June 17, 2020 – A Discontinuous Event

I first heard the term in 1987, when it was uttered by the famous technical trader from C&D Commodities, Richard Dennis, to describe the circumstances surrounding the great stock market crash of that year, in which many financial markets were turned on their heads. Dennis was describing a severe market event that appeared out of the blue that completely upended the trends in force in near-seismic fashion.

Iâ??ve been thinking of the term of late, specifically in regards to gold and especially silver, following the sharp price collapse and rebound of mid-March and subsequent developments. For sure, the Covid-19 pandemic and economic seizure roiled just about every market, but silver stood out. While not the only market to plunge to 10 year lows (oil did as well), silver was the only market to do so in a matter of days and with no obvious economic justification. At least in crude oil, there was the outbreak of a Saudi-Russian production war coupled with a shocking collapse in demand. By the way, the obvious goal of shutting-in US fracking production appears to have worked like a charm â?? exactly as intended.

But in silver, there was no production war and no apparent sharp falloff in total demand and even if there was a falloff in industrial demand, production appeared to decline at least as much. Investment demand, the key to overall silver demand, surged, first in retail forms of the metal and quickly expanded to the 1000 oz bar wholesale market. Because total silver investment demand has remained much stronger than typically to the point of being at record levels, now that industrial demand appears ready to kick-in and there are no signs of greatly increased production, it looks strange, to say the least, that prices still havenâ??t been able to trade higher on a year to date basis. Itâ??s as if the law of supply and demand doesnâ??t apply to silver.

Of course, thatâ??s nothing new in silver, where the law of supply and demand has taken a backseat to artificial pricing on the COMEX for more than 35 years. But never quite to the extent as presently. Since mid-March, in addition to the highest premiums and longest delivery delays for most forms of retail silver in years, the wholesale demand for 1000 oz bars has never been stronger. Over the past three months, some 180 million oz have been purchased and deposited in the worldâ??s silver ETFs (exchange traded funds), with 130 million oz of that deposited into SLV, the largest such fund. Thatâ??s the equivalent of 90% of all the silver mined in the world over that same time (assuming there was no fall off in production).

Of course, what I just outlined would seem to be impossible. How could the worldâ??s silver ETFs have physically acquired 90% (or more) of the worldâ??s total mine production over the past three months with silver prices still remaining lower year to date? In any commodity, such a surge in physical investment buying would cause prices to soar. I suppose the answer offered by many skeptics of silver ETFs and, particularly of SLV, would be that the data are phony, but such skepticism wears thin in the face of the actual listing of the bars, including individual serial numbers, weights and hallmarks. There has to be a better rejoinder than all the data are phony, because that eliminates legitimate analysis.

Actually, there is a better answer and that answer is related to the discontinuous event Iâ??ve been thinking about recently. Please understand that such events are far from ordinary or commonplace and the event that occurred in mid-March in silver (and gold) even more so, because this discontinuous event was not accidental, like occurred in 1987 in the stock and other markets, but quite deliberate and

engineered. And as I indicated on Saturday (and previously) the engineer of the discontinuous price selloff and snapback of mid-March was none other than JPMorgan, true lord and master of all things gold and silver.

As I indicated on Saturday, JPMorgan was the single largest beneficiary of the mid-March price smash for the simple reason that it gained the most, both from profiting on its COMEX silver and gold short positions on the price plunge and by closing out those short positions (once again) at big realized profits. No other short trader made as much or closed out as many shorts. And on the subsequent rally, JPMorgan largely refrained from adding new shorts and with prices now higher in gold than they were in February and close to that in silver, JPMorgan is now better positioned for higher prices as a result of its engineered discontinuous event of mid-March. That should be more than enough proof that JPMorgan was behind the gold and silver price smash of mid-March, but it doesnâ??t stop there.

Also distinctly connected to the engineered price smash is the matter of the equivalent of nearly all of the world mine production over the past three months finding its way into the worldâ??s silver ETFs. Iâ??ve always held that the run up in silver prices to near $50 in 2011 was as a result of the buying of 60 million oz in the SLV over six months. Now we have triple that amount of physical silver being bought in half the time and the price does nothing but get back to pre-smash levels. Huh?

I donâ??t know whatâ??s more unusual, the smashing of gold and silver prices in which silver fell in a matter of days to lows not seen in a decade and in which JPMorgan came out way ahead of any other commercial short or the buying of the amount of physical silver mined over three months with no impact on price. But the one thing I do know is that the crooks at JPMorgan were instrumental in both oddities. The data in the running COT reports show that JPMorgan closed out its COMEX gold and silver short positions â?? but what about the massive flows of physical metal into the worldâ??s silver ETFs? Again, all the evidence points to JPMorgan.

As a result of JPMorgan buying close to one billion ounces of physical silver since 2011, as chronicled on these pages for the past 7 years, the bank was the only one in position to supply most of the massive amount of physical silver that has flowed into the worldâ??s silver ETFs. But being the devious crook that I claim JPM to be, I further allege that the bank didnâ??t simply sell the metal directly to the ETFs, but instead provided it with a giant string attached.

The giant string was that JPMorgan leased the silver to other banks which in turn sold it to the ETFs. By leasing the metal, instead of selling it outright, JPMorgan not only retained true ownership, but gained the additional benefit of putting the borrowing banks deeper into a short silver hole and even more vulnerable to the double cross that JPMorgan has been setting up for years. As devious and crooked as JPMorgan may be, it is also the clever criminal genius Iâ??ve always alleged it to be. Or, at least, so say I â?? and I say it clearly and openly.

In addition, I send every article I write to JPMorgan, the CFTC and the CME Group, the federal commodities regulator and appointed industry self-regulator, respectively. Iâ??ve never heard anything back from JPMorgan ever, nor the CME Group and the CFTC hasnâ??t addressed the matter in more than 12 years. Prior to that, the issues of market manipulation and concentration on the short side of COMEX silver were pertinent enough to elicit a number of public and private comments from the agency. But that was then, certainly not now. How the heck can that be?

There was an interesting article in the Wall Street Journal this week concerning a potential Securities

and Exchange Commission investigation into possible market manipulation by famed hedge fund investor, Kyle Bass, about a short selling and negative publicity campaign by his fund, Hayman Capital, against a Texas real estate investment trust.

https://www.marketwatch.com/story/hedge-fund-manager-kyle-bass-under-sec-scrutiny-over-criticism-of-texas-real-estate-lender-2020-06-14

In no way am I suggesting that Mr. Bass or his fund did anything wrong (or right) â?? I donâ??t know and I really donâ??t care since I donâ??t have a dog in this fight, as self-centered as that may sound. My only point in bringing this up is that it provides a clear example of what happens, and what should happen, when anyone is accused of wrongdoing â?? whether the accusation is on the mark or not. The accused always fights back or denies wrongdoing. In the case where potential laws have been violated, the federal agencies responsible for upholding those laws always take a good hard look.

But since that is not the case here concerning JPMorgan, the CFTC and the CME Group, to say nothing of the US Justice Department, one is forced to ask why not? Please know that I am not itching for a legal attack from JPMorgan or the Justice Department, nor anyone else â?? in such a legal battle, I fully stipulate I would be crushed like a bug. But the allegations I am making are all based upon public data, including from the CFTC and CME. Certainly, the allegations are serious enough, as price manipulation is the most serious market crime of all.

Itâ??s funny (not that Iâ??m laughing), but in the old days â?? prior to the last 12 years or so, when the CFTC responded regularly to my allegations concerning price manipulation and concentration, it would always argue and disagree with each and everything I alleged â?? never once admitting there was even a single thing I alleged that was on the mark â?? even though my allegations were based largely on its data. Trying to be objective, the agency was seeking to end any and all talk of price manipulation in silver. Based upon its and the DOJâ??s continuing investigations and the number of observers who do believe silver has been manipulated in price, that doesnâ??t seem to have been the right approach.

Importantly, back then (pre-2008), the most specific I could get as to who the silver price manipulators were, I was limited to the 4 and 8 big shorts and that they were mostly banks, both foreign and domestic. But JPMorganâ??s takeover of Bear Stearns in 2008, essentially, revealed clearly that JPM was the big manipulator since then – along with every new allegation I have claimed since (never taking a loss, physical metal accumulation and now leasing). How the nationâ??s most important financial institution can sit by, silently, and tolerate such serious accusations is beyond incredible.

Let me be the first to admit that maybe Iâ??m missing something and the story is not exactly as I see it â?? although you have my assurance that I firmly believe that everything I allege is spot on. In the case I am wrong, let JPMorgan, the DOJ, the CFTC and the CME show everyone just how wrong I am and put this matter to rest â?? instead of remaining silent and fostering the impression that they canâ??t answer. It is the collective refusal to respond that digs the hole deeper for those who should be responding.

Turning to other matters, Mondayâ??s sharp early price plunge, which took gold down by $30 and silver by 50 cents, before both metals recovered from those losses late in the day, should serve as a reminder that the commercial crooks can lower the boom on prices at any time they desire. Thatâ??s just the way it is. On the other hand, such short term price action does little except to improve the

already bullish COT market structures in COMEX gold and silver futures, although drastic improvement at this point seems unlikely.

As far as what this Fridayâ??s new COT report might indicate, Iâ??m not looking for significant changes. In fact, the past two or three months have featured some of the smallest average weekly net positioning changes in ages for both gold and silver â?? something along the lines of less than 4000 contracts for silver and 10,000 contracts or so for gold. One might say it has been the calm after the big storm of mid-March. It also helps illustrate a long term conviction of mine that net COMEX futures positioning is largely what drives price. Please allow me to explain.

Gold has been in a fairly contained trading range over the past three months and silver largely so, after accounting for a $2 to $3 bump up in price in mid-May. Average daily trading volume over this period has been around 60,000 contracts in silver, or 300,000 contracts weekly and in gold the average daily trading volume has been around 180,000 contracts or 900,000 contracts weekly.

Since the average weekly net positioning change (per the COT reports) has been around 4000 contracts in silver, that means that less than 1.5% of the total trading volume was actual overnight positioning, rendering 98.5% of the trading volume as mindless and pointless day trading. In gold, the true net positioning change was even less, at 1.1%, meaning 98.9% of total daily COMEX trading is mindless and pointless day trading, largely by computer bot to computer bot. I further contend this percentage of day trading is largely the case in most, if not all other markets. I further contend that the vast bulk of this mindless day trading is all smoke and mirrors and serves no legitimate economic purpose, aside from some very marginal increase in liquidity.

But the tradeoff for the slightly enhanced liquidity is that all the markets, particularly gold and silver, are then subjected to the games played by those controlling the day trading, mainly the commercials in gold and silver. This is very similar to spoofing, which up until now, the Justice Department and the CFTC have held out as the big crime to be investigated in gold and silver. But in reality, spoofing and mindless day trading are just tools for the commercials, particularly JPMorgan, to illegally affect net positioning. Can the DOJ and CFTC be so clueless so as not to see this, even when itâ??s repeatedly explained to them?

Back to this weekâ??s COT report, which I would expect to feature some marginal improvement, or managed money selling and commercial buying, but not of earth-shaking variety. Of course, Iâ??ll be most interested in what the supreme crook of crooks, JPMorgan, was up to.

As far as the financial standing of the 8 big shorts, I slightly misstated the realized portion of their total losses as of Friday as $1.5 billion, when it should have been $1.4 billion, although the Friday finish of the big shorts being $7.8 billion in the hole was close enough. As of todayâ??s publication deadline and with gold slightly lower and silver slightly higher from Fridayâ??s close, Iâ??d peg the 8 big shorts to be out the same $1.4 billion in realized losses and $6.4 billion in open losses or $7.8 billion in total losses

Finally, in news you donâ??t see every day, as a result of action from the Justice Departmentâ??s Anti-Trust Division, the former CEO of Bumble Bee Tuna, was just sentenced to 40 months of prison time as a result of leading a conspiracy involving price fixing. Itâ??s not every day you see a major executive go to jail for financial crimes.

https://www.justice.gov/opa/pr/former-bumble-bee-ceo-sentenced-prison-fixing-prices-canned-tuna

Of all the people at the DOJ, Iâ??ve always been impressed with the Assistant Attorney General of the Anti-Trust Division, Makan Delrahim. I did write to him, both privately and publicly, trying to get his Division to look at JPMorgan and silver on an antitrust basis, but was not successful. I could be all wet, but I think the investigation into precious metals manipulation and JPMorgan would have been better served had the Anti-Trust Division and not the Criminal Division been running it. Here was my public appeal, from early last year â??

https://silverseek.com/article/new-silver-issue-justice-department

Ted Butler

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Silver – $17.74Â Â Â Â Â Â (200 day ma – $17.02, 50 day ma – $16.47)

Gold – $1735Â Â Â Â Â Â Â Â (200 day ma – $1582, 50 day ma – $1723)

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