's relative weakness, that reason was unknown to me, as everything I look at tells me the price path for both metals is distinctly higher, particularly for silver.

Stepping back from the extremely short term price action in both metals, a very interesting pattern has emerged. A pronounced "V" shaped selloff and rally in mid-March has resulted in a market structure setup quite extraordinary. I claim the "V" was orchestrated and engineered by JPMorgan, since subsequent data revealed it to be the biggest beneficiary.

What makes the changes in market structure so extraordinary is that here we are, in June, with gold now higher than it was in late February (before the selloff) and with silver only slightly lower than it was back then and the COMEX market structure in each is now more bullish by more than 140,000 net contracts in gold (14 million oz) and by 50,000 net contracts in silver (250 million oz) than it was in February.

In other words, we experienced a bone-jarring selloff of more than $230 in gold and $6 in silver (accompanied by decisive moving average penetrations), nearly immediately followed by rallies of more than that in gold and nearly that in silver and the market structure in each is currently about as good as it was at the price bottoms (in fact even better in gold). That's not something I've ever witnessed.

Capping things off, JPMorgan's short position in gold is now 50,000 contracts (5 million oz) less net short than it was at the peak in February (44,000 net short to 5000 net long) and 15,000 contracts less net short in silver (75 million oz). This makes JPM the single largest beneficiary of the mid-March selloff and better

positioned for a price liftoff than ever before. It's not possible that could be anything but deliberate. I don't mention it often enough, as I spend far more time analyzing the big and growing realized and unrealized losses to the 8 big shorts in gold and silver (still close to $8 billion), but JPMorgan is now ahead by more than $13 billion on its 25 million oz physical gold position and one billion oz silver position. That's in addition to all the realized profits it has taken in COMEX gold and silver trading for more than a decade (with never a loss).

There was real humorous story on Bloomberg about how the LBMA is picking up increased gold trading from the COMEX. What makes the story funny in my opinion, is that the exact same commercial crooks, JPM, HSBC, Scotiabank, et al, operate on both the COMEX and LBMA (there isn't a separate group of crooks in NY than there is in London). The best way to think about it is that the same crooks have separate three-card monte operations in NY and London. The twist is that at least in NY, we do get legitimate positioning breakdowns courtesy of the CFTC's COT report. On the LBMA, in contrast, someone pokes their head out once a month to tell us what that month's total trading volume was – with no positioning breakdown of any type. What makes it funny is that everyone keeps a straight face – I love British humor.

The turnover or physical movement of metal either brought into or removed from the COMEX-approved silver warehouses surged this week to 8.1 million oz, the highest weekly level in 9 months (and weekly movement has been running pretty high of late). Total COMEX inventories rose by 1.5 million oz to 315.2 million oz, still within the range of the past year. The real wonder is how so few even acknowledge the physical turnover in COMEX silver, despite it having persisted for more than 9 straight years. No change in the JPMorgan COMEX silver warehouse, which remained at 160.7 million oz.

There was a further increase of 1.1 million oz in the COMEX gold warehouses to 30 million oz, another new all-time high. That brings to 21.5 million oz the increase in the COMEX gold warehouses since the end of March. Since much of the gold seems to have come from London (rather than going to London) this makes the LBMA's statement about increased trading volume from the COMEX even funnier. No change (for a change) in the JPMorgan COMEX gold warehouses, which remained at 11.3 million oz.

There have been any number of stories about the sharply increased COMEX gold inventories, each one more confusing than the next, in terms of explaining why the increases have occurred in the first place. In an attempt to make the stories more understandable, I would suggest keeping my theme of the growing losses to the big concentrated COMEX shorts in mind when reading these stories – as then the stories will make a lot more sense. Keeping things as simple as possible, the gold has been moved in to make delivery against short positions in order to close out the short positions (along with short-covering buybacks). Easy peazy.

Away from the COMEX, the biggest story for me is still the absolute surge of physical silver coming into the world's silver ETFs, particularly the largest, SLV. This week, another 10 million oz came into the SLV, on essentially what was a flat week, pricewise. Total holdings in SLV now stand at 482 million oz, another new all-time high and up by 120 million oz since March.

Over the past three months some 175 million oz have been deposited into the world's silver ETFs, including SLV, or close to $3 billion worth. Over that same time, some 15 million oz of gold have been bought and deposited into the world's gold ETFs, or some $25 billion worth. That's a remarkably high dollar level of silver being bought

relative to gold – one dollar's worth of silver compared to eight dollars' worth of gold. After all, gold is nearly 100 times more expensive than silver. Besides, gold's price is at seven year highs and within spitting distance of all-time highs and it's hard to find any well-known investor not bullish on gold's price prospects.

Silver, on the other hand, is drifting along at, essentially, the same depressed price levels of the past seven years and is still 65% below its all-time highs. That so much silver is being bought and being bought relative to gold is simply astounding, especially considering its dismal relative price performance. The buying in the silver ETFs would appear to be as far from "hot money" (and subject to immediate likely liquidation) as is possible. For instance, you won't find SLV high up in the ranks of the hot stocks favored by the kid traders at Robinhood. Someday, I believe you will, just not this day.

In fact, the only difficulty is in trying to figure out why the price of silver hasn't risen more (or actually, at all) to the unprecedented massive physical buying in the silver ETFs. That's the only question that really matters. The most plausible explanation I have been able to uncover is my take that JPMorgan has been leasing the physical silver, at least 100 million oz, to other banks which in turn have sold it to the ETFs.

My reasoning is based on JPM being the only entity with silver to lend, having been virtually the only buyer over the past nine years, and the fact that in lending the metal, JPM is putting its competitors deeper into a short hole. And it's not like I just started alleging that JPMorgan had been buying physical silver (and gold) of late – I've been singing that tune for 7 years. Still, as far as I know, I'm the only one singing the song about JPM leasing out most of the silver that is flowing into the silver ETFs, so you want to consider alternative plausible explanations for how so

much physical silver can be bought without any upside price pressure. That is, if you can find any plausible alternative explanations. And if you do, please drop me a line.

The changes in this week's Commitments of Traders report largely followed expectations, even though I chickened out on specific contract predictions. Gold and silver prices were lower over the reporting week and the managed money traders sold and the commercials bought, so this little corner of the world provided a much-needed dose of normalcy. The only question in gold was how much of the commercial buying and managed money selling was due to outright trading or the result of deliveries.

In COMEX gold futures, the commercials reduced their total net short position by 13,200 contracts to 243,500 contracts. Since last week's commercial short position was close to one year lows, making it the most bullish in that time, then this week's results are even more bullish. Not to repeat myself, but what's most astounding is the low level of commercial shorts (and managed money longs) versus a gold price set to establish fresh multi-year highs. I can't recall a previous time when gold prices have been close to highs and positioning configured as if closer to price lows.

My back of the envelope calculations suggest about half of the commercial short covering, or 7000 contracts, may have been due to deliveries on the June contract, which if correct would indicate another $200 million taken in realized losses, making the realized component of the total combined losses of the biggest shorts now $1.5 billion. Open losses this week (all in gold) came to $800 more from last week's close, so I would peg total closed and open losses to the 8 biggest shorts in gold and silver to be $7.8 billion as of yesterday close, down a bit from where things stood on Wednesday, thanks to silver's late swoon.

The 8 big gold shorts now hold 204,534 net contracts, so the resultant short position is equal to 20.5 million oz, as most of the short covering this week was by the smaller raptors which bought back just over 10,000 net contracts. JPMorgan appears to have stood still this reporting week at 5000 contracts net long.

On the sell side of gold, the managed money traders sold nearly 9200 net contracts, consisting of the sale and liquidation of 7248 long contracts and the new short sale of 1930 contracts. There was smaller but similar activity by the other large reporting traders and the smaller non-reporting traders which is consistent with them stopping of deliveries, making me more convinced that much of the recent net selling in all three speculative categories was due to the stopping of deliveries. Without getting into complicated details, the recent increases in the short positions of the speculative traders are consistent with the “cash and carry” spread activity of these traders that I mentioned on Wednesday.

The fact that the managed money gold traders now hold their lowest net long position in a year of 91,177 contracts (126,407 longs versus 35,230 shorts) must be considered bullish as it implies limited selling on lower prices – unless these traders decide to add large numbers of new shorts; something they have avoided to this point. Combined with the other large reporting trader net long position still quite close to record highs, I’d be lying if I said the gold positioning setup was anything less than super bullish. I’m just trying to figure out how the heck JPMorgan pulled it off.

In COMEX silver futures, the commercials reduced their total net short position by 3800 contracts to 50,200 contracts. Back in the February 18 COT report, with prices quite close to the same $18 as where this reporting week closed, the commercial

short position was twice as high, at 100,800 contracts. What's astounding is not that the total commercial short position fell to half that level on the engineered price plunge to sub-$12 in March, but that despite the $6 price rally since then that we are still configured as if the rally never occurred. How did JPM pull that off?

JPMorgan did appear to buy 2000 of its short silver contracts back (I was hoping for more, as always) and I'd peg its short position at 3000 contracts as of Tuesday and quite possible even less in trading through yesterday. Combined with its 5000 contract net long position in gold, JPM is still in perfect position to continue to double cross the other big commercial shorts. JPM's short covering this week likely takes it out from the big 5 thru 8 largest short trader category, making the 77,106 contract concentrated short position of the 8 largest traders free from JPM involvement.

On the sell side of silver, the managed money traders were net sellers of 3696 contracts, nearly matching the net commercial buying (or vice versa), consisting of new buying of 515 long contracts and the new sale of 4211 short contracts. That's a bullish mix. Whereas the increase in short positions of the managed money traders of late in gold can be traced to "cash and carry" delivery transactions, the new short selling in silver doesn't appear to be related to deliveries (since where not in an traditional silver delivery month), but straight speculative short selling – the kind that is akin to rocket fuel buying on higher prices. The net managed money long position in silver of 23,022 contracts (44,266 longs versus 21,244 shorts) is low enough to be considered bullish, especially when considering how little it increased on what has been a rally of $6 over the past three months.

For those scratching their heads (as most should be) about how silver prices could

decline over the past couple of days considering all that is going on (physical flows into the ETFs, combined with an outright bullish COMEX positioning setup), the answer is in the 385 million ounces held short by the 8 largest traders on the COMEX, the largest concentrated short position in real world terms of all commodities. The rise in gold prices over the past year has absolutely kicked the big shorts in the teeth, but to this point silver has not caused much, if any financial damage – simply because silver prices have yet to rise much. But the big shorts have been reducing their big gold short position, by deliveries and buybacks, to the point where it looks like the bigger potential losses may now reside in silver.

Whether the same big shorts are exactly or mostly the same in gold as they are in silver, as I believe, is not really that important. If you are looking for a reason why silver prices haven't exploded (aside from JPMorgan leasing physical silver), it's because the 8 big shorts have managed to keep a lid on prices. It's often easier to contain prices by not letting them get much momentum on the upside, as did occur in gold over the past year, with drastic negative consequences to the big gold shorts.

But in succeeding in capping silver prices (with JPM's help), the big concentrated shorts have, inadvertently, more than confirmed the manipulation of silver prices. Remember, it was in COMEX silver, 35 years ago, that the concentrated short position was first alleged by me to explain depressed prices. Over the years, the "silver disease" of concentrated short selling had spread to other commodities, notably gold and other precious metals (like palladium). The concentrated short position was broken in palladium and now appears to be under severe attack in gold. I suppose it's somewhat ironic that the concentrated short position first appeared in silver and it now appears that it will be last to be resolved in silver, but the order of resolution is not that important.

What's important is the resolution itself and its effect on price. Palladium already proved the potential for shockingly higher prices upon the dismantling of a concentrated short position and gold seems to be following as well. That the concentrated short position in silver hasn't even started to be resolved is both frustrating but exciting at the same time, made more exciting by JPMorgan's incredible double cross of the other larger silver shorts and the absolute failure of the regulators to utter a word on the silver short position in 12 years, since the CFTC lied about Bear Stearns in 2008.

Speaking of regulators, the Assistant Attorney General of the Criminal Division of the US Justice Department, Brian Benczkowski, announced the other day that he is resigning as of July 3. Mr. Benczkowski oversaw the investigation of precious metals manipulation and JPMorgan and was someone I wrote to periodically.

https://www.justice.gov/opa/pr/assistant-attorney-general-benczkowski-announces-departure-criminal-division

I bring this up only because the timing seems a bit odd. Maybe it's just me, but I thought the JPMorgan precious metals investigation was important to the Justice Department and AAG Benczkowski certainly made it appear that way in the press conference of Sept 16, 2019 which he conducted. He has only been in this position for about two years and considering all the press leaks from the DOJ about the case of late, I thought he would stick around until its conclusion. I'm sure there is more I don't know about the inner workings of the Justice Department than I do know and what is going on behind the scenes in this case – but I do know it touches the very highest levels of government, finance and markets. Dealing with issues and those already at the highest levels possible, at least eliminates the need to go higher.

As a repeat, the current standing of the 8 largest gold and silver shorts as of yesterday's close is now negative $7.8 billion ($1.5 billion realized, $6.3 billion open and unrealized) up a combined $1 billion from last week.

Ted Butler

June 13, 2020

Silver – $17.57 (200 day ma – $17.03, 50 day ma – $16.35)

Gold – $1737 (200 day ma – $1580, 50 day ma – $1719)